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Moving the Working Poor to Financial Self-Sufficiency

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Moving the Working Poor to Financial Self-Sufficiency

Abstract

Working poor families face many barriers to financial self-sufficiency. In addition to information and skills leading to a better job, the working poor need information about federal, state, and community-level support available to them. This article provides an overview of the information needs of the working poor and offers five strategies Extension staff and others can use to facilitate the upward mobility of the working poor. The strategies include: 1) information outreach for the working poor, 2) information outreach for employers, 3) education and training for workers, 4) public awareness campaigns, and 5) collaborations for building community capacity.

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Introduction

Work does not necessarily lead to financial self-sufficiency. The 2001 federal poverty guideline for a family of three is \$14,630 and \$17,650 for a two-parent, two-child family (Health and Human Services, 2001). A single mother with two children who works full-time, year-round at the minimum wage (\$5.15 per hour) earns \$10,712 per year--about 73% of the federal poverty level. Scholars define the working poor as families earning between 100 and 200% of the federal poverty level (Koonce, Mauldin, Rupured, & Pazarro, 2000). Hence, this single mother could double her annual salary and still be considered working poor. In a four-person household, two working parents earning the minimum wage earn about 120% of the federal poverty level. In an era of declining TANF caseloads, an uncertain economy, and low unemployment, the large number of working poor families merits special attention.

Although the needs of working poor families are varied and diverse, they fall into three broad categories:

1. Financial and in-kind support to prevent crises and economic instability;
2. Information and skills to better manage the demands of work and family; and
3. Education or training that will lead to a better job.

Addressing the needs of the working poor and helping them advance to financial self-sufficiency also has long-term benefits. The difficulties experienced by today's working poor parents are often transferred to the next generation. Children of poor and unskilled parents are less likely to be as prepared as other children when they enter the workforce (Levitan, Gallo, & Shapiro, 1993).

Educating today's working poor parents may also help their children learn the skills they will need to be productive members of society.

Self-Sufficiency Programs: Awareness and Utilization

Assistance and support are available to the working poor with children. Most of these resources are under-utilized. Many workers are eligible for extra dollars through the Federal Earned Income Tax Credit (EITC) and, in some states, tax credits for low-income families. Even though a large amount of money is paid out to eligible families each year, not all that qualify apply for these credits. National studies of participation rates suggest that only 80% of eligible families receive tax credits (O'Connor, 1999).

Of those who do participate, more than half fall on the higher end of the EITC income scale, suggesting that rates for specific subgroups may be much lower (J. Wanchek, personal communication, May 4, 2000). A California study found that the participation rate for single mothers was closer to 50% (Hill, Hotz, Mullin & Scholz, 1999). The federal EITC can raise a full-time, minimum wage-earner's income to above poverty level.

Many working poor families cannot find affordable housing. Almost one in six households is cost-burdened, paying more than 30% of household income on housing expenses. Median level shelter costs, including mortgage payments, real estate taxes, property insurance, rent, and utilities, account for 20% of the average non-poor household's income. For poor households, the median expenditure can be as high as 60% of household income (Levitan, Mangum & Mangum, 1998). In addition, poor families may face long waiting lists for available subsidized housing units, especially in rural areas. Extension educators can provide the working poor with information about home ownership, special mortgage programs, and how to access them.

Adequate health care coverage for children and families is another important issue facing working poor families. In 1997, 5.4 million employed parents were without health insurance coverage (Guyer & Mann, 1999). One of the primary reasons that many families did not have health insurance was that it was not offered as an employee benefit (Koonce, Mauldin, Rupured, & Pazarro, 2000).

Working poor parents are also more likely to be uninsured than their unemployed counterparts because they are more likely than unemployed parents to be ineligible for Medicaid. In 1997, about 23% of poor parents who had no earnings throughout the year were uninsured, compared to 46% of poor parents who worked for 13 weeks or more during the year (Guyer & Mann, 1999).

There is a widespread misconception among working poor families that leaving TANF means they are no longer eligible for any other forms of state or federal assistance. Many of these workers may not know that they may qualify for transitional Medicaid or their children may qualify for Medicaid coverage (Levitan, Mangum, & Mangum, 1998).

According to Lazere (1997), as the number of families receiving TANF has decreased, the use of food stamps has also declined dramatically. Between 1995 and 1996, the number of poor people in the United States remained statistically unchanged, but the number of people receiving food stamps in an average month fell 1.2 million, or nearly 5%. This trend accelerated in 1997. Between 1996 and 1997, the number of poor people fell 955,000, or 2.6%, while the number receiving food stamps plunged an additional 3.1 million, or more than 12%.

During the 2-year period from 1995 to 1997, the decline in the number of people receiving food stamps (4.4 million) was five times greater than the decline in the number of people living in poverty. Clearly, families who qualify for food stamps are not applying for them. Many families leaving welfare may mistakenly believe that they no longer qualify for food stamps when they actually do (Lazere, 1997).

Balancing employment and parenting demands is especially challenging for the working poor. They have fewer financial resources, and the types of jobs for which most are eligible provide little independence, authority, and flexibility to respond to conflicting demands (Henly, 1999).

Childcare is an important obstacle. Nationwide, high-quality childcare is scarce and expensive. Respondents in one study paid, on average, \$70 per week for childcare, about 22% of their earned income. In the same study, about one-fifth of respondents reported they had no regular childcare provider and had to piece together care for their children at the last minute or leave children home alone or with an older sibling. Thirty percent of respondents reported having left a job because of a childcare disruption (Henly, 1999).

Unfortunately, high-quality care tends to be more expensive, and childcare subsidies in many states pay only the average market rate. Moreover, childcare subsidies cover only a minority of the low-income workforce (Henly, 1999). Parents who choose to enroll their children in high-quality child care often would have to pay the additional costs, a choice many cannot afford to make given other demands on the family income. For many working poor families, these additional costs make selecting high-quality childcare financially impossible (Schulman & Adams, 1998). Extension educators can make sure the working poor know about and take advantage of available subsidies, and tax credits can offset the high costs of childcare.

Transportation is also a major barrier to financial self-sufficiency for many working poor families. Many of the working poor do not get to work with the ease that most working non-poor enjoy (Lambert, 1998). Even though some communities have identified creative solutions to local transportation needs, transportation remains a problem for many of the working poor. Mass transit, if available, is often sparse, not taking direct routes to most jobs. Outside of heavily populated metropolitan areas, public transportation is largely unavailable.

Knowledge of Self-Sufficiency Programs

Although working poor families face many barriers to self-sufficiency, assistance is available. Unfortunately, many families do not take advantage of the available assistance because they do not realize that they qualify for it. Communication on benefits and services for families come in bureaucratically worded documents. Rarely do materials communicate information on available benefits in an easy-to-understand, "user-friendly" manner. Moreover, assistance is available from many different agencies and organizations, making it difficult to know where to call for a given need. Thus, Extension educators can be a valuable resource to the working poor by providing this information.

In focus groups conducted in Georgia during 1996, the Southern Institute on Children and Families found that 55% of AFDC and Medicaid recipients did not understand that if parents get off welfare due to employment status, their children still are eligible for Medicaid. And 53% did not know that if parents get a job, they might qualify to receive more take-home pay from the EITC. Additionally, 39% of recipients did not understand that when parents leave welfare because of work, they could still be eligible for subsidies to help pay for child care expenses at least one year (Shuptrine & McKenzie, 1996).

Families are not the only ones who lack information. Many employers are not aware of Medicaid and other benefits that can supplement the wages of their low-income workers who are financially responsible for children--at no cost to the employer. Forty-three percent of employers participating in the focus groups conducted by the Southern Institute on Children and Families did not know that transitional Medicaid coverage might be available for up to 1 year. Fifty percent did not understand that the EITC is available to low-income working families regardless of whether or not they owe taxes. And 86% did not understand that the EITC could be paid out through the employee's paycheck (Shuptrine & McKenzie, 1996).

Community organizations that work with working poor families were also surveyed, and many were unaware of the full range of benefits available for working poor families. Fully 92% did not understand that children under age 6 were eligible for Medicaid at higher levels of household income than children age 6 and older, and one-third did not know about the availability of transitional Medicaid coverage for up to one year (Shuptrine & McKenzie, 1996).

Strategies for Reaching the Working Poor

Clearly, effective outreach strategies are needed to ensure that families, employers, and community organizations receive accurate and reliable information about available benefits. Given the realities faced by the working poor, Extension educators can use the following five strategies to help facilitate the upward mobility of the working poor to financial self-sufficiency. A number of specific actions have also been identified for each strategy.

Strategy 1: Information Outreach for the Working Poor

Develop and disseminate educational materials to help the working poor access available financial and in-kind support, with an emphasis on training and educational opportunities.

Information could be disseminated through the mail, employers, and print and broadcast media. Many workers are not familiar with the many services in their community and place of employment. The working poor need guidance in accessing the services and educational opportunities in the areas where they live. They also need to be aware of any programs available through their employer. Taking advantage of these services and opportunities can make a big difference in the lives of the working poor.

Strategy 2: Information Outreach for Employers

Develop an educational campaign targeting employers that provides accurate information about a wide variety of assistance and support available to workers. Include an emphasis on why disseminating this information is important for employers (e.g., less absenteeism, more productive workforce, fewer accidents, etc.).

Employers, including agricultural producers, are a frequently overlooked audience for efforts designed to move the working poor to financial self-sufficiency. Employers are typically "out of the loop" in relation to social services and adult education opportunities within their communities. Yet they are often the first to know that an employee is experiencing difficulties, and they may provide the best access to the working poor. Many workers with personal problems tend to experience a lack of concentration resulting in poor quality or quantity of work. Thus, employers may be highly motivated to help solve workers' problems in order to increase productivity.

Providing employers with information about services, such as transportation and childcare assistance, life skill education, vocational and technical training opportunities, the EITC, Medicaid, and other types of support may mean the difference between keeping or losing these workers. Particularly in the current era of very low unemployment, providing employers with information about services and supports available to the working poor will help employers to retain current workers and reduce employee turnover, resulting in a substantial savings in training and development costs.

Employers should also be encouraged to make sure workers know why and how to maximize employee benefits. There are some working poor with employers who offer retirement plans such as 401(k)s and 403(b)s to their employees. In many of these plans, the employers either match what the employee contributes to the plan or pay a certain percentage. Many low-wage workers choose not to put money in these plans because of their need to pay current household expenses. However, low-income workers need to understand the benefits of contributing to retirement accounts.

Strategy 3: Education and Training for Workers

Connect the working poor to life skill education and information about available assistance and support for job training.

Alternative means of teaching busy working parents are needed. Educators need to develop home study courses for the working poor, to be distributed through employers and interested agencies and organizations. The home study courses should incorporate videotapes, audiotapes, worksheets, and other materials to facilitate self-directed learning by the working poor.

Strategy 4: Public Awareness Campaign.

Provide unbiased, research-based information to state and local media about the needs of working poor families and existing efforts to address those needs.

Such information can be used for public education campaigns that focus on financial self-sufficiency issues. Public policy makers can also use this research-based information to better understand and address the issues facing the working poor.

Strategy 5: Collaborations for Building Community Capacity

Facilitate the development of new local coalitions and the involvement of existing community organizations to create or enhance a supportive environment that is focused on the upward mobility of the working poor.

Public and private sectors need to work together to expand community capacity to facilitate the upward mobility of the working poor. Communities must identify barriers that exist to upward mobility and identify creative ways to overcome them. Communities need to assess the availability of childcare, housing, transportation, training and educational opportunities, healthcare, and jobs that pay enough to support a family. The bottom line is that a community must have an infrastructure in place that supports working parents and provides opportunities for advancement in order for the working poor to successfully move to financial self-sufficiency.

Extension educators can also play an important role in harnessing the collective resources of non-profits and faith-based organizations in the local community. Workers and volunteers in these organizations can benefit from the training and educational resources available through Extension. Consolidating the efforts of diverse organizations into a cohesive response enhances both community capacity and community well-being.

Some working poor are not privileged to have employers who offer retirement accounts for their employees. These workers have virtually no way of accumulating assets. Individual Development Accounts (IDAs), through which working poor individuals have savings matched by as much as nine to one are springing up across the country. IDA programs give workers the opportunity to save for long-term goals like continuing education, the purchase of a home or starting a business (McKenna, Owen, & Blansett, 2001).

Reaching the working poor is a daunting challenge and will require a multifaceted approach. Although the burden of the move to financial self-sufficiency falls primarily upon the shoulders of the working poor, employers, individual communities, Extension educators, and public policy makers bear some responsibility as well. Developing and implementing creative ways of improving the economic situation of the working poor is a responsibility and challenge that will ultimately benefit society as a whole.

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