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Working Families and Economic Insecurity in the States:
The Role of Job Quality and Work Supports

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About Bridging the Gaps

Bridging the Gaps (BTG) is a research and outreach project intended to provide a full picture of public work supports in the United States. The project is led by the Center for Economic and Policy Research and the Center for Social Policy at the University of Massachusetts Boston in collaboration with organizations in nine states (Illinois, Iowa, Massachusetts, Minnesota, New York, North Carolina, Ohio, Texas, and Washington) and the District of Columbia. The conclusions presented in this report represent only the views of the authors, not necessarily the views of any of the BTG state partners. The BTG partners are:

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Executive Summary

This report provides information on job quality and the economic security of working families in the states and the District of Columbia in the first half of the current decade. It also quantifies the important role that public work supports—benefits for workers such as the Earned Income Tax Credit and child care assistance—play in helping workers make ends meet. Using a new approach to measuring economic insecurity—one that improves on the relatively arbitrary federal poverty measure—we find that about one in five people in working families are economically insecure. Similarly, using a novel measure of job quality that takes both wages and benefits into account, we find that only about one in four jobs are "good jobs" in the typical state.

New Approaches to Measuring Economic Insecurity and Job Quality

The federal poverty line does a poor job of measuring economic insecurity in the United States. In 2008, the poverty line for a family of four is $21,200. Yet, in a recent poll, more than two-thirds of Americans agreed that an income level of $30,000 made a four-person family poor. When asked in another recent poll how much a family needs to "make ends meet," 70 percent of those surveyed said $40,000 or more.

Instead of the poverty line, we use basic family budgets developed by the Economic Policy Institute to determine whether working families have sufficient income to make ends meet. Basic budgets have been used in the United States for more than a century. Unlike the poverty measure, these measures take into account the actual costs of goods and services needed to have a decent standard of living as well as the variations in these costs depending on where one lives. In addition to being a more accurate measure of economic security than the poverty line, basic family budgets are consistent with public understanding of the income needed to make ends meet.

When measuring poverty, the government and most researchers do not take into account most public work supports. Of the six benefits we classify as work supports—child care assistance, the Earned Income Tax Credit, food stamps, health insurance provided through Medicaid and the State Children's Health Insurance Program, housing assistance, and income supplements provided through Temporary Assistance, only Temporary Assistance supplements are typically counted. By contrast, when we determine whether a family is able to make ends meet, we take into account the value of all of these benefits.

To define a "good" job, we use a simple definition based on three characteristics: pay, health insurance and retirement benefits. According to this definition, a good job is one that meets all of the following three criteria: it pays at least $17 per hour (about $34,000 on an annual basis), it offers employer-sponsored health insurance (where the employer pays at least part of the monthly premium), it offers an employer-sponsored retirement plan (either a "defined contribution plan" like a 401(k) or a "defined benefit" like a traditional pension).

Key Findings

In the typical state, 22 percent of people in working families suffer from economic hardship because their earnings and income from other sources, including public work supports and other public benefits, fall below the basic needs budget standard for where they live. By comparison, some 12.6 percent of Americans live below the federal poverty line; an even lesser share of individuals in working families live below the poverty line. Thus, our findings reinforce the public's view that the poverty line is set too low to accurately measure economic hardship.

Most economically insecure workers have jobs that pay low wages and provide few or no benefits. Only a minority of jobs are "good ones," jobs that pay well and provide health and retirement benefits. In the typical state, 25 percent of jobs are good jobs. Bad jobs—ones that pay less than $17 an hour and provide neither health nor retirement benefits—account for about 30 percent of all jobs in the typical state.

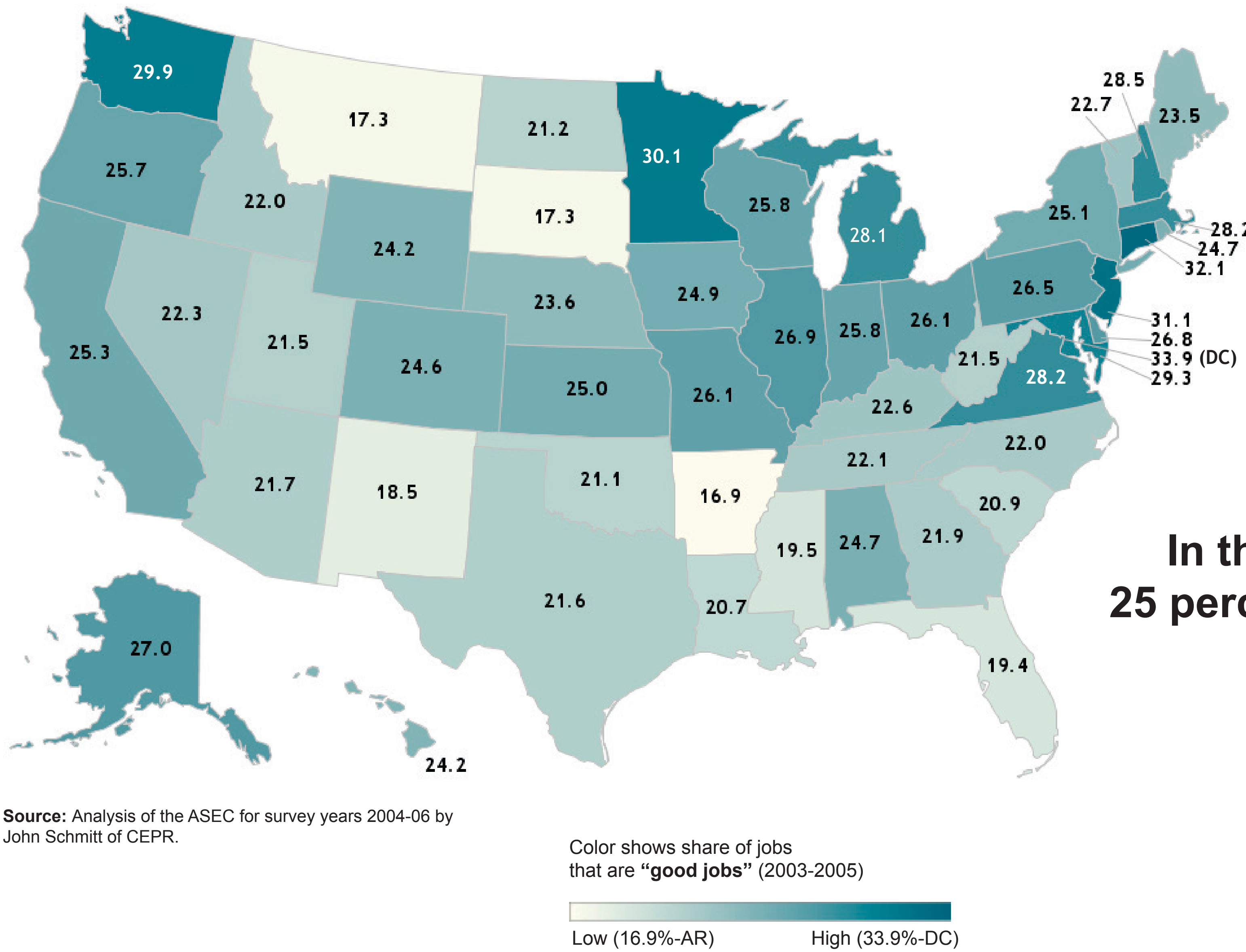
Few workers in the middle-class and above rely solely on wages to maintain their standard of living. Tax preferences underwrite the costs of private social benefits that promote the health and economic security of middle-class families, including employer-based health insurance and retirement plans. These benefits are structured in a way that effectively excludes many workers in low-paid jobs from receiving them.

Instead of one system of benefits available to all workers, the United States has two: one for families supported by low-wage workers and another for middle- and upper-income families. The former system consists of a patchwork of benefits, typically targeted on the basis of having income and assets below a certain threshold. Moreover, these benefits often are not available to everyone who meets the eligibility requirements.

Despite their limitations, these benefits, often referred to as public work supports, play an important and largely unheralded role in promoting economic security and opportunity for working families. In the typical state, work supports close more than half of the hardship gap—the gap between a working family's income and the basic family budget for where they live. Nevertheless, substantial numbers of workers in low-paid jobs receive only modest or no help from work support programs.

Job Quality: How Many Jobs Are Good Ones?

This map shows the percentage of jobs that are "good jobs." We define a good job as one that pays well—at least $17 an hour, the median wage for men in 1979 (in inflation-adjusted 2006 dollars)—and provides employer-sponsored health and retirement benefits.



In the typical state, 25 percent of jobs are good jobs.

Source: Analysis of the ASEC for survey years 2004-06 by John Schmitt of CEPR.

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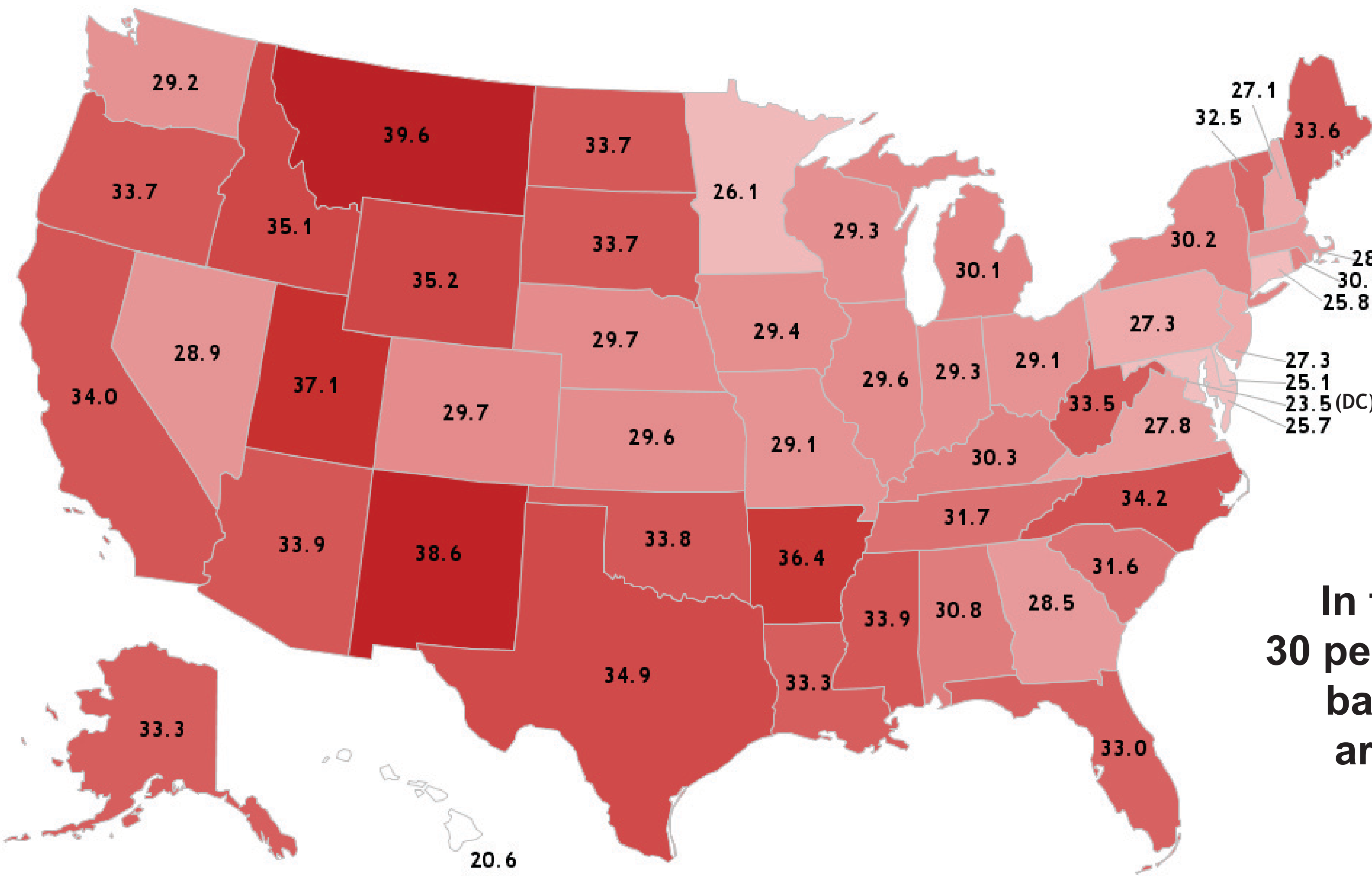
Bad Jobs: Low Pay and No Benefits

A bad job is one that meets *none* of the "good jobs" criteria. Bad jobs pay less than $17 an hour, don't come with health insurance, and don't offer a retirement plan.



In the typical state, 30 percent of jobs are bad jobs. Bad jobs are more common than good jobs.

Source: Analysis of the ASEC for survey years 2004-06 by John Schmitt of CEPR.

Color shows share of jobs that are **"bad jobs"** (2003-05)

Low (20.6%-HI) High (39.6%-MT)

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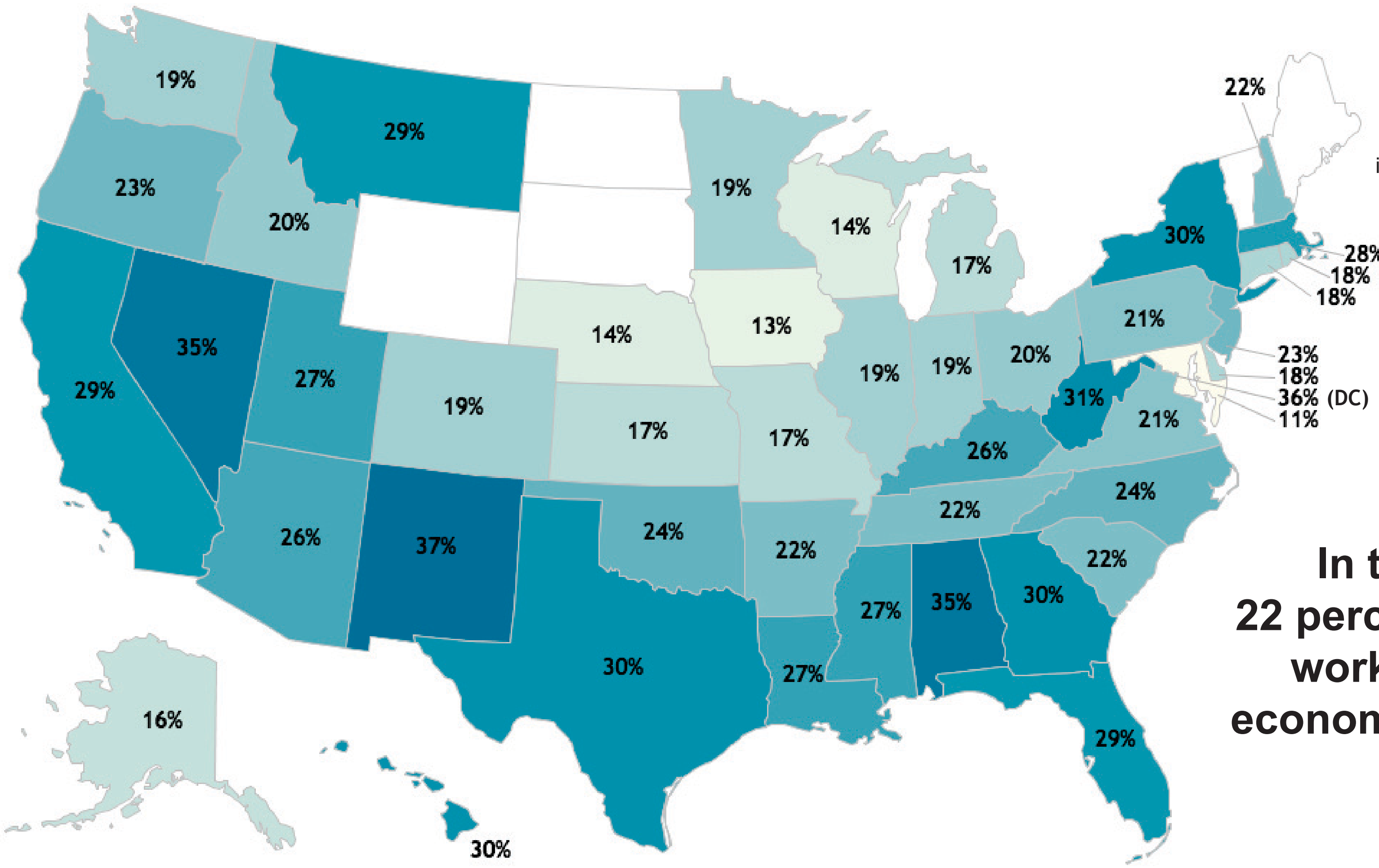
Economic Insecurity in the States: Working Families Unable to Make Ends Meet



This map shows the percentage of people in working families in each state who are economically insecure because their earnings and income from other sources, including public work supports and other public benefits, falls below the basic family budget standard for where they live.

The estimates are for people in households that include one or two adults and up to three children (including households with no children).

In the typical state, 22 percent of people in working families are economically insecure.

Source: CEPR analysis of SIPP 2001-2003 panel. For more on the data and methods used to produce these estimates, see page 13.

Color shows share of people in working families **unable to make ends meet** as a percent of state population (early 2000s)

Low (11%-MD) High (37%-NM)

The Survey of Income and Program Particiation (SIPP) does not distinguish among people who live in: 1) North Dakota, South Dakota, and Wyoming; and 2) Maine and Vermont. Thus, we were unable to estimate the share of economically insecure families in these states.

Economically Insecure Families: Income and the "Hardship Gap"

The monthly income of the typical (median) economically insecure working family varies from $1,065 ($12,775 a year) in Arkansas and Mississippi to $2,087 ($25,047) in New Hampshire. The monthly income of the typical economically insecure working family in the median state is $1,513 ($18,160).

The "hardship gap" is the difference between a family's income and the basic budget standard for where they live. The size of the monthly hardship gap for a typical family varies from $463 a month in Rhode Island to $1,395 a month in the District of Columbia. In the median state, the hardship gap for a typical family is about $700 a month.

	Median Monthly Income of Economically Insecure Families	Median Hardship Gap
Alabama	$1,320	$756
Alaska	$1,804	$722
Arizona	$1,538	$656
Arkansas	$1,065	$491
California	$1,735	$1,000
Colorado	$1,680	$712
Connecticut	$1,854	$918
Delaware	$1,632	$604
District of Columbia	$1,665	$1,395
Florida	$1,490	$757
Georgia	$1,570	$737
Hawaii	$1,804	$1,045
Idaho	$1,427	$643
Illinois	$1,576	$760
Indiana	$1,453	$647
Iowa	$1,280	$638
Kansas	$1,320	$607
Kentucky	$1,441	$636
Louisiana	$1,277	$617
Maryland	$1,561	$700
Massachusetts	$2,084	$1,036
Michigan	$1,295	$688
Minnesota	$1,816	$845
Mississippi	$1,065	$576
Missouri	$1,384	$489
Montana	$1,246	$655
Nebraska	$1,253	$503
Nevada	$1,720	$853
New Hampshire	$2,087	$876
New Jersey	$1,775	$1,116
New Mexico	$1,403	$736
New York	$1,706	$1,079
North Carolina	$1,516	$665
Ohio	$1,434	$662
Oklahoma	$1,433	$622
Oregon	$1,595	$717
Pennsylvania	$1,574	$739
Rhode Island	$1,750	$463
South Carolina	$1,425	$586
Tennessee	$1,248	$602
Texas	$1,510	$754
Utah	$1,547	$692
Virginia	$1,670	$766
Washington	$1,510	$714
West Virginia	$1,302	$674
Wisconsin	$1,252	$723

Source: CEPR analysis of SIPP 2001-2003 panel.

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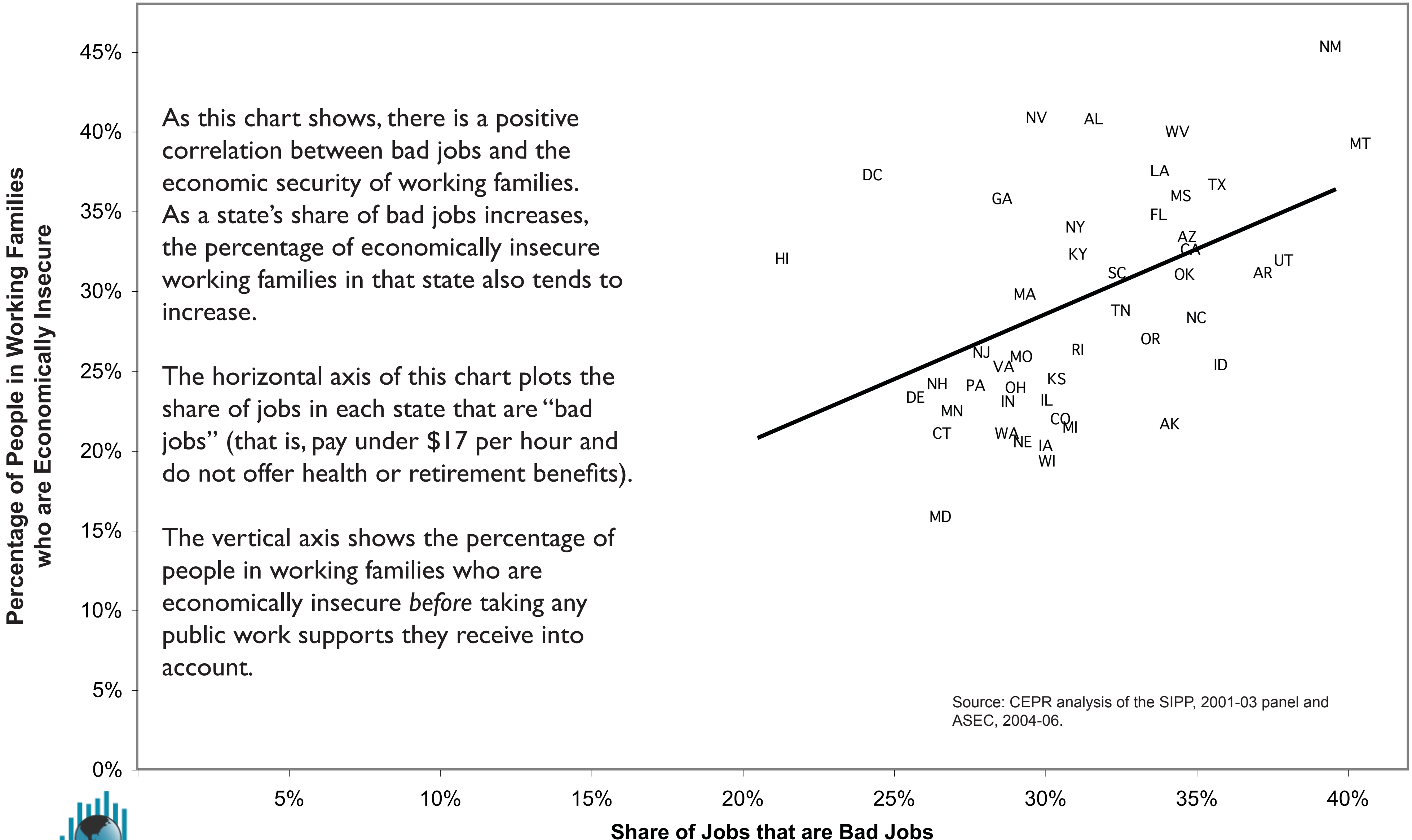
More Bad Jobs = More Economic Insecurity

As this chart shows, there is a positive correlation between bad jobs and the economic security of working families. As a state's share of bad jobs increases, the percentage of economically insecure working families in that state also tends to increase.

The horizontal axis of this chart plots the share of jobs in each state that are "bad jobs" (that is, pay under $17 per hour and do not offer health or retirement benefits).

The vertical axis shows the percentage of people in working families who are economically insecure *before* taking any public work supports they receive into account.



Source: CEPR analysis of the SIPP, 2001-03 panel and ASEC, 2004-06.

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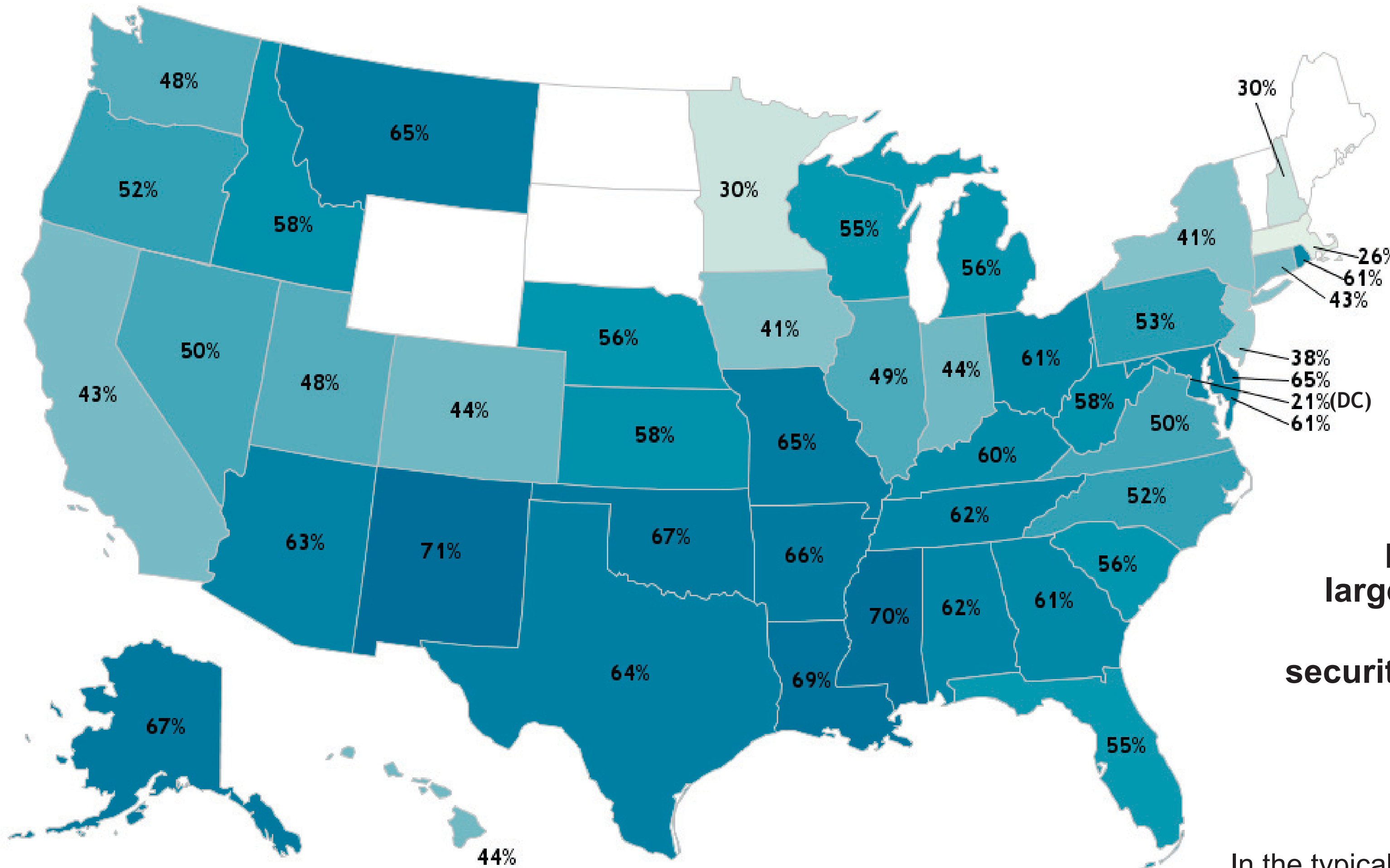
Public Work Supports Close More than Half of Hardship Gap in Most States

This map shows the percentage of the gap between basic needs and income—the hardship gap—that is closed by public work supports. The public work supports are child care assistance, the Earned Income Tax Credit, food stamps, Medicaid and the State Children's Health Insurance Program, housing assistance, and Temporary Assistance.



Source: CEPR analysis of SIPP, 2001-2003 panel.

Color shows percentage reduction in **hardship gap of median family due to work supports** (early 2000s)

Low (21%-DC) High (71%-NM)

Public work supports play an important and largely unheralded role in promoting economic security and opportunity for working families.

In the typical state, work supports close more than half (56 percent) of the hardship gap for the median economically insecure working family.

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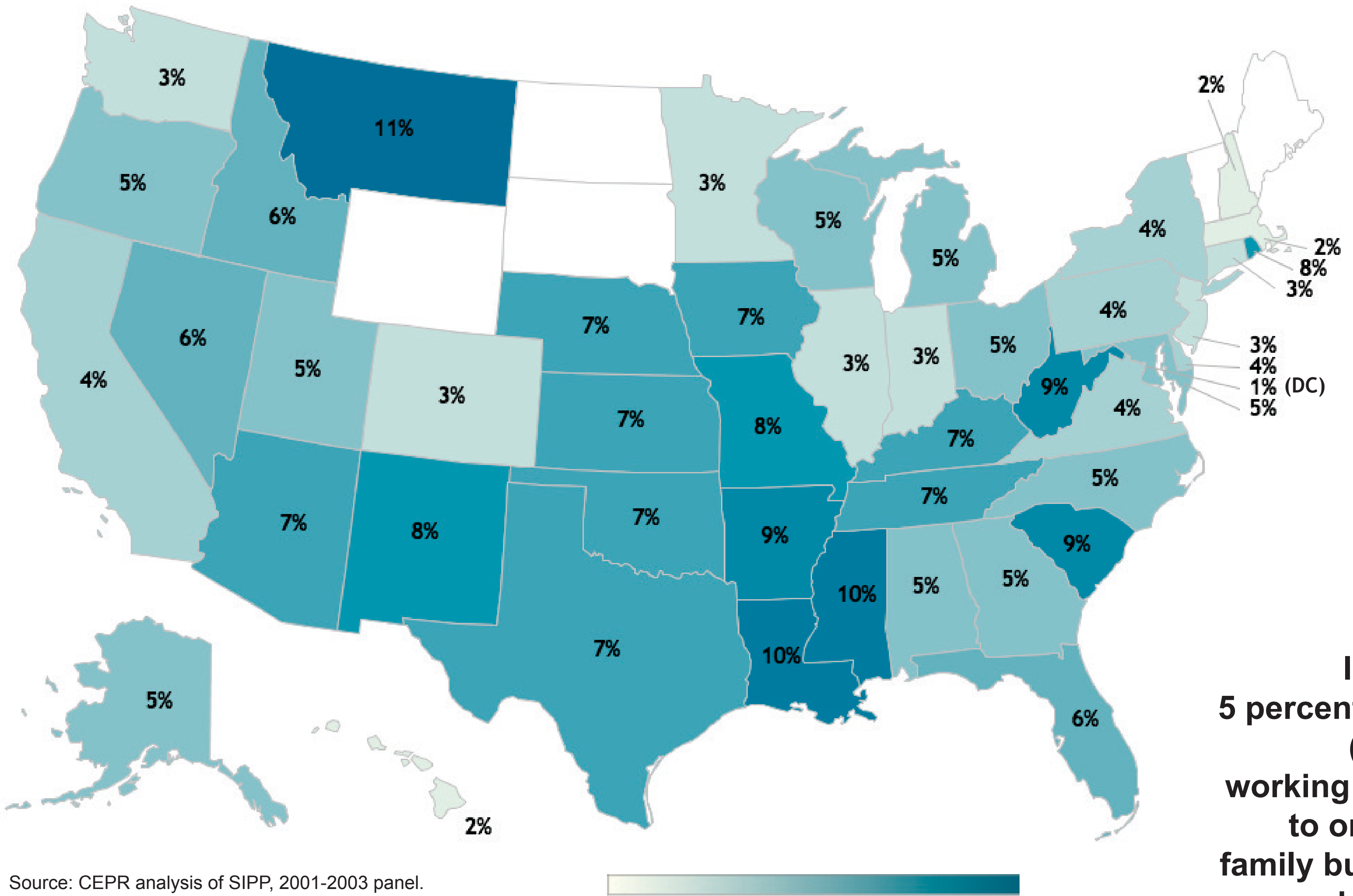
Public Work Supports Promote Economic Security



This map shows the percentage of people in each state (people in working families) who are lifted to or above the basic family budget threshold by public work supports.

Source: CEPR analysis of SIPP, 2001-2003 panel.

Low (1%-DC) High (11%-MT)

In the typical state, 5 percent of the population (of people living in working families) are lifted to or above their basic family budget threshold by public work supports.

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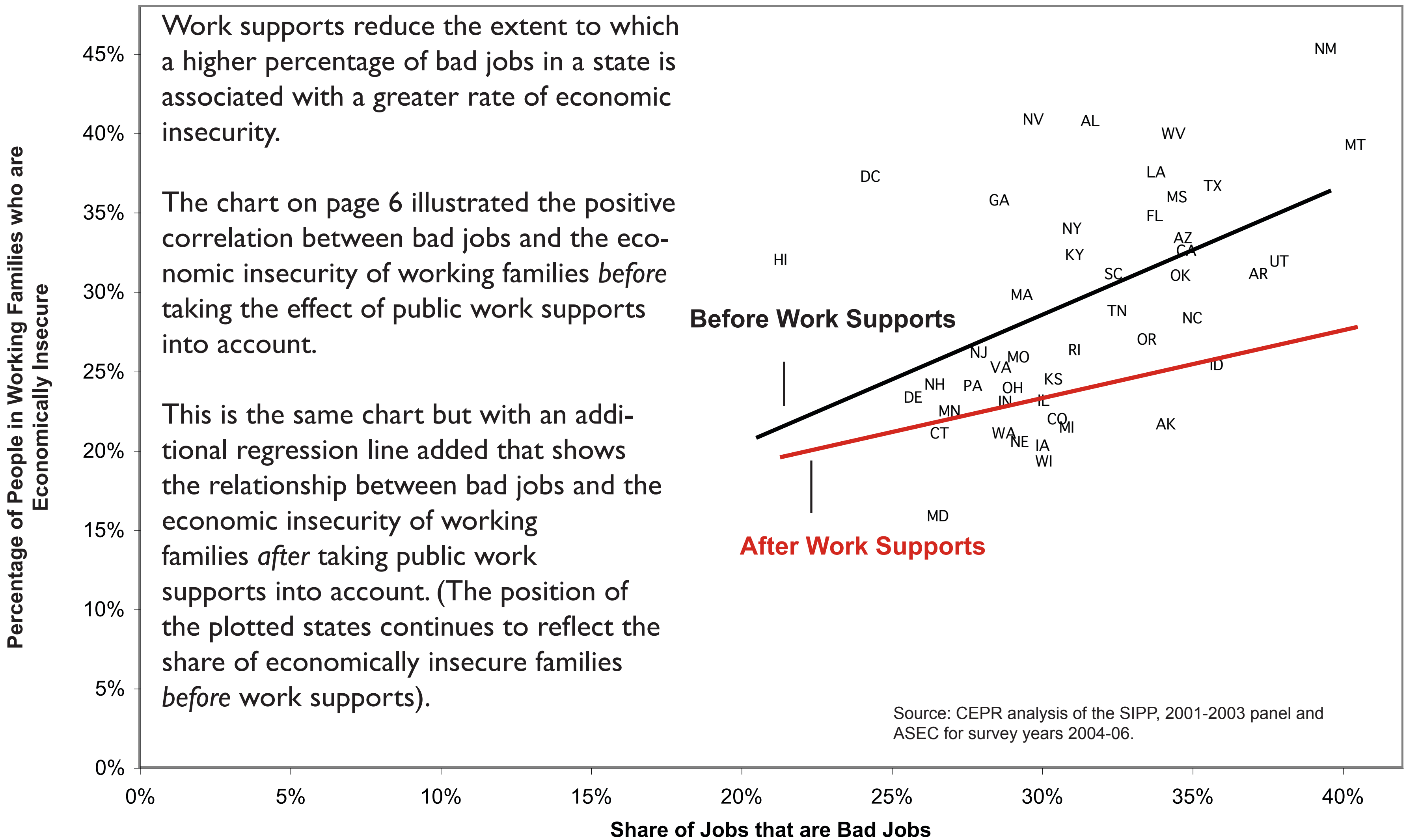
Bad Jobs and Economic Insecurity: Before and After Work Supports

Work supports reduce the extent to which a higher percentage of bad jobs in a state is associated with a greater rate of economic insecurity.

The chart on page 6 illustrated the positive correlation between bad jobs and the economic insecurity of working families *before* taking the effect of public work supports into account.

This is the same chart but with an additional regression line added that shows the relationship between bad jobs and the economic insecurity of working families *after* taking public work supports into account. (The position of the plotted states continues to reflect the share of economically insecure families *before* work supports).



Source: CEPR analysis of the SIPP, 2001-2003 panel and ASEC for survey years 2004-06.

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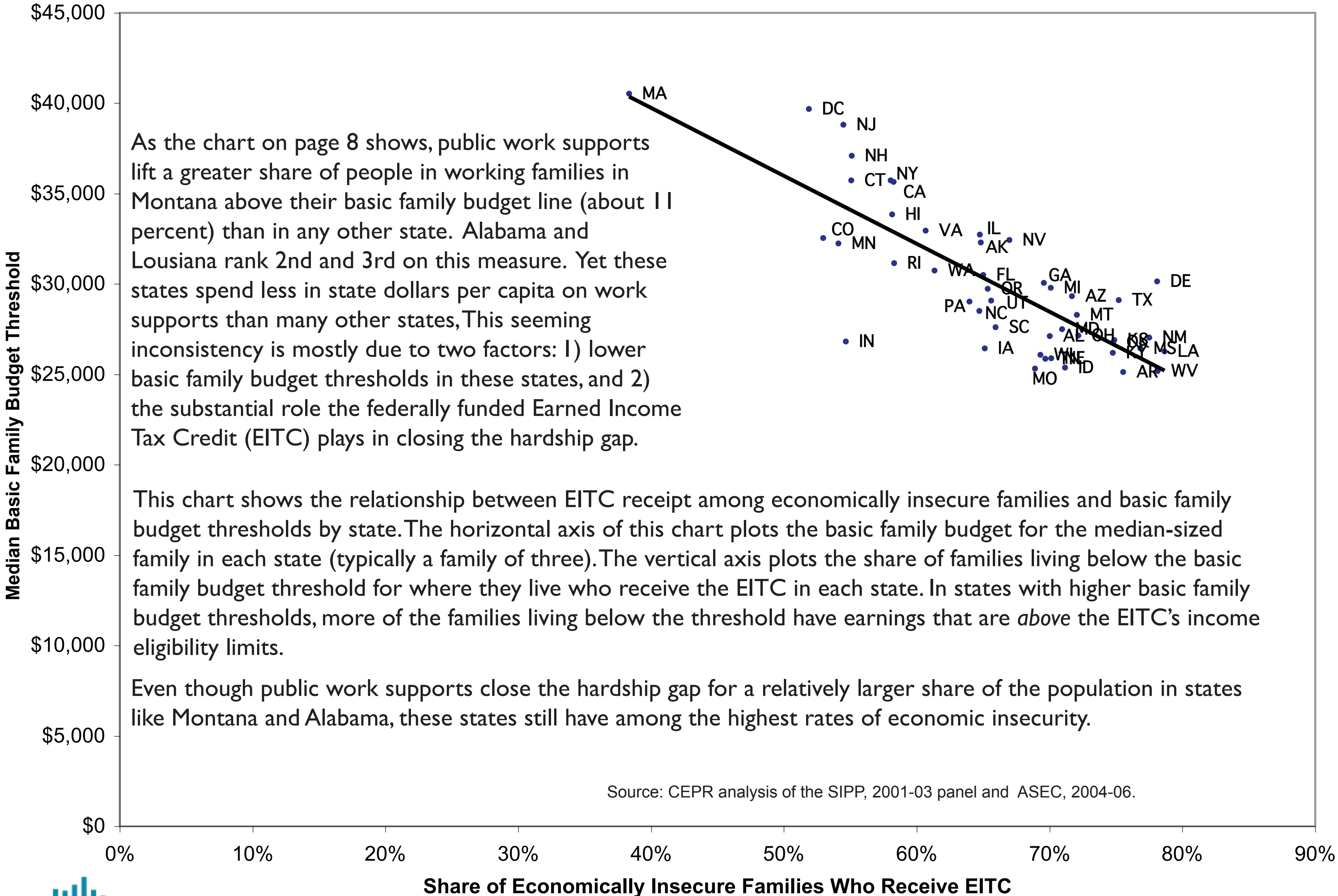
The Role of the Federal Earned Income Tax Credit

As the chart on page 8 shows, public work supports lift a greater share of people in working families in Montana above their basic family budget line (about 11 percent) than in any other state. Alabama and Lousiana rank 2nd and 3rd on this measure. Yet these states spend less in state dollars per capita on work supports than many other states, This seeming inconsistency is mostly due to two factors: 1) lower basic family budget thresholds in these states, and 2) the substantial role the federally funded Earned Income Tax Credit (EITC) plays in closing the hardship gap.

This chart shows the relationship between EITC receipt among economically insecure families and basic family budget thresholds by state. The horizontal axis of this chart plots the basic family budget for the median-sized family in each state (typically a family of three). The vertical axis plots the share of families living below the basic family budget threshold for where they live who receive the EITC in each state. In states with higher basic family budget thresholds, more of the families living below the threshold have earnings that are *above* the EITC's income eligibility limits.

Even though public work supports close the hardship gap for a relatively larger share of the population in states like Montana and Alabama, these states still have among the highest rates of economic insecurity.



Source: CEPR analysis of the SIPP, 2001-03 panel and ASEC, 2004-06.

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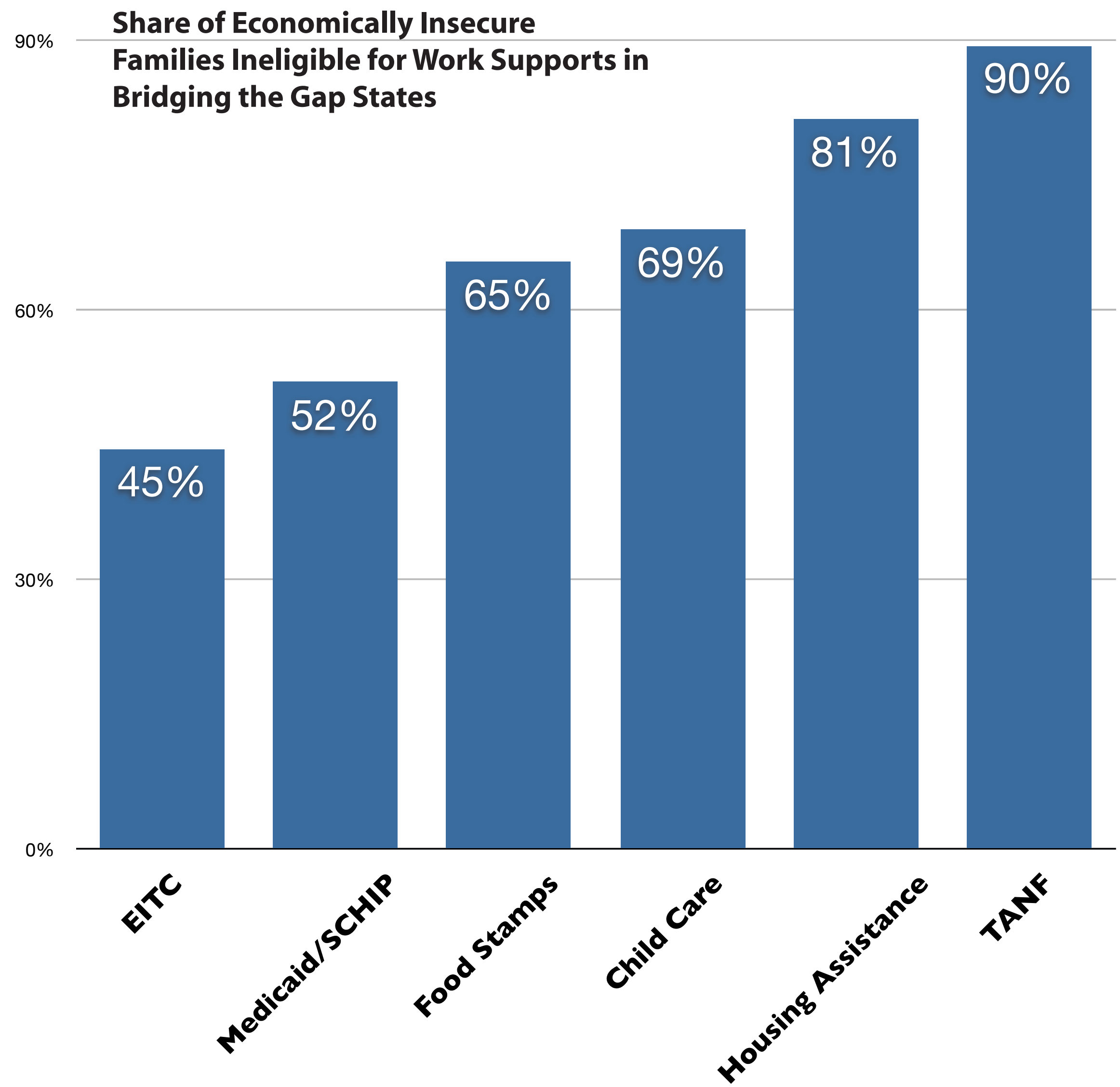
Improving Public Work Supports

Some work supports provide limited help to economically insecure working families, particularly when they have more than a minimal level of assets or income above the federal poverty line. Such limitations reduce the extent to which work supports boost the living standards of working families who are economically insecure.

A closer examination of work support rules in nine states and DC shows that some 21 percent of individuals in economically insecure working families were *ineligible* for all six public work supports.

The share of economically insecure working families that are *ineligible* for individual work supports varies from 90 percent for Temporary Assistance to 45 percent for the Earned Income Tax Credit.

A related problem is that many economically insecure families who are *eligible* for work supports do not receive them, in part because of complex and burdensome paperwork requirements and lack of information about programs.



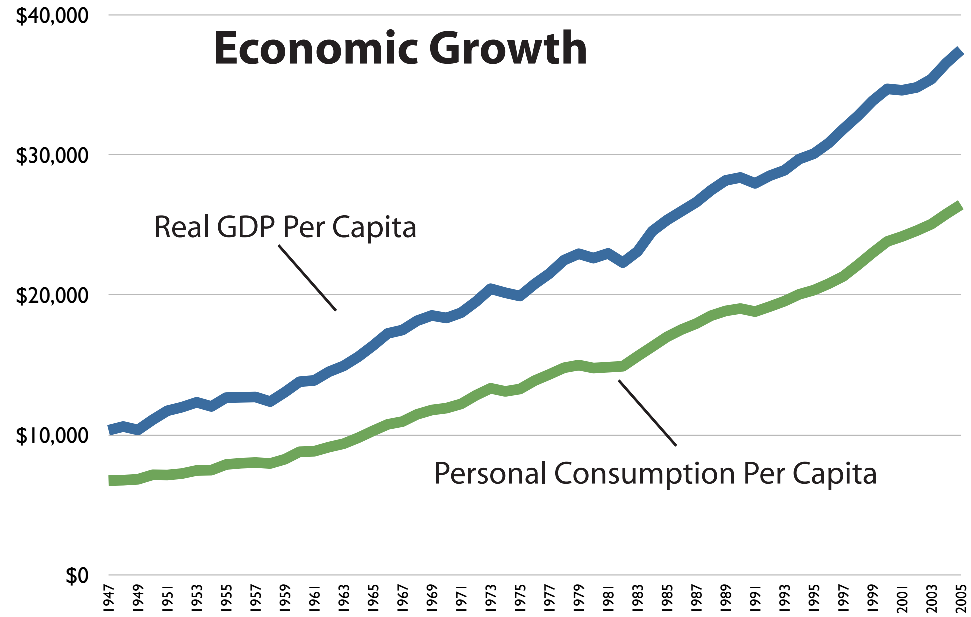
Source: Albelda and Boushey, Bridging the Gaps: A Picture of How Work Supports Work in Ten States, CEPR and the Center for Social Policy at UMass Boston (2007).

States are Illinois, Iowa, Massachusetts, Minnesota, New York, North Carolina, Ohio, Texas, Washington, Washington, DC.

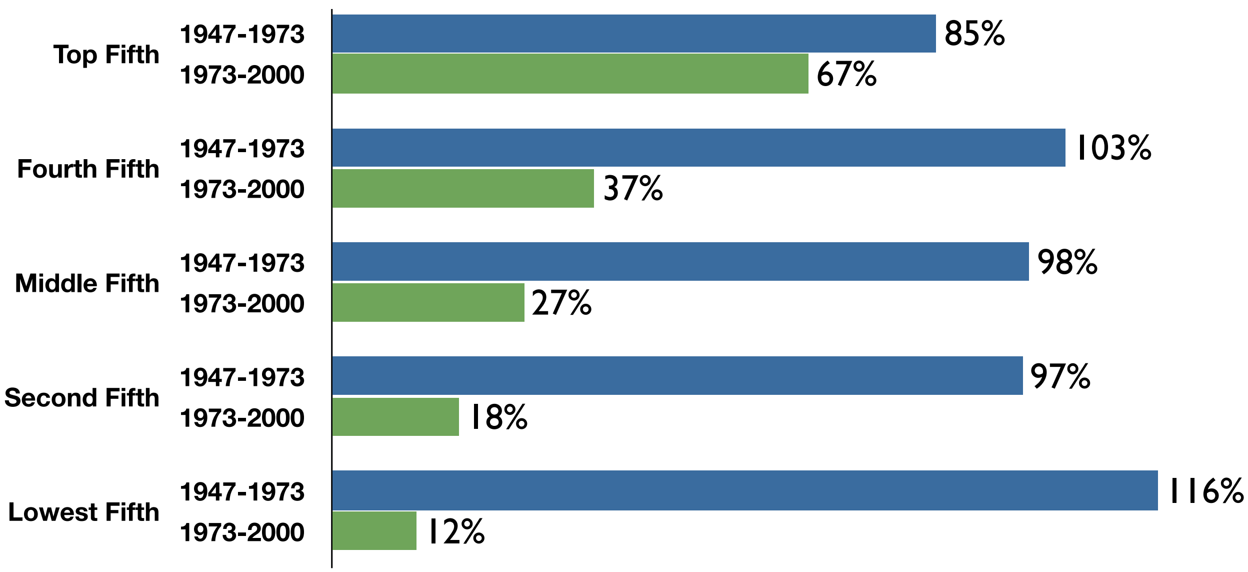
A New Social Contract to Expand the Middle Class

Over the past few decades, American workers have powered the economy to new heights. Between 1973 and 2006, the size of the economy on a per person basis—real gross domestic product (GDP) per capita—increased by more than 85 percent. Productivity—a measure of the amount that workers produce per hour on average—increased by almost 50 percent.

As the chart below shows, during the decades following World War II, similar increases in economic growth and productivity helped to strengthen and expand the middle class, and reduce the economic distance between Americans in different income classes. By contrast, the gains in growth and productivity since the 1970s have not contributed to greater economic security for all, and inequality has returned to levels not seen since the years before the Great Depression.



Increase in Real Family Income



Source: Economic Policy Institute

America's social contract needs to be updated to ensure the economy works for all Americans. Key elements of such a reform include strengthening basic labor market standards and institutions, expanding workers' access to post-secondary education and training, and reforming the system of public and private social benefits for workers.

Data and Methods

Economic Insecurity and the Hardship Gap

In this report, we consider a person to be economically insecure if they live in a family with total income below the basic family budget standard for where they live. To determine total family income, we used a broad definition of income, including earnings from work, income from public programs, including Social Security, unemployment compensation, Temporary Assistance for Needy Families (TANF) income supplements, the Earned Income Tax Credit, and Food Stamps. If a family received child-care assistance, housing assistance, or health insurance through Medicaid/SCHIP, we adjusted their basic budget standard by replacing the market prices for child care, housing, or medical care with the amounts the family reported paying for those items.

We used the basic family budgets developed by the Economic Policy Institute. These budgets reflect the actual costs of goods and services at market prices in over 400 localities. EPI has budgets for six family types: families with one or two parents and up to three children. Using the same methodology and sources as the EPI budgets, CEPR also calculated budgets for households of one or two adults and no children. These eight types of families account for about 71 percent of all working families.

The Survey of Income and Program Particiation (SIPP) does not distinguish among people who live in: 1) North Dakota, South Dakota, and Wyoming; and 2) Maine and Vermont. Thus, we were unable to estimate the share of economically insecure families in these states.

For an in-depth description of the metholds used to produce these estimates, see Heather Boushey, *Bridging the Gaps: Technical Report on Data and Methods*, Center for Economic and Policy Research, October 2007.

Job Quality

CEPR uses a basic definition that takes into account a job's wage rate and whether it provides health and retirement benefits. According to this definition, a good job is one that meets **all** of the following three criteria:

1. it pays at least $17 per hour (about $34,000 on an annual basis),
2. it offers employer-sponsored health insurance (where the employer pays at least part of the monthly premium), and
3. it offers an employer-sponsored retirement plan (either a "defined contribution plan" like a 401(k) or a "defined benefit" like a traditional pension).

For an in-depth description of the methods used to produce the good and bad jobs estimates, see John Schmitt, *How Good is the Economy at Creating Good Jobs?*, Center for Economic and Policy Research, October 2005 and John Schmitt, *The Good, the Bad, and the Ugly: Job Quality in the United States Over the Three Most Recent Business Cycles*, CEPR, November 2007.