

# ***Poverty Despite Work in Minnesota***

ECONOMIC TRENDS CONTRIBUTING TO POVERTY

FACES OF MINNESOTA'S WORKING POOR

POLICY OPTIONS

# Poverty Despite Work in Minnesota

June 2000

Nan Madden  
Sonia Ahmad

This report was made possible through a grant from the Ford Foundation.

Copyright © 2000 by the Minnesota Budget Project

## About The Minnesota Budget Project

Changes by federal, state, and local governments have increased the need for policy-makers and community leaders to understand how tax and budget decisions effect our state's low- and moderate-income populations. In the coming years, fiscal policy decisions made at the Legislature and at county courthouses and city halls across the state will influence Minnesotans' ability to find livable wage jobs and access affordable housing, education and training, health care, and other essential services.

The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, provides independent research, analysis, and outreach on state budget and tax policy issues, emphasizing their effect on low- and moderate-income persons and the organizations that serve them. Our mission is to provide interested citizens, elected officials, and community leaders with timely and accurate information so that they can become more active and effective participants in public policy debates.

The Minnesota Budget Project was established with support from the Ford Foundation, in conjunction with the State Fiscal Analysis Initiative, a collaboration of the Ford Foundation, the Annie E. Casey Foundation, the Charles Stewart Mott Foundation, and the Open Society Institute. Additional support for the Minnesota Budget Project comes from the 1,000 member organizations of the Minnesota Council of Nonprofits.

## Acknowledgements

The Minnesota Budget Project would like to thank the following individuals and organizations for their reviews and valuable assistance: Aviva Breen, Commission on the Economic Status of Women; Joelle Hoeft and Avisia Whiteman, Minnesota Department of Children, Families and Learning; Salima Khakoo, Minnesota Child Care Resource and Referral Network; Ed Lazere, Center on Budget and Policy Priorities; Pam Marshall, Energy CENTS Coalition; Maureen O'Connell and Carrie Thomas, Legal Services Advocacy Project; Edie Rassel, Economic Policy Institute; Kevin Ristau, JOBS NOW Coalition; Jeff van Wychen; Jason Walsh, Affirmative Options Coalition; and Kirsten Bansen Weigle, Minnesota Housing Partnership.

# Poverty Despite Work in Minnesota

## Table of Contents

<b>EXECUTIVE SUMMARY</b> .....	<b>i</b>
<b>INTRODUCTION</b> .....	<b>1</b>
<b>THE PROBLEM: POVERTY DESPITE WORK</b> .....	<b>3</b>
Most poor families with children contain working parents.....	3
Many working families have incomes just above the poverty line .....	3
Child poverty is at an alarming level.....	4
Graph 1: National poverty rate trends by age group, 1970 - 1997 .....	4
Working poor parents face limited opportunities .....	5
Working poor parents do not receive critical work supports .....	6
<b>ECONOMIC TRENDS CONTRIBUTE TO POVERTY</b> .....	<b>9</b>
Low wage work is becoming more prevalent.....	9
A growing share of jobs are in low-wage industries .....	9
Graph 2: Employment growth in Minnesota by industry, 1996 - 2006.....	10
The value of the minimum wage has declined.....	11
Graph 3: Value of the federal minimum wage, 1960 - 1999 .....	11
<b>FACES OF MINNESOTA’S WORKING POOR</b> .....	<b>13</b>
Graph 4: Age and education level of working poor heads of households .....	13
Graph 5: Family configuration, ethnic background, and geographic distribution of working poor families.....	14
<b>POLICY OPTIONS</b> .....	<b>15</b>
Address the affordable housing crisis .....	15
Improve access to health care coverage .....	16
Provide child care assistance to more working families .....	17
Increase access to education and training .....	18
Raise the state’s minimum wage .....	19
Ensure tax fairness for low-income families.....	19
Reform Unemployment Insurance.....	20
<b>CONCLUSION</b> .....	<b>23</b>
<b>APPENDIX 1: DATA AND TERMINOLOGY</b> .....	<b>25</b>
<b>APPENDIX 2: CHARACTERISTICS OF WORKING FAMILIES WITH CHILDREN IN MINNESOTA</b> .....	<b>26</b>

# EXECUTIVE SUMMARY

This report looks closely at three serious challenges in our country. First, poverty rates are higher among children than any other age group. Second, thousands of working parents are unable to reach economic self-sufficiency; that is, they cannot obtain an adequate standard of living for their families. Third, despite the strong value our culture places on work, work often does not provide a way out of poverty.

Under these conditions, it is important to understand the extent of poverty among working families, the economic trends that contribute to poverty, and the characteristics of working poor families. A fuller picture of the state of affairs for working poor families suggests policy changes to help more families achieve economic self-sufficiency.

Although the common belief is that people are poor because they do not work, the reality is quite different: **most poor families are working families.**<sup>1</sup>

- Nationally, 70% of poor families in which parents are able to work contain working parents and one-fourth include a full-time, year-round worker. Working poor parents work an average of nine and a half months during the year.<sup>2</sup>
- In Minnesota, 95% of poor families with children include parents who are able to work. Of these families, 65% include a parent who worked at some point during the year.

**Children are the poorest age group** in the U.S. Nationally, 20% of children under age 18 were poor in 1997, compared to 13% of the population as a whole.

- Between 1979 and 1997, the poverty rate among all workers grew nearly 16% and among working families with children the poverty rate increased 42%. By 1997, 11% of working families with children lived in poverty.
- Although Minnesota's child poverty rate of 14% is lower than is seen nationally, it is significantly higher than the state's overall poverty rate of 9.5%.

Working poor parents struggle to obtain full-time work and to advance in the workplace. Working poor parents often find that their **work and training opportunities are limited.** Official figures such as the unemployment rate disguise the extent of these problems.

- In 1997, a national unemployment rate of 4.9% masked an **underemployment** rate of 8.9%.<sup>3</sup> The underemployment rate not only counts the unemployed (those actively seeking work), but also includes persons who are involuntarily working less

---

<sup>1</sup> Poor families are defined as families with incomes at or below the federal poverty line for the year analyzed. The 1997 poverty line was \$12,802 for a family of three and \$16,400 for a family of four. For more information about our methodology, see Appendix 1: Data and terminology.

<sup>2</sup> Our primary source of data for this report is Center on Budget and Policy Priorities, *The Poverty Despite Work Handbook*, 1999. This publication is an analysis relying mainly on data from the U.S. Census Bureau's Current Population Survey for 1995 to 1997. All additional sources are footnoted.

<sup>3</sup> Lawrence Mishel, Jared Bernstein, and John Schmitt, *The State of Working America 1998-1999*, Economic Policy Institute, 1999.

than full-time or who have given up looking for work because of lack of opportunities.

- In Minnesota, 90% of welfare recipients have no post-secondary education and 43.5% do not have a high school degree or equivalent,<sup>4</sup> yet only 12.8% of adult welfare recipients who are not exempt from work requirements are enrolled in education or training.<sup>5</sup>

**Working poor parents require adequate work supports**, such as affordable housing, health care, and child care, to find and sustain employment. Without these work supports, parents are often unable to succeed in the workplace or provide an adequate standard of living for their families.

- **Affordable housing** is a critical component to employment success and family stability. In Minnesota, extremely low vacancy rates and a sharp rise in rents exacerbate a shortage of affordable housing. From 1998 to 1999, average rents in the Twin Cities increased nearly 11%. At the same time, metro area vacancy rates dropped to 1.7% — much lower than the 5% rate that is considered healthy.<sup>6</sup> At the end of 1999, average monthly rent in the Twin Cities was out of reach for families earning less than \$29,160 per year.<sup>7</sup>
- Many working poor families have no **health insurance**. Nationally, 27% of children in working poor families are uninsured. In Minnesota, 5% of children under age 19 with incomes under 200% of the poverty line — approximately 67,000 children — are uninsured.<sup>8</sup>
- Parents cannot go to work until they have secured **child care** for their children. Many working poor parents cannot find affordable and reliable child care. In January 2000, 4,175 Minnesota families were on waiting lists for Basic Sliding Fee child care assistance, due to funding shortfalls.<sup>9</sup>

Two economic trends in particular have contributed to poverty among working families in the U.S. First, a substantial and increasing proportion of **working parents had low hourly wages** in the mid-1990's. Second, **job growth has been concentrated in low-paying industries**, particularly service and retail. A third contributing factor has been the **decline in the value of the minimum wage**.

- Nationally, the proportion of full-time workers with low hourly earnings<sup>10</sup> grew nearly 20% from 1979 to 1997. By 1997, 14.4% of full-time workers and 21% of working heads of households had low hourly earnings. In Minnesota in the mid-

---

<sup>4</sup> Minnesota Department of Human Services, *Characteristics of Minnesota Family Investment Program (MFIP) Participants and Cases in December 1999*, May 2000.

<sup>5</sup> Calculation using data from Minnesota Department of Human Services, *MFIP Monthly Report*, February 2000 data.

<sup>6</sup> "Rental prices rise as vacancies fall to just over 1.7 percent by year's end," *Star Tribune*, January 22, 2000.

<sup>7</sup> This calculation uses the Department of Housing and Urban Development's definition of affordable housing as housing that consumes no more than 30% of family income. The average monthly rent figure is reported in "Buyers face stiff competition for homes under \$140,000," *Star Tribune*, April 8, 2000.

<sup>8</sup> U.S. Census Bureau, *Low Income Uninsured Children by State: 1996, 1997, and 1998*.

<sup>9</sup> Minnesota Department of Children, Families and Learning.

<sup>10</sup> Low hourly earnings are defined by the Census Bureau as hourly wages that, on a full-time, year-round basis, are insufficient to lift a family of four to the poverty line.

1990's, 12% of parents who worked full-time, year-round, and 19.5% of parents who worked at some point during the year had low hourly earnings.

- In the U.S., employment in services<sup>11</sup> grew 89.5% and retail employment grew 45% from 1982 and 1997. In Minnesota, the number of service sector jobs increased 84% over this time period, by far the largest rate of job growth in any industry and nearly double the rate of total job growth in Minnesota. The Minnesota Department of Economic Security estimates that between 1996 and 2006, the service sector will increase its share of all jobs in Minnesota while all other sectors will see their share of total jobs decline.<sup>12</sup>

A final factor leading to poverty among working families is the **decline in the buying power of the minimum wage**. During the 1960's and 1970's, the earnings of a full-time, year-round minimum wage worker typically were enough to lift a family of three out of poverty. In 1999, full-time, year-round minimum wage earnings only equaled 80% of the poverty line for a family of three. To have the same purchasing power as in the 1970's, the minimum wage would need to be \$6.40 an hour, rather than the \$5.15 it is today.

The working poor are often not who we think they are. The majority of working poor families in Minnesota are white, contain a married couple, and are headed by someone over age 25 with at least a high school education. Just over half of Minnesota's working poor families live in the state's metropolitan areas.

The persistence and scope of the three problems discussed above — high poverty rates among children, the lack of an adequate standard of living for many families, and a significant portion of workers unable to lift their families out of poverty through work — does not mean that these problems are inevitable. Policy changes can be taken to address these problems. This report concludes with seven policy strategies to enable more Minnesota families to reach economic self-sufficiency. These recommendations are:

- Address the state's affordable housing crisis,
- Improve access to health care programs,
- Provide child care assistance to more working families,
- Increase access to education and training,
- Raise the state's minimum wage,
- Ensure tax fairness for low-income families, and
- Reform Unemployment Insurance.

---

<sup>11</sup> The service sector includes business services, repair, entertainment and recreation, educational services, social services, health services, and hospitals.

<sup>12</sup> Minnesota Department of Economic Security, *Minnesota Employment Outlook to 2006*, 2000.

# INTRODUCTION

Despite its strong economy and wealth, the U.S. faces three serious challenges. First, children are the nation's poorest age group. Second, thousands of working parents are unable to provide an adequate standard of living for their families. Finally, many parents work but their families remain poor.

Welfare reform is based on the premise that families will be better off by making the transition to work. However, studies show that former welfare recipients work substantial numbers of hours but receive low wages that leave their families well below the poverty line. Former welfare recipients typically find jobs that do not provide paid sick leave, vacation, or health benefits.<sup>1</sup> Whether welfare reform succeeds depends on whether parents can find and keep jobs that provide adequate support for their families.

This report describes the characteristics of working poor families and the economic trends that contribute to poverty. The three problems discussed above — high poverty rates among children, the lack of an adequate standard of living, and a significant portion of workers unable to lift their families out of poverty — are not inevitable. We offer seven policy strategies to enable more Minnesota families to reach economic self-sufficiency. These recommendations are:

- Address the state's affordable housing crisis,
- Improve access to health care programs,
- Provide child care assistance to more working families,
- Increase access to education and training,
- Raise the state's minimum wage,
- Ensure tax fairness for low-income families, and
- Reform Unemployment Insurance.

By focusing on families with children, we do not wish to downplay the hardships faced by poor individuals and families without children. However, because a disproportionate number of children live in poverty, and due to the serious consequences poverty imposes on their future, this report addresses families with children.

Except where noted, poor families are defined those with incomes at or below the federal poverty line for the year analyzed.<sup>2</sup> Our primary source of data is the Center on Budget and Policy Priorities' *Poverty Despite Work Handbook*,<sup>3</sup> an analysis relying mainly on data from the U.S. Census Bureau's Current Population Survey (CPS) for 1995

---

<sup>1</sup> Sharon Parrott, *Welfare Recipients Who Find Jobs: What Do We Know About Their Employment and Earnings?*, Center on Budget and Policy Priorities, 1998.

<sup>2</sup> There are two official measures of poverty, the poverty threshold and poverty guidelines. The expression "poverty line" in this report refers to the poverty threshold. The 1997 poverty threshold was \$12,802 for a family of three and \$16,400 for a family of four. For more information on the two poverty measures, see Appendix 1: Data and terminology.

<sup>3</sup> Christina Smith FitzPatrick and Ed Lazere, *The Poverty Despite Work Handbook*, Center on Budget and Policy Priorities, 1999.

to 1997. Our methodology is described further in Appendix 1: Data and terminology. All additional sources are footnoted.

## THE PROBLEM: POVERTY DESPITE WORK

Although there is a common assumption that families are poor because they do not work, most poor families are working families. Nationally, 70% of poor families in which parents are able to work contain working parents and one-fourth include a full-time, year-round worker.<sup>1</sup> The average working poor parent works nine and a half months of the year.

Poor families cannot be easily divided into working and non-working. Two-thirds of families with children who received welfare, SSI, or General Assistance at some point during the year in the mid-1990's also had a parent who worked at least part of the year. Many families only rely on assistance for a short period of time as they recover from job loss, illness, or family crisis. Other families are forced by low wages to combine employment and assistance to make ends meet.

### *Most poor families with children contain working parents*

Minnesota follows the national pattern that most poor families include working parents.

- In the mid-1990's, 69,000 Minnesota families with children were poor. 95% of poor families with children included parents who were able to work. Of these families, 65% included an adult who worked at some point during the year.
- 69% of poor families with children who received welfare benefits at some point during the year (and contained a parent who was able to work) had a parent who worked at least part of the year.

The line between working and non-working poor has continued to blur in recent years, as welfare reform has required work efforts from most families receiving assistance. In February 2000, 40% of the adult caseload in the Minnesota Family Investment Program (MFIP) worked at some point during the month.<sup>2</sup>

### *Many working families have incomes just above the poverty line*

Any recent discussion about poverty raises questions concerning the accuracy of the federal poverty line as a measurement of adequate household income. Developed over 30 years ago, the federal poverty line assumes a family of three can survive on an annual income of roughly \$13,000. As an alternative to using the poverty line, the JOBS NOW Coalition prepares a "minimum family budget," based on the costs of household necessities and work-related expenses to achieve a "no frills" standard of living. According to this method, a Minnesota household would need an income of \$28,733 — 224% of the poverty line — to cover a minimum family budget for a single-parent family

---

<sup>1</sup> In this report, a parent is considered "able to work" if he/she is not retired or prevented from working because of illness or disability.

<sup>2</sup> The Minnesota Family Investment Program (MFIP) is the state's Temporary Assistance for Needy Families (TANF) program, which replaced the AFDC welfare program. Calculation based on Minnesota Department of Human Services, *MFIP Monthly Report*, February 2000 data.

of three with one full-time, year-round worker.<sup>3</sup> The earnings of a full-time, year-round minimum wage worker would only cover 37% of this budget.<sup>4</sup>

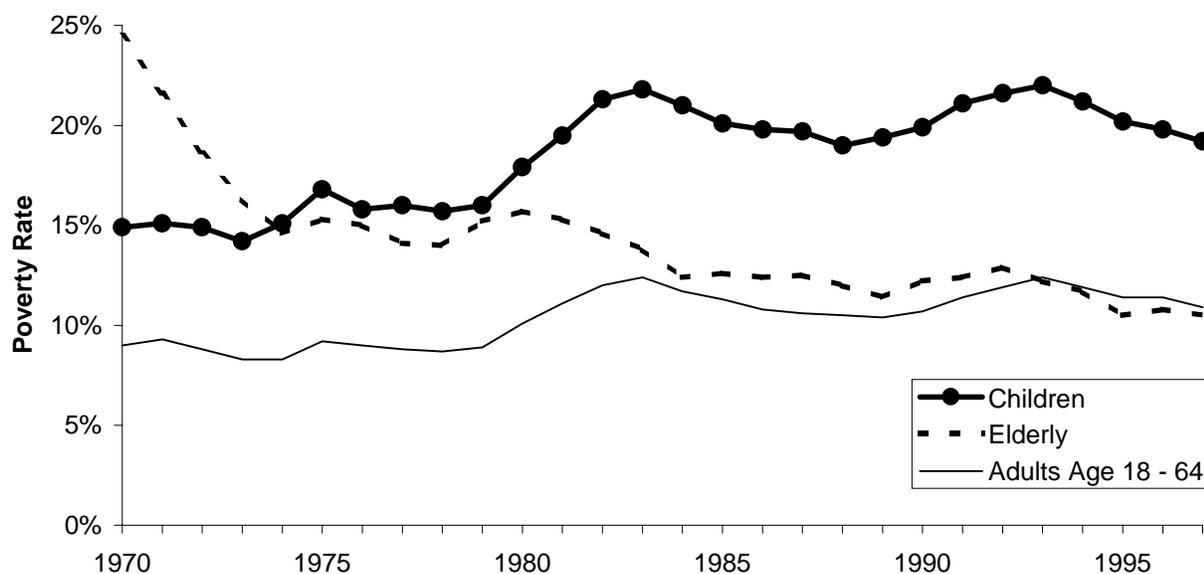
It makes sense, therefore, to broaden the definition of poverty to include households at 150% or 200% of the poverty line. Not surprisingly, we find that almost all such “near poor” families worked at some point during the year. In Minnesota in the mid-1990’s:

- 51,000 families with children with incomes between 100% and 150% of the poverty line contained an adult able to work. 98% of these families had a parent who worked at some point during the year.<sup>5</sup>
- An additional 65,000 families with children with incomes between 150% and 200% of the poverty line included adults who were able to work. Virtually all of these families included a parent who worked sometime during the year and 65% included a full-time, year-round worker.<sup>6</sup>

### *Child poverty is at an alarming level*

Children are the poorest age group in the U.S. Nationally, 20% of children under age 18 were poor in 1997, compared to 13% of the population as a whole. In addition, child poverty has grown substantially over the past two decades. Between 1970 and 1997, the poverty rate among children in the U.S. rose 32%, compared to a 21% increase in the poverty rate among adults aged 18 to 64 and a 57% decrease among the elderly.

**Graph 1: National poverty rate trends by age group, 1970 - 1997<sup>7</sup>**



<sup>3</sup> Bruce Steuernagel and Kevin Ristau, *The Cost of Living in Minnesota*, JOBS NOW Coalition, 1998. The minimum family budget assumes the family receives no government assistance or child support, but does receive the Earned Income Credit and Minnesota Working Family Credit to which they are entitled. The \$28,733 figure refers to the 1997 minimum family budget.

<sup>4</sup> Author’s calculation.

<sup>5</sup> 150% of the 1997 poverty line is \$19,203 for a family of three and \$24,600 for a family of four.

<sup>6</sup> 200% of the 1997 poverty line is \$25,604 for a family of three and \$32,800 for a family of four.

<sup>7</sup> Data source: U.S. Census Bureau.

Children have not always been the poorest age group in the U.S. Until the mid-1970's, poverty was more common among the elderly than among children. Although the rise of child poverty is discouraging, the decline of poverty among the elderly shows that policy action can successfully reduce poverty rates.

In Minnesota in the mid-1990's:

- 14% of children lived in poverty, compared to 9.5% of all state residents.

### *Working poor parents face limited opportunities*

Many working poor parents struggle to obtain full-time work and to advance in the workplace. However, working poor parents find that their work and training opportunities are limited. Nationally, 43% of working poor parents either were unemployed or temporarily laid off part of the year, or worked part-time although they preferred full-time work. Despite the relatively low official employment rate in the mid-1990's, a much larger percentage of the workforce experienced **under**employment. The underemployment rate not only counts the unemployed (those actively seeking work), but also persons who have given up looking for work or who are involuntarily working less than full-time.

The Economic Policy Institute found that a national unemployment rate of 4.9% in 1997 masked an underemployment rate of 8.9%.<sup>8</sup> The largest portion of the underemployed (55%) were unemployed, 33.3% were involuntarily working part-time, 2.8% were "discouraged" workers (who have stopped seeking work because of a lack of success), and 8.8% were otherwise marginally attached to the work force (were not currently seeking work but were available and had looked for work in the last 12 months). Their analysis also showed that underemployment rates were significantly higher for people of color compared to whites of similar ages and educational attainment.

One of the clearest paths to economic self-sufficiency is education and training. Simply building a work history does not provide significant wage increases over time. One study of women who received welfare in 1979 increased their hourly earnings by a total of only 65¢ an hour *over a twelve year period*.<sup>9</sup> Wages are strongly linked to basic skill levels and educational credentials. In 1998, among full-time working women, those with some post-secondary education had median weekly earnings 20% higher than those with only a high school education; those with college degrees made 49% more than those with some post-secondary education and 79% more than those with only a high school education.<sup>10</sup>

---

<sup>8</sup> Lawrence Mishel, Jared Bernstein, and John Schmitt, *The State of Working America 1998-1999*, Economic Policy Institute, 1999.

<sup>9</sup> LaDonna Pavetti, *Against the Odds: Steady Employment Among Low-Skilled Women*, The Urban Institute, 1997.

<sup>10</sup> Commission on the Economic Status of Women, *Education and Earnings: A Compilation of Recent U.S. Data*, 2000.

Despite the economic benefits of education and training, this path to success is often blocked. Although it is difficult to get information about the training needs of working poor parents generally, studies of welfare recipients demonstrate a need for — and a lack of access to — training. In Minnesota, 90% of welfare recipients have no post-secondary education and 43.5% do not have a high school degree or equivalent.<sup>11</sup> In addition, 62% of welfare recipients believe they need more education to reach their employment goals.<sup>12</sup> However, as of February 2000, only 12.8% of adult welfare recipients who were not exempt from work requirements were enrolled in education or training.<sup>13</sup>

### ***Working poor parents do not receive critical work supports***

In order to find and sustain employment, parents need to have critical work supports in place, including affordable housing, child care, and health care. However, working poor parents often are unable to obtain such supports.

***Affordable housing*** is a critical link to economic self-sufficiency and family stability. Without it, children's physical and emotional health suffers, families cannot address other basic needs, and dependence on public resources increases. In Minnesota, extremely low vacancy rates and a sharp rise in rents exacerbate a shortage of affordable housing. From 1998 to 1999, average rents in the Twin Cities increased nearly 11%. At the same time, metro area vacancy rates dropped to 1.7% — much lower than the 5% rate that is considered healthy.<sup>14</sup> At the end of 1999, average monthly rent in the Twin Cities hit \$729, which is out of reach for families earning less than \$29,160 per year, or \$14.00 an hour for full-time, year-round work.<sup>15</sup>

It is not surprising under these conditions that homelessness is increasing. Between 1987 and 1999, the number of people in metro area temporary housing more than tripled. The number of children living in temporary housing on a given night grew from 244 in 1987 to 1,770 in 1999.<sup>16</sup>

Not only is there a shortage of affordable housing in the private market, but also a limited availability of public housing. As of April 2000, there were 5,300 families and individuals waiting for public housing in Minneapolis. Waits for housing assistance can last from two months to three years. Because the waiting list is currently closed to new applicants, the list underestimates the number of households needing public housing.

---

<sup>11</sup> Minnesota Department of Human Services, *Characteristics of Minnesota Family Investment Program (MFIP) Participants and Cases in December 1999*.

<sup>12</sup> Minnesota Department of Human Services, *Minnesota Family Investment Program Longitudinal Study: Baseline Report*, August 1999.

<sup>13</sup> Calculations of data from Minnesota Department of Human Services, *MFIP Monthly Report*, February 2000.

<sup>14</sup> "Rental prices rise as vacancies fall to just over 1.7 percent by year's end," *Star Tribune*, January 22, 2000.

<sup>15</sup> This calculation uses the Department of Housing and Urban Development's definition of affordable housing as housing that consumes no more than 30% of family income. The average monthly rent figure is reported in "Buyers face stiff competition for homes under \$140,000," *Star Tribune*, April 8, 2000.

<sup>16</sup> Family Housing Fund, *Children Pay the Price for Homelessness*, 1999.

An additional 4,100 families are on the waiting list for Section 8 vouchers, which help subsidize the cost of renting in the private market.<sup>17</sup>

Working poor families often face difficulties obtaining **health insurance**, particularly employer-provided health insurance. Nationally, only 31% of all poor workers and 41% of full-time, year-round poor workers had employment-related health insurance in 1997, compared to 81% of non-poor workers. 27% of children in working poor families lacked health insurance.

In Minnesota, conditions are better than in the nation as a whole, although a significant number of poor children still are without health insurance.

- 5% of Minnesota children under age 19 with incomes under 200% of the poverty line — approximately 67,000 children — have no health insurance.<sup>18</sup>
- Approximately 10% of all Minnesotans were uninsured in the mid-1990's.<sup>19</sup> An estimated 58% of uninsured adults are employed and 24% are self-employed; 75 to 80% of uninsured children have at least one employed parent.<sup>20</sup>

An additional concern regarding health care coverage is evidence that families leaving welfare for work are improperly losing their Medicaid coverage. Federal law states that families leaving welfare remain eligible for Medicaid for six to twelve months. However, a national study shows that one-third of women had no health insurance in the first six months after leaving welfare. Children were more likely to be covered by health insurance, but almost one-fifth were uninsured six months after leaving welfare.<sup>21</sup>

A third vital work support is **child care**. Many Minnesota working parents cannot find affordable and reliable child care. In January 2000, 4,175 Minnesota families were on waiting lists for Basic Sliding Fee (BSF) child care assistance, due to funding shortfalls, and the waiting list understates the number of eligible families needing assistance.<sup>22</sup> Some families face a long wait. Of the 551 families on Ramsey County's BSF waiting list in April 2000, 44% had been waiting for child care assistance between four and six months.<sup>23</sup>

---

<sup>17</sup> Minneapolis Public Housing Authority.

<sup>18</sup> U.S. Census Bureau, *Low Income Uninsured Children by State: 1996, 1997, and 1998*.

<sup>19</sup> U.S. Census Bureau, *Health Insurance Coverage: 1998 – State Uninsured Rates*.

<sup>20</sup> Minnesota Department of Health, *Uncompensated Health Care In Minnesota: An Interim Report to the Legislature*, 1999.

<sup>21</sup> Bowen Garrett and John Holahan, *Welfare Leavers, Medicaid Coverage, and Private Health Insurance*, Urban Institute, 2000.

<sup>22</sup> Minnesota Department of Children, Families and Learning.

<sup>23</sup> Ramsey County Human Services.



# ECONOMIC TRENDS CONTRIBUTE TO POVERTY

Despite the argument made for welfare reform — that families will improve their standard of living and reach economic self-sufficiency through work — the reality is quite different for many families. From 1979 to 1997, the poverty rate among all workers grew nearly 16% and the poverty rate among working families with children in the U.S. increased 42%. In addition, low-wage workers saw their hourly wages fall 15%, from 1979 to 1997, adjusting for inflation, while middle-class workers saw a decline of 5.5%. Two economic trends in particular have contributed to the increase of poverty. First, a substantial and increasing proportion of **working parents had low hourly wages** in the mid-1990's. Second, **job growth has been concentrated in low-paying industries**, particularly service and retail. A third contributing factor has been the **decline in the value of the minimum wage** over time.

## *Low wage work is becoming more prevalent*

Nationally, a greater proportion of working parents had low hourly earnings<sup>1</sup> in the mid-1990's than in the 1970's. The portion of full-time workers with low hourly earnings grew nearly 20% from 1979 to 1997. By 1997, 14.4% of full-time workers and 21% of working heads of households had low hourly earnings.

In Minnesota in the mid-1990's, the prevalence of low wage work was a serious problem, although it is unclear whether it is becoming more widespread.

- 12% of parents who worked full-time, year-round had low hourly earnings.
- 19.5% of parents who worked at some point during the year had low hourly earnings.

Again, the poverty line may be an inaccurate reflection of the needs of Minnesota's working families. Using the alternative minimum family budget, in 1996-1997:

- 73% of female workers made less than \$13.81 an hour, the wage needed to cover the costs of a minimum family budget for a single-parent family of three.
- 50% of male workers made less than \$13.00 an hour, the wage needed to cover the costs of a minimum family budget for a two-parent family of four with one working parent and one stay-at-home parent.<sup>2</sup> (The lower wage needed by the family of four compared to the family of three is because of the lack of child care expenses.)

## *A growing share of jobs are in low-wage industries*

Poverty among working families is caused in part by the long-term shift away from higher-paying manufacturing jobs toward lower-paying jobs in service and retail occupations. Nationally, employment in services<sup>3</sup> grew 89.5% and retail employment grew 45% from 1982 to 1997.

---

<sup>1</sup> Low hourly earnings are defined by the Census Bureau as hourly wages that, on a full-time, year-round basis, are insufficient to lift a family of four to the poverty line.

<sup>2</sup> Bruce Steuernagel and Kevin Ristau, *The Cost of Living in Minnesota*, JOBS NOW Coalition, 1998.

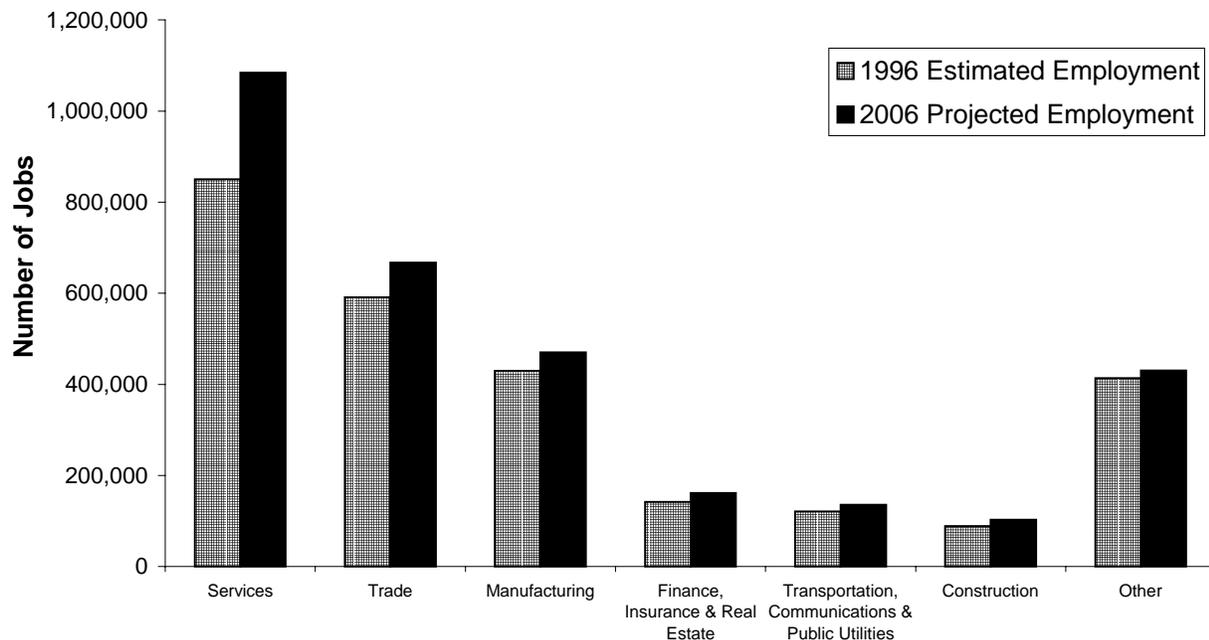
<sup>3</sup> The service sector includes business services, repair, entertainment and recreation, educational services, social services, health services, and hospitals.

Similarly, in Minnesota a growing share of all jobs are in the low-wage services sector.

- In the mid-1990's, 43% of parents with low hourly earnings worked in the service sector, which had an average weekly wage of \$486, the second lowest of any industry. An additional 23% of parents with low hourly earnings worked in retail trade, with an average weekly wage of \$279.
- The number of jobs in the service sector increased 84% between 1982 and 1997, by far the largest rate of job growth in any industry and nearly double the rate of total job growth in Minnesota. The share of all jobs that were in the service sector grew from 22.3% to 28.2% over this time period. Construction and retail grew at about the same rate as jobs overall, but manufacturing jobs (average weekly wages of \$716) grew by only 25%, about half the rate of overall job growth. Manufacturing's share of total jobs fell from 20.3% to 17.5%.

The Minnesota Department of Economic Security estimates that between 1996 and 2006, service sector jobs will be an increasing portion of all jobs in Minnesota while all other sectors will see their share of total jobs decline.<sup>4</sup> Service jobs will grow by 27.5% — compared to a total job growth of 15.8% — and will add 56% of all new jobs created. The number of jobs in the retail trade sector will grow by 12.1%, but retail's share of all jobs will decline slightly from 16.8% to 16.3%. Manufacturing jobs will grow by 9.5%; manufacturing's share of total jobs will fall from 16.3% to 15.4%.

**Graph 2: Employment growth in Minnesota by industry, 1996 - 2006<sup>5</sup>**



<sup>4</sup> Minnesota Department of Economic Security, *Minnesota Employment Outlook to 2006*, 2000.

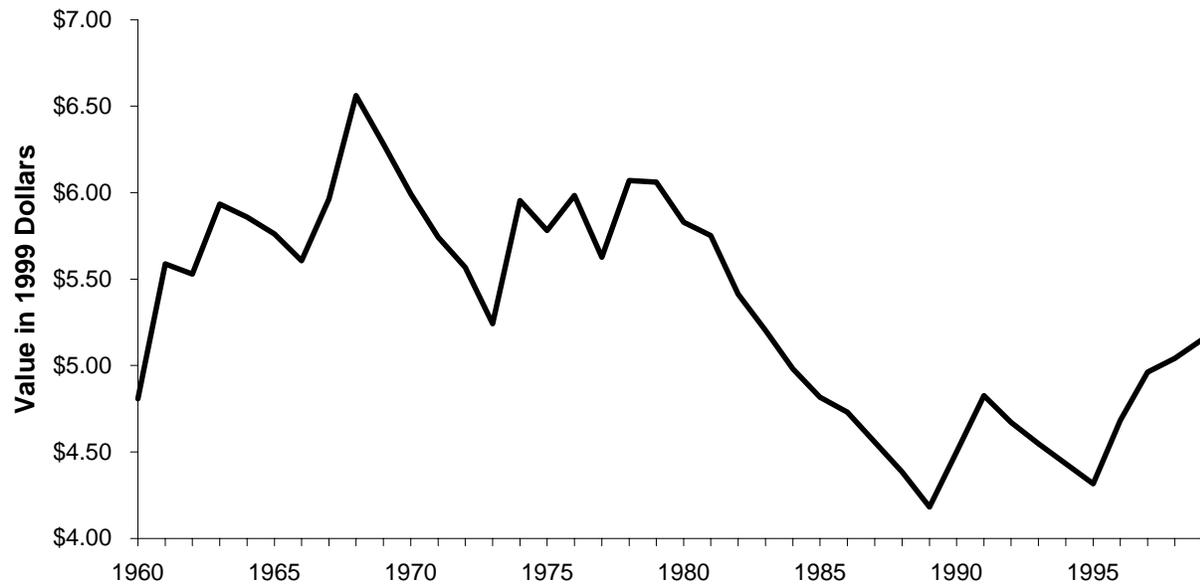
<sup>5</sup> Data source: *Minnesota Employment Outlook to 2006*.

### *The value of the minimum wage has declined*

In addition to labor market conditions, erosion in the value of the federal minimum wage has made it tough for low-wage workers to support their families. Minimum wage jobs are a crucial source of income for working poor families. Contrary to popular belief, more than two-thirds of minimum wage workers are adults, not teenagers; minimum wage workers contribute an average of 54% of their household's earnings.

During the 1960's and 1970's, the earnings of a full-time, year-round minimum wage worker typically were enough to lift a family of three out of poverty. In 1999, full-time, year-round minimum wage earnings only equaled 80% of the poverty line for a family of three. Even after increases in the 1990's, the buying power of the minimum wage is still 21% lower than in 1979. To have the same purchasing power as in the 1970's, the minimum wage would need to be \$6.40 an hour, rather than \$5.15 as it is today.

**Graph 3: Value of the federal minimum wage, 1960 - 1999<sup>6</sup>**



<sup>6</sup> Data source: Economic Policy Institute.

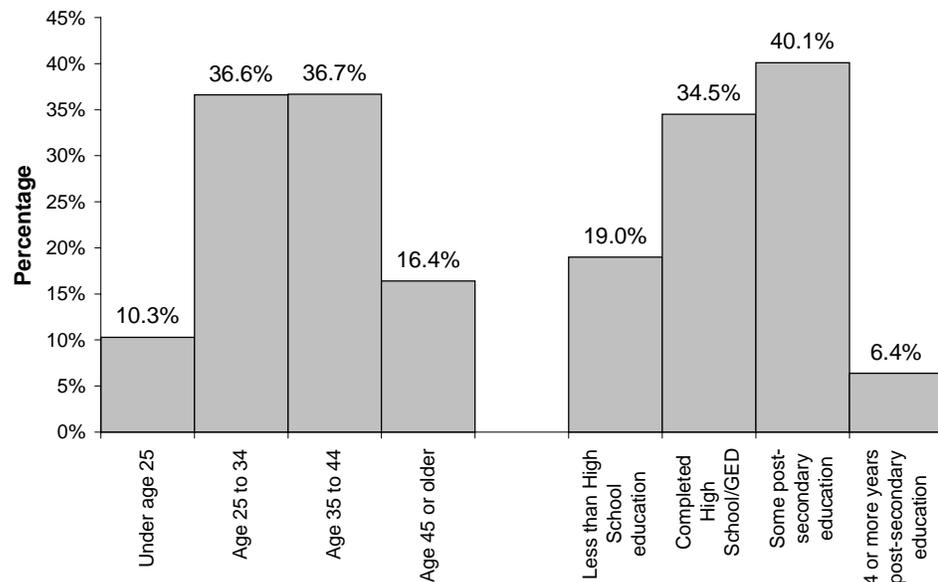


# FACES OF MINNESOTA'S WORKING POOR

A prevalent belief about poverty holds that families are poor because of age, education level, or family configuration. However, the common stereotype of a poor family headed by a young, poorly educated, single woman of color does not fit the facts about working poor families in Minnesota.<sup>1</sup> Only 10% of working poor families are headed by individuals younger than 25, 81% of working poor families are headed by individuals with at least a high school degree (46% have pursued some post-secondary education), and the majority include a married couple. It is true, however, that working poor families are more likely to be headed by a younger and less educated single parent than working families in Minnesota in general.<sup>2</sup>

**Graph 4: Age and education level of working poor heads of households**

- The majority of working poor heads of households (73%) are age 25 to 44. Only 10% are younger than 25.
- 40% of working poor heads of households have some post-secondary education but not a four-year degree, 6%



- have at least a 4-year college degree, and 34.5% have a high school diploma but no post-secondary education.
- 52.5% of working poor families include a married couple, while 38% are headed by a single woman and 9.5% by a single man.
- 74% of working poor families with children are white, 12% are black, 6% are Asian, 6% are Hispanic, and 2% American Indian.<sup>3</sup> These figures reflect the fact that the large majority of Minnesotans are white. However, people of color are disproportionately represented among the working poor. About one-tenth of white

<sup>1</sup> This section defines working poor families with children as families with incomes below 150% of the poverty line in which parent(s) worked more than 13 weeks during the year.

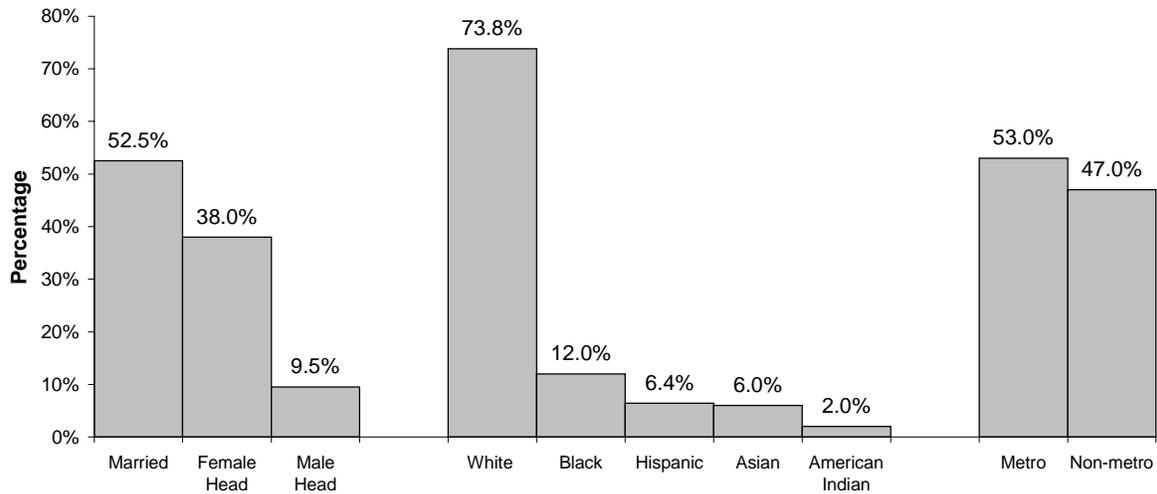
<sup>2</sup> For a detailed comparison of working poor families to all families with children, see Appendix 2: Characteristics of working families with children in Minnesota.

<sup>3</sup> This description uses Census categories for racial backgrounds. The white and black categories do not include Hispanics.

working families with children are poor, while approximately one-third of black, Hispanic, and Asian working families with children are poor.

- 53% of working poor families with children lived in metropolitan areas and 47% lived in non-metro areas.<sup>4</sup>

**Graph 5: Family configuration, ethnic background, and geographic distribution of working poor families**



<sup>4</sup> In addition to the Minneapolis/St. Paul metro area (Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties), metro areas according to the U.S. Census include the following counties: Benton (St. Cloud), Clay (Moorhead), Houston (LaCrosse, WI), Olmsted (Rochester), Polk (Grand Forks, ND), St. Louis (Duluth), and Stearns (St. Cloud).

## POLICY OPTIONS

The persistence and scope of the three problems discussed above — high child poverty rates, the lack of an adequate standard of living for many families, and a significant portion of workers unable to lift their families out of poverty — does not mean that these problems are inevitable. Policy changes can be taken to address these problems.

Poverty among children despite the work efforts of their parents has profound implications for the success of welfare reform. The primary goals of federal welfare reform include reducing caseloads and encouraging parents to make the transition from welfare to work. It is likely that many of these families will simply join the ranks of the working poor. Minnesota should ensure that its welfare program meets *both* of its stated goals: increasing work and reducing poverty.

State policies are needed to alleviate child poverty and promote economic self-sufficiency. Policy-makers should consider policies that:

- Address the state's affordable housing crisis,
- Improve access to health care programs,
- Provide child care assistance to more working families,
- Increase access to education and training,
- Raise the state's minimum wage,
- Ensure tax fairness for low-income families, and
- Reform Unemployment Insurance

### *Address the affordable housing crisis*

The extreme shortage of affordable rental units undermines the most common forms of housing assistance, particularly rent subsidies. A survey of suburban Hennepin County rental housing found a decline in both the number of housing units meeting the requirements for Section 8 and the number of landlords willing to participate in the program.<sup>1</sup> Section 8 vouchers or other rent subsidies, therefore, are unlikely to help large numbers of Minnesota families seeking affordable housing.

Minnesota needs to focus on increasing the *supply* of affordable housing to ensure that working families do not pay too large a portion of their incomes for housing. Some strategies include:

- Increasing production of affordable housing through continued state commitments that leverage private dollars for housing construction.
- Preventing the demolition of existing affordable housing without adequate plans and funding for its replacement.
- Providing funding to communities to rehabilitate distressed properties.
- Increasing public subsidies and preferential treatment to housing production projects that include affordable housing units.

---

<sup>1</sup> HOME Line, *Diminished Choices 5: The Ever Shrinking Market for Section 8 in Suburban Hennepin County, Minnesota*, 1999.

- Slowing the loss of affordable rental housing due to conversion of rental properties from federally subsidized projects to market-based rents and the displacement of low-income renters from these properties.

In the 2000 session, the Minnesota legislature made significant investments in affordable housing. Over \$60 million was appropriated for new investments to produce affordable rental units, to promote homeownership by low-income families, and to fund transitional housing and other housing programs for low-income families. This is an important step, but given the scope of the problem, more investments will be needed in the future.

### *Improve access to health care coverage*

Although Minnesota has made significant progress in reducing the number of children who are uninsured for long periods of time, there has not been a similar reduction in the number of children who obtain only intermittent health care coverage. Some recommendations from the Minnesota Department of Health and the Task Force on Uncompensated Care in Minnesota to address gaps in health care coverage include:<sup>2</sup>

- Reduce the four-month loss of coverage penalty for families who pay their MinnesotaCare premiums late.
- Allow families participating in MinnesotaCare a discount when they prepay for 12 months of coverage.
- Provide children eligible for Medical Assistance (MA) with 12 months of continuous eligibility.
- Work for seamless transitions between public health care programs (MinnesotaCare, Medical Assistance, and General Assistance Medical Care.)
- Continue to improve and shorten the application form for health care assistance programs.
- Help families access employer-based health care. Currently, families are ineligible for MinnesotaCare if they are offered “employer-subsided” health insurance, which is defined as health insurance for which the employer pays at least 50% of the cost. This means that families who cannot afford health insurance offered by an employer also lack access to public health

#### **Health Care Programs in Minnesota**

There are three health insurance programs for low-income people in Minnesota.

**Medical Assistance (MA)** is the state’s Medicaid program. Eligibility income limits range from 65% to 280% of federal poverty guidelines, with pregnant women and younger children covered up to higher income levels than older children.

**MinnesotaCare** is a subsidized health care program for working Minnesotans. The program covers families with children with incomes at or below 275% of federal poverty guidelines and single adults and couples without children with incomes at or below 175% of federal poverty guidelines. Participating families pay a monthly premium of at least \$4 per person per month, based on income and family size.

**General Assistance Medical Care (GAMC)** covers Minnesotans who do not qualify for other state or federal health care programs — primarily low-income, non-elderly adults without dependent children.

*Source: Minnesota Department of Human Services*

<sup>2</sup> Minnesota Department of Health, *Uncompensated Health Care In Minnesota: An Interim Report to the Legislature*, 1999, and Task Force on Uncompensated Care in Minnesota, *Report to the Commissioner of Health*, 1999.

insurance. This provision is estimated to eliminate coverage for 15,000 children. The state could increase the required level of employer subsidy from 50% to 60% (the average level of employer subsidy for health insurance in Minnesota is 64%) or could assist families in paying the premiums for employer-based health insurance.

- Adopt more uniform income standards for MA. For example, children over age 16 are only covered if they live in households with incomes up to 65% of federal poverty guidelines. The result is loss of coverage for many children at age 17. Complicated eligibility rules also mean that MA sometimes covers only some members of a family.
- Remove MinnesotaCare premium payment requirements for families under a certain income threshold (such as 175% of poverty).
- Consider implementing presumptive eligibility for pregnant women and children. This would mean that health care providers could enroll pregnant women and children temporarily in health care programs based on information from the family about their income. The family then would have until the end of the next month to complete an application to continue eligibility.
- Improve enrollment opportunities by coordinating with other state programs serving low-income Minnesotans.

The state has a role to play in ensuring that health care providers accept patients covered by health care assistance programs. Low health care reimbursement levels discourage providers from treating patients with such coverage.<sup>3</sup> An area of particular concern is dental care, where Minnesota falls below the national average level of access for low-income populations.<sup>4</sup> In 1999, the Minnesota Department of Human Services proposed several policies to ameliorate this problem, including overall payment increases for dental services, incentive payment proposals to encourage more providers to accept patients on public programs, and administrative simplification. The state should pursue these policies and monitor their effects.

### *Provide child care assistance to more working families*

Parents cannot go to work until they have secured child care for their children. Minnesota has three programs to help parents pay for child care: **Minnesota Family Investment Program (MFIP) Child Care** covers families participating in Minnesota's welfare program, **Transition Year (TY) Child Care** covers families who have left the MFIP program for work for up to one year, and **Basic Sliding Fee (BSF) Child Care** covers low- and moderate-income families with incomes below 75% of the state median income who do not receive MFIP. All families receiving child care assistance are required to pay a co-payment that increases with family income; for example, the co-payment for a family of four ranges from \$5 to \$757 per month.<sup>5</sup>

---

<sup>3</sup> *Uncompensated Health Care In Minnesota.*

<sup>4</sup> Minnesota Department of Human Services, *Dental Services Access Report*, 1999.

<sup>5</sup> The Minnesota Department of Children, Families and Learning adjusts income eligibility limits and co-payment amounts on an annual basis. Currently, a family of three would be eligible for BSF until their income reached \$38,169 and a family of four up to \$45,439. (Source: Minnesota Department of Children, Families and Learning, *CFL Issues State Fiscal Year 2000 Co-Payment Schedules and Announces Child Care Allocations*, 1999.) The income eligibility limits correspond to 293% of the poverty line for a family of three and 264% of the poverty line for a family of four.

Currently, there are waiting lists for BSF assistance in some counties, and the waiting list understates the number of eligible families needing assistance. In some metro counties, families may not apply at all because of the long wait for assistance. Other families may not know they are eligible or how to apply. The state should provide sufficient funding so that working parents can obtain safe and decent child care that does not consume too large a share of a limited family budget.

In the 2000 legislative session, lawmakers took some important steps towards funding seamless child care coverage. TANF funds were appropriated for the Basic Sliding Fee program, for child care for MFIP participants engaged in social services activities, and to ensure that families who complete their one year of Transition Year Child Care continue to receive child care assistance, rather than going on the Basic Sliding Fee waiting list.

### ***Increase access to education and training***

Given the importance of skill development for advancement in the workplace, training providers, educational institutions, employers, and decision-makers must determine how to make it possible for individuals with jobs and families to obtain education and training. Research into welfare-to-work programs provides insight into what kinds of education and training programs are most effective in helping poor parents improve their earnings.<sup>6</sup>

- Training programs must enable participants to find better jobs. Initial job quality is an important factor in sustaining employment.
- Skill development cannot be considered a one-time event. Welfare recipients and low-income workers need a continuum of education and training services that begin with short-term training for jobs with career potential, followed by longer-term degree programs that can be taken in pieces that fit into a busy work and family life.
- Even the most disadvantaged must be able to attain basic skills. Low basic skills is the single strongest indicator of whether a welfare recipient will be successful in obtaining work. Basic education should focus more on real work and life skills and be linked to future training and employment opportunities.
- Successful programs have a focus on employment combined with a broad range of services to build job and basic skills. Participants need help learning the skills to sustain employment, including solving problems with child care, health care, transportation, and on-the-job issues.
- Links to local employers are important. Skill building must relate closely to specific employment goals, and employers have a wealth of knowledge about what skills are valued in the labor market. In addition, employment and training are often more successful when they are combined with work experience. Employers can work with training providers to provide customized or on-site training in the workplace.
- The state should analyze the impact of student aid policies on single parents and part-time students.

---

<sup>6</sup> This section is based on Julie Strawn, *Welfare-to-Work Programs: The Critical Role of Skills*, Center for Law and Social Policy, 1999.

- Educational institutions must think about how their programs can be made accessible to nontraditional students. Class times, lengths of programs, and locations of classes all could be adjusted to be more accessible to nontraditional students. For example, child care could be made available at educational and training facilities, or classes could be held at the workplace.

### ***Raise the state's minimum wage***

The decline in the value of the minimum wage means that minimum wage workers are no longer able to lift their families out of poverty. In order for a full-time, year-round worker to raise a family of three to the poverty line through earnings alone, the minimum wage would need to be \$6.42 per hour.

Ten states and the District of Columbia currently set minimum wages above the federal level.<sup>7</sup> Minnesota should also increase the state minimum wage. Such an increase would provide a targeted income boost to low-wage workers. For example, an increase of the minimum wage to \$6.15 an hour would directly benefit 5.2% of the state's workers who earn less than \$6.15 an hour and is likely to increase wages for the additional 6% of workers earning between \$6.15 and \$7.14 an hour.<sup>8</sup>

A high proportion of working poor families would benefit from a minimum wage increase. An analysis of the effects of the 1996 and 1997 minimum wage increases found that the poorest households in the U.S., who earn only 5% of total family income, received 35% of the benefits from the minimum wage increase.<sup>9</sup> This analysis also found that there were no significant job losses associated with the minimum wage increase, despite the common argument that increased minimum wages will lead to fewer minimum-wage jobs.

### ***Ensure tax fairness for low-income families***

The part of a family's budget that is most directly controlled by government is the size of the tax burden. Most states rely mainly on regressive taxes, which place a heavier burden on low- and moderate-income families than on upper-income ones. In contrast, Minnesota uses a progressive income tax to balance the regressivity of other taxes. This results in a state tax system that is proportional: it takes the same percentage of income in taxes from all households. However, state and local taxes still place a heavy burden on working poor families. In 1998, even after tax credits are taken into account, Minnesota's low-income families paid approximately 11% of their incomes in state and local taxes.<sup>10</sup> Although all families pay about the same percentage of income toward state and local taxes, families with low or moderate incomes must pay their taxes out of

---

<sup>7</sup> Jared Bernstein, Elizabeth McNichol, Lawrence Mishel, and Bob Zahradnik, *Pulling Apart: A State by State Analysis of Income Trends*, Center on Budget and Policy Priorities and Economic Policy Institute, 2000.

<sup>8</sup> Economic Policy Institute.

<sup>9</sup> Jared Bernstein and John Schmitt, *Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase*, Economic Policy Institute, 1998. We refer here to the poorest 20% of American households.

<sup>10</sup> Minnesota Department of Revenue, *1999 Tax Incidence Study*.

budgets that are already stretched to the limit, in contrast to families at higher income levels who have more discretionary income available to them.

The state's main tool for targeted tax relief is the Minnesota Working Family Credit (WFC), a refundable tax credit for low-income families, based on earned income and family size. The WFC is Minnesota's version of the federal Earned Income Tax Credit (EITC). The EITC's goal is to ensure that families with full-time, year round workers rise above the poverty line. In fact, the EITC has become the most successful government program in lifting families out of poverty.

In the 2000 legislative session, the Working Family Credit was increased by approximately \$12 million per year. As in the 1999 session, an increase in the Working Family Credit was seen as an important counterpart to income tax rate reductions, which have little impact on lower-income households. By increasing the WFC, low-income families were able to receive their share of tax relief.

Minnesota's other major targeted tax relief program is the Property Tax Refund program, or PTR, also known as the Renter's Credit and Circuit Breaker. The PTR is the way the state provides tax relief based on both property tax burden and household income. Low- and moderate-income households apply for the PTR if their property taxes reach a certain percentage of income (called the threshold). The taxpayer is responsible for paying a co-payment amount. Both the threshold and the copayment amounts increase as household income increases. Approximately 18% of homeowners and 47% of renters who file income taxes receive a PTR.<sup>11</sup>

As the administration embarks on a major tax reform effort, decision-makers must consider the effect of reform on low-income families, and determine what changes are needed to maintain tax fairness.

### ***Reform Unemployment Insurance***

Reemployment Insurance (RI), as Unemployment Insurance is called in Minnesota, should provide a temporary means of assistance for persons out of work. Unfortunately, many low-income workers are excluded from the RI system, despite the fact that their employers are paying into the system on their behalf. In 1998, only 47% of unemployed Minnesotans received unemployment benefits,<sup>12</sup> in part because eligibility is based on the conditions of job loss, the length of work history, and the level of earnings.

RI eligibility is limited to persons who leave work for good cause, are actively looking for and are available for full-time work, and have met the minimum earnings requirement. A worker must have earned at least \$1,000 during the three-month period in which the highest wages were earned (the "high quarter") and at least 1.25 times the high quarter wages during the "base period." (The base period is the first four of the last five completed quarters before the quarter when the RI claim is filed.) The base period can

---

<sup>11</sup> House Research Department, *Property Tax Division New Member Briefing*, January 1999.

<sup>12</sup> Bureau of Labor Statistics, 1998.

exclude as much as six months of recent employment. Benefits vary depending on the RI recipient's earnings during the base period.

Low-income workers face several barriers to receiving RI:

- Individuals with shorter work histories are ineligible, since only individuals who have sufficient earnings during the base period are eligible. This makes it difficult for those with only a recent work history or who work intermittently receive RI.
- RI is only available to persons available for full-time work, excluding persons who seek part-time employment to balance work and family responsibilities.
- RI eligibility requires a “good cause connected to employment” for leaving the job, such as a serious illness or sexual harassment on the job. Unavailability of child care or family illness are not considered good cause.

At the end of 1999, there was a \$688 million positive balance in Minnesota's RI Trust Fund.<sup>13</sup> This surplus indicates that some expansion of eligibility and benefits is affordable within the current funding system. Advocates for working families suggest the following improvements:

- Consider more recent employment or a “movable base period” to determine the eligibility and benefit levels of unemployed workers.
- Provide additional benefits to families with dependent children to supplement low benefit levels and reduce the number of families who might otherwise turn to welfare after a job loss.
- Expand the definition of good cause for voluntarily leaving work to recognize lack of child care and transportation or family illness as legitimate reasons for leaving employment.
- If family obligations limit the feasibility of full-time work, allow part-time workers to be eligible for RI.
- Include absence from work due to birth or adoption of a child as a reason for receiving RI benefits (given that the parent meets all other conditions for eligibility).

---

<sup>13</sup> Minnesota Department of Economic Security.



## CONCLUSION

The persistence and scope of the three problems discussed in this report — high child poverty rates, the lack of an adequate standard of living for many families, and a significant portion of workers unable to lift their families out of poverty — does not mean that these problems are inevitable. And in fact, Minnesota leads the nation in certain efforts to help families reach economic self-sufficiency. The state's Working Family Credit and relatively widespread health insurance for poor children indicate important steps in the right direction. New investments in the 2000 legislative session in affordable housing and child care signal a continued commitment by policy-makers to provide necessary supports to working families.

The tightening labor market provides an opportunity to take a fresh approach — to go beyond meeting basic needs to lifting families out of poverty for good. Minnesota's working poor generally have some job experience, most have at least a high school diploma, and a large portion have some post-secondary training. As a result, many working poor parents could advance in the job market and meet the employment needs of Minnesota businesses. State policy-makers should carefully consider how to make critical investments in workforce development policies that enable working poor parents to reach their full potential as wage earners. Not only will their success benefit their families, but the state as a whole.



## APPENDIX 1: DATA AND TERMINOLOGY

The primary data source for this report is an analysis conducted by the Center on Budget and Policy Priorities, relying mainly on data from the U.S. Census Bureau's Current Population Survey (CPS).<sup>1</sup> The CPS is the main source of official data on income, poverty, and unemployment in the U.S. Each month, the CPS surveys roughly 50,000 households nationwide. The data provided in this report are averages of March CPS data covering 1995 through 1997. Incorporating data for three years provides a larger sample and thus more reliable findings.

This analysis uses the Census Bureau's definition of **family income**, which includes unearned and earned income of all family members. Wages and salaries, income from farm employment, and income from self-employment are included in earned income. Cash income from public assistance, Social Security benefits, investment income, rental income, and retirement income are included in unearned income. This measurement of income does not take into account the value of in-kind benefits, such as food stamps, or the effect of taxes or tax credits, again, following the Census definition.

There are two official measures of poverty, the **poverty threshold** and **poverty guidelines**. The poverty threshold is updated each year by the Census Bureau and is largely used for statistical purposes. It is the poverty threshold we are referring to by the phrase "poverty line." Poverty guidelines are issued by the federal Department of Health and Human Services. They are a simplification of the poverty threshold and are used for administrative purposes, such as determining eligibility for social programs.

---

<sup>1</sup> Christina Smith FitzPatrick and Ed Lazere, *The Poverty Despite Work Handbook*, Center on Budget and Policy Priorities, 1999.

## APPENDIX 2: CHARACTERISTICS OF WORKING FAMILIES WITH CHILDREN IN MINNESOTA

	<b>Working Poor Families With Children</b>	<b>All Working Families with Children</b>
<b>Family Configuration:</b>		
Married	52.5%	80%
Single Female Head	38%	14%
Single Male Head	9.5%	6%
<b>Ethnic Background:</b>		
White	74%	91%
Black	12%	4%
Hispanic	6%	2%
Asian	6%	2%
American Indian	2%	1%
<b>Age of Head of Household:</b>		
Under age 25	10%	3%
Age 25 but under 35	37%	27%
Age 35 to 45	37%	45%
Over 45	16%	35%
<b>Highest Education level of Head of Household:</b>		
Less than high school education	19%	6%
Graduated high school/GED	34.5%	26%
Some post-secondary	40%	34%
4+ years post-secondary	6%	34%

May not total to 100% due to rounding.



Minnesota Budget Project  
An initiative of the Minnesota Council of Nonprofits  
2700 University Avenue West, Suite 250  
St. Paul, MN 55114  
(651) 642-1904  
[www.mncn.org/bp](http://www.mncn.org/bp)

