

Parents and Children Facing a World of Risk

“Next Steps toward a Working Families’ Agenda” Roundtable Report

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Low-Income Working Families

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PARENTS AND CHILDREN FACING A WORLD OF RISK

About a quarter of American families with children work regularly but remain low-income. Parents balance the stress of a low-paying job, often with inflexible hours and few benefits, against the demands of raising children. They face greater risks with fewer cushions than their middle-class counterparts. Many exist one step away from catastrophe: a sick child or absent child care provider could trigger the loss of a job and the onset of poverty. About 6 in 10 low-income families (those with incomes below twice the federal poverty level) contain at least one adult who works year round and full time. Yet more than one-quarter of these families experience food and housing insecurities, and over one-third lack health insurance. Low-income families working less than full-time experience these hardships at much higher rates. Not surprisingly, children living in working families struggling to meet basic needs often lag behind others on a range of measures.

The Urban Institute, together with the Annie E. Casey and Ford foundations, sponsored a roundtable in May 2005 entitled “Next Steps toward a Working Families’ Policy Agenda.” The purpose of the roundtable, attended by state and federal practitioners, policymakers, and national experts, was to examine this group of working families that barely make ends meet despite “playing by the rules.” Without aiming for consensus, this broad group of participants discussed the next steps in a policy and research agenda that would bolster the economic security of low-income working families with children.

While participants came to the roundtable with vastly different perspectives, they agreed that the well-being of these families matters. It matters because more than one in four American children are growing up in low-income working families. It matters because, if these children are not given the foundation they need to succeed in school and at work, our national economic future is at risk. And for

many participants, it matters because of a basic sense of fairness. We have made a national choice through our tax and welfare policies that parents ought to work. The other side of that promise, as several participants saw it, is that work should pay parents enough to raise children in a safe and secure environment.

The roundtable began with the premise that working families' needs cut across multiple spheres: jobs that pay enough so families can make ends meet; some flexibility for parents to balance work and family obligations (for example, paid leave); insurance coverage against the risk of unemployment; affordable and safe housing; health insurance; and stable child care. So the solutions must also cut across multiple spheres: better jobs; workplace benefits; opportunities for parents to improve their skills and advance on the job; improved access to public programs that fill in gaps in child care, health care, housing, and income; and new ways to insure families against risk. The conference brought together experts from these different areas to examine the interwoven perspectives.

Conference papers provided background on the circumstances of low-income working families with children and on current programs and policies affecting working families. Participants represented elected and appointed officials of both parties as well as nonpartisan organizations and voiced a broad range of perspectives from their positions in the executive and legislative branches of government, business and labor, research, academia, and policy. They offered expertise in employment and labor markets, child care and child development, health and health insurance, housing and neighborhoods, income support, and parental leave and associated work and family issues.

Asked at the start of the roundtable to identify core concerns, participants described everything from not enough well-paying jobs to retaining optimism in the face of poverty. The diverse responses mirrored the diverse perspectives:

- Managing the risks of such adverse events as illness, job loss, or housing crisis
- Building career ladders so the poor can get ahead, not just get by
- Improving workers' skills and education to meet the requirements of better-paying jobs
- Changing work supports so they fit together in a more holistic approach that makes work pay
- Giving children the assets they need to have more successful lives while their parents struggle with day-to-day questions
- Providing opportunities for jobs with health insurance coverage and paid leave
- Finding affordable solutions for high-quality child care
- Ensuring that noncustodial fathers get the support they need to play an important role in their children's lives

This conference report lays out the salient points of the two-day roundtable and the thrust of a future agenda. It provides the backdrop for a series of Low-Income Working Families papers and briefs to emerge from the roundtable.¹ Forthcoming papers in this series will elaborate on many of the individual topics touched on in this overview—a profile of the working poor, participation in work supports,

promising approaches to promoting employment, unemployment insurance, child care—providing in-depth analysis as well as policy recommendations.

Background papers will be published separately and will also be available on the Urban Institute web site (<http://www.urban.org>). Taken together, the research provides a base for assessing what is known about the multiple challenges and risks facing the more than 9 million families working regularly but still struggling.

Who Are Low-Income Working Families?

A paper by Gregory Acs and Pamela Loprest presented findings from the National Survey of America's Families (NSAF) to describe the circumstances of low-income working families (defined as those with incomes below twice the federal poverty level, about \$38,000 for a family of four in 2005) and set the backdrop for the roundtable discussion (box 1). While any choice of income cutoff is arbitrary, the authors chose a common one that defines a group of families that works but still faces hardships. Also, families with incomes above this level generally are less likely to be eligible for means-tested supports. The authors describe the variations in the circumstances of low-income families with three different levels of work attachment: high-work (at least one full-time, full-year worker), moderate-work (roughly full-year, part-time work by one or both parents), and low-work (one adult working less than half time).

Nine out of 10 low-income families with children captured in NSAF data are working, and 6 in 10 are in high-work families. Yet, earning an average wage of \$9 an hour, most high-work parents are far away from climbing above the low-income threshold. Research suggests that many of these families will never “grow out” of low-income status with age and experience. These families also receive fewer job benefits than middle-income families—about half of low-income, high-work families and two-thirds of those working moderate hours lack employer-sponsored health insurance. Even though the working parents in high-work, low-income families have less education than their middle-class counterparts, 72 percent have at least a high school education, meaning that a high school diploma no longer guarantees a decent standard of living.

Participants' responses to this backdrop reflected their diverse perspectives. Some participants argued that the threshold for “high work” should not be identical for two-parent and one-parent families. Some argued that one full-time job in a two-parent family does not reflect a high work commitment, while others see challenges for parents in working full-time and full-year given the characteristics of low-wage jobs. They view inflexible schedules and the lack of basic job benefits as barriers to meeting obligations to both work and children. Participants mostly agreed that families that work but still struggle present multiple challenges to policymakers.

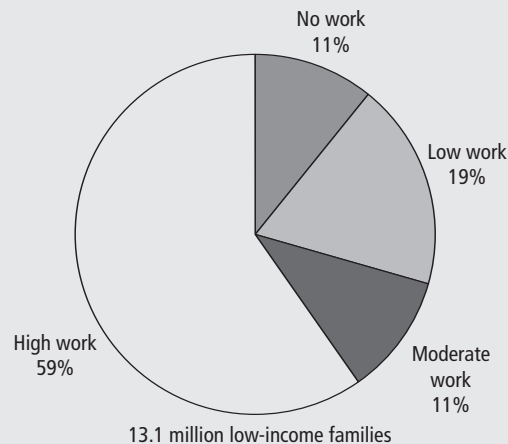
Douglas Besharov of the American Enterprise Institute pointed out that 200 percent of the federal poverty level is not poverty: “You can call it anything you want, but poverty is under the poverty line.” Family income of \$38,000, or twice poverty, is a high cutoff for poverty assistance.

During the course of the roundtable, others argued that it is difficult for a family with children to afford the basics—child care, health care, and decent housing—on less than \$38,000 a year. The income and work diversity of these families suggests the need for policy responses targeted to different subpopulations, many said.

Box 1. Who Are Low-Income Working Families?

Gregory Acs and Pamela Loprest

Work Effort of Low-Income Families with Children in 2001



Source: 2002 National Survey of America's Families.

Note: Weighted using the person-level weight of the head of the family.

The authors highlight the following facts about low-income working families:

- *Low-income families work a lot.* About 60 percent are categorized as high-work, with at least one full-time, full-year worker. Another 11 percent are categorized as moderate-work, with adults in the family averaging the equivalent of full-year, part-time work.
- *The average wage for the primary worker in a high-work, low-income family is about \$9 an hour.* If these families see their real wages grow at least 4 percent per year, it will take 11 years to reach the \$14 an hour average wage for families with incomes between 200 and 300 percent of the federal poverty level.
- *High-work, low-income families receive fewer job benefits than middle-income families.* They are much less likely to receive health insurance (49 percent compared with 77 percent). They are somewhat less likely to have paid leave (76 percent compared with 87 percent).
- *Heads of high-work, low-income families are younger, less educated, and more likely to be foreign born than the heads of middle-income families.* Nonetheless, 72 percent have at least a high school education, 76 percent are over age 30, 70 percent are native born, and 80 percent are in either married-couple or multiple-adult families.
- *High-work, low-income families face greater hardships than middle-income families.* One-quarter face housing insecurity, about the same proportion face food insecurity, and almost one in ten put off needed medical care.

Overview of the Major Public Programs to Support Work

Roundtable participants considered many support options for low-income working families, from government-sponsored programs to employer practices. Participants discussed whether the basic set of federal work supports—defined to include the earned income tax credit (EITC), food stamps, child care subsidies, and government health insurance (Medicaid and State Children's Health Insurance Program, or SCHIP)—functioned as a system. Urban Institute researchers Sheila Zedlewski, Gina Adams, Lisa

Dubay, and Genevieve Kenney provided highlights from their paper discussing the recent evolution of these programs and offered an analysis of family participation in these work support programs (box 2). These programs expanded greatly in the 1990s and, in some cases (Medicaid/SCHIP and food stamps), were redesigned to be more accessible to not only welfare, but also working families.

Many participants expressed surprise that federal and state spending on these supports for families with children increased from \$103 billion in 1996 to \$131 billion in 2002, with most of the growth

Box 2. Is There a System Supporting Low-Income Working Families?

Sheila Zedlewski, Gina Adams, Lisa Dubay, and Genevieve Kenney

The authors consider four programs—Medicaid and the State Children’s Health Insurance Program (SCHIP), food stamps, child care subsidies, and the earned income tax credit (EITC)—that form the core work support package for low-income working families in the United States. These programs potentially provide health insurance, assistance with food purchases, assistance with child care expenses, and an earned-income supplement to low-income working families that meet certain eligibility criteria. The paper examines the recent evolution of these programs, describes how the programs work, and examines how many low-income working families actually receive these supports.

The authors highlight the following facts about the work support system:

- *Spending on these work supports increased in real terms by 27 percent between 1996 and 2002.* In 2002, federal and state governments spent \$131 billion on these work support programs. Expansions of Medicaid and SCHIP coverage and higher medical costs accounted for the lion’s share of the spending increase. But spending on child care subsidies also increased.
- *Most low-income working families do not receive the full set of supports.* Even among the working poor (income below the federal poverty level)—families most clearly within all the programs’ income eligibility ranges—only 7 percent obtain all four supports.
- *The results demonstrate the continuing strong connection between receipt of work supports and*

welfare. About 25 percent of working poor families with a current or recent connection (in the past two years) to welfare receive the entire package of support, compared with 6 percent of families without a welfare connection.

- *The EITC is the benefit most often received by low-income working families.* About 8 in 10 low-income working families are eligible to receive the EITC. The EITC provides the simplest delivery system for working families—they can file for benefits electronically and there is no asset test. Also, families can pay professionals to apply for the credit for them.
- *In addition to the structure of federal funding, some important factors that explain low participation rates among families eligible for work supports include lack of knowledge, fear of deportation, difficulties surrounding the application process, and stigma.* Considerable research documents how these factors inhibit participation in Medicaid, food stamps, and child care subsidies—work support programs still tied in various ways to states’ welfare systems.
- *Some recent innovations in service delivery provide examples of how states can increase participation.* Simplification of application forms and outreach to working families to explain and help them with the process can increase participation. Coordination across work support programs also increases participation by simplifying the process for families.

attributable to the introduction of SCHIP and increases in health care prices. Despite the level of spending for work supports, new data analysis from the NSAF found that in 2002 relatively few low-income working families received all these benefits—among working poor families, most of whom are eligible for the full set of supports, only 7 percent received all these supports.

David Edie’s summary of U.S. child care policy showed that, while spending for subsidies grew dramatically after welfare reform, the money is not sufficient to serve all eligible low-income families. Edie, public policy education specialist of the Wisconsin Child Care Research Partnership under the University of Wisconsin-Extension, documents that most states recently have adjusted child care policies in response to fiscal constraints: tightening eligibility limits, setting reimbursement rates for child care providers below federally recommended levels, increasing families’ copayments, and creating waiting lists. As of 2004, only three states (Rhode Island, Wisconsin, and Wyoming) met suggested benchmarks for adequacy in all four of these areas. The benchmarks that Edie suggests are (1) income eligibility limits at least as high as 175 percent of the poverty level; (2) reimbursement or payment rates at the 75th percentile of recent market rates or higher; (3) family copayments at or below 10 percent of income for a family earning 150 percent of the poverty level; and (4) no waiting lists or freezing of intake. In 2003, about 1.75 million children were in subsidized care, and in 2004 about half of states had waiting lists or frozen intake.

The roundtable examined many other programs through the lens of their support—or lack of support—for low-income working families. Dinner speaker Wade Horn, assistant secretary for children and families at the U.S. Department of Health and Human Services (HHS), highlighted *Temporary Assistance for Needy Families*, or TANF. He encouraged greater use of existing work supports such as the EITC for the working poor. He argued that the reauthorization of TANF, particularly the administration’s focus on increasing hours of work among TANF recipients, provides states a “great opportunity” to reconsider what supports families need to work full time.

Federal rental housing assistance, described in a background paper by the Urban Institute’s Margery Austin Turner and Deborah Kaye, is not typically included in a discussion about work. Turner and Kaye note that roughly 4 in every 10 low-income families spend more than 30 percent of their income on housing, a cost burden considered unaffordable by the federal government.² The federal rental assistance program typically focuses on the housing needs of the lowest income families without regard to work status, and resource constraints limit assistance to only about one-third of eligible families. Nonetheless, the paper argues that housing assistance potentially supports work in several different ways—by providing stability, by offering access to opportunity-rich neighborhoods, by creating work incentives through subsidy formulas, and as a locus for service delivery.

Closely tied to work experience, *unemployment insurance* (UI) is intended to provide stability for workers who lose their jobs through no fault of their own. According to a background paper by Urban Institute researcher Wayne Vroman, at any given time, only one-third of all unemployed American workers receive UI benefits. Low-wage workers are less likely to receive unemployment insurance than higher-wage workers because they often do not meet the work hours and earnings eligibility requirements. Also, those who voluntarily leave work for family reasons are usually not eligible for UI benefits.

Employment and training programs intended to promote job retention and advancement were also considered during the roundtable discussions. A background paper by Harry Holzer and Karin

Martinson highlighted the research evidence on strengths and weaknesses of approaches to employment retention and advancement (box 3). The paper discusses the mixed success stories of such different approaches as financial incentives and supplements, case management strategies that link workers to services, education and training, and employer-focused strategies such as employer-provided training and efforts to influence employer human resource policies. Participants discussed the need to link

Box 3. Can We Improve Job Retention and Advancement among Low-Income Working Parents?

Harry Holzer and Karin Martinson

These authors provide evidence on the characteristics of workers and their employers that affect retention and advancement outcomes and then review a range of strategies for improving outcomes. Rates of job turnover in the United States are high, particularly for young adults, high school dropouts, those with weak cognitive skills, women with young children, and minorities. Frequent turnover causes individuals to lose income and prevents them from accumulating work experience and seniority often associated with wage growth. On the other hand, job changes that move individuals from lower-wage to higher-wage employers generate greater wage growth than longer tenures at low-wage employers. Individual skills and employer characteristics matter. Higher basic skills, especially postsecondary credentials, matter for getting a better job initially and for long-term wage growth. Employment in higher-wage sectors of the economy—such as construction, manufacturing, transportation, or health services—also leads to higher rates of advancement for lower earners than employment elsewhere.

The authors categorize four types of approaches to improve retention and advancement and highlight what is known about their effectiveness:

1. *Financial incentives and supports.* Incentives to improve the rewards associated with low-wage work include the federal and state EITCs and various demonstrations that have provided earnings supplements targeted to low-income populations. Unless the subsidies are permanent, their positive effects on work tend to fade over time. Also, the budgetary costs of permanent financial enhancements can be substantial.
2. *Case management and service provision.* These strategies attempt to link low-wage workers to services that aid their transitions to work and enhance their job retention and advancement prospects. Temporary agencies (and perhaps other intermediaries) can potentially improve the access of low earners to higher-wage employers, where retention and advancement are both strengthened, although some evidence shows positive effects fading over time. Some kinds of post-employment services provided at the workplace also seem to strengthen retention.
3. *Skill development strategies.* Education and job training for low earners are most successful when they provide workers with credentials (such as associate's degrees or other training certificates) that employers value and when the training provides skills that match private sector demands in local labor markets.
4. *Employer-focused efforts.* The returns to training privately provided by employers are high.

The authors also conclude that mixed strategies—especially those that provide training, a range of services and supports, and access to better employers—have produced strong results, especially when implemented in an environment where pressures to gain employment are strong. Further, a variety of other approaches that have not yet been formally evaluated, such as efforts to build career ladders and improve employer human resource policies (including recruitment, training, and compensation) in low-wage labor markets, show promise.

low-wage workers to higher-wage employers that offer more opportunity for advancement, but noted the importance of creating more of these jobs rather than trying to ration a fixed number of them.

Employer practices, such as offering *paid leave*, also play a key role in supporting working families with children. The United States does not have a national policy on paid parental leave or paid sick leave for workers. The 1993 Family and Medical Leave Act provides 12 weeks of unpaid leave to about half of working parents—those working for employers with at least 50 employees—but makes no provisions for parents working for small businesses with fewer than 50 employees. Some states mandate more generous leave policies. As Acs and Loprest showed in their background paper, about a quarter of high-work and half of moderate-work low-income families do not have paid leave on their jobs. And participants turned back to this issue throughout the conference, noting the difficulties a working parent faces when a child gets sick and the parent has no flexibility to take time away from work. Participants also discussed the role of collective bargaining in supporting working families and whether legislation governing union organizing should be considered as part of public policies to support working families.

Participants also discussed new initiatives to help families manage risk, such as *asset development strategies*. Lisa Mensah, executive director of the Initiative on Financial Security at the Aspen Institute, argued that with net worth averaging about \$2,900, low-income earners are alarmingly unprepared to weather an emergency.

Understanding the Problem: Four Insights

The discussion led to four key insights about the challenges facing low-income working families with children: (1) “Cracks in the System”—weaknesses arise in the disparate support programs and policies from uneven coverage and access barriers; (2) “Risks”—the current labor market and reduced insurance protections pose greater risks for low-wage workers than in the past; (3) “The Parenting Challenge”—by definition, low-income working families face the double challenge and risks of balancing the needs of their employers with those of their children; and (4) “The Workplace Challenge”—the characteristics of low-wage jobs, such as limited or no benefits, limited opportunities for advancement and for training or skill development that might lead to advancement, inadequate connections to higher-wage employers, inflexible scheduling, and fragile job security, pose extra challenges for working parents.

Cracks in the Work Support System

Understanding how well existing work support programs gel as a system is crucial to deciding whether the system works well or whether it needs repair, expansion, or an overhaul. Participants discussed the complex and sometimes contradictory goals of the different federal and state work support programs. Some pointed out that programs we now include in a system of work supports were never designed with this goal in mind. Medicaid and food stamps originally were designed as part of a welfare system focused primarily on nonworking families, while the EITC and child care subsidies were designed primarily to support working parents.

Eligibility rules for each of the programs, with the exception of the federal EITC, vary across states. Each of the programs within a state can vary tremendously on such eligibility rules as asset tests or copayments. Some eligibility rules can change with budget cycles. For instance, a family might be eligible for child care subsidies one year but not the next.

It is perhaps not surprising that such a small share of low-income working families receives all the supports. Only the EITC—the support with the fewest eligibility rules, no asset test, administrative simplicity, and guaranteed funding—reaches a large share of low-income working families. In contrast, child care subsidies—a work support characterized by capped federal funding and administrative complexity—reaches the smallest share of low-income working families.

Participants engaged in a lively debate over the future of the work support system, focusing on whether it works well, can be improved, or requires a major overhaul. Mark Greenberg, director of policy at the Center for Law and Social Policy, argued that states have vastly more potential for simplifying and improving the work support system than they currently use. He emphasized that “a large part of the administrative complexity is simply unnecessary.” Both Ron Haskins of the Brookings Institution and Robert Greenstein of the Center for Budget and Policy Priorities warned that public spending might soon be curbed for these programs. “Funding for work support is not going to increase in the same way that it has in the recent past,” Haskins said. Greenstein cautioned against complacency because most of the recent increase in work support spending reflects the rising costs of health care rather than an increase in the support system. He suggested ways that states could increase access to supports within existing federal guidelines.

Given these questions about future budget constraints, participants debated whether there is a better way to use the current funding. In addition, several participants highlighted the work disincentives in the current system. Benefits begin to phase out quickly as families earn more than \$12,000 in annual income (substantially below the poverty level). At the same time, participants struggled with the dilemma that solving this problem through more gradual benefit phaseouts would be costly.

A key lesson of the roundtable was the importance of considering a broader range of programs as part of the work support system. Participants discussed ways that state UI programs could extend their reach to families. Benefit eligibility depends mostly on past earnings and an acceptable reason for losing a job. A parent who leaves a job because of family responsibilities, for instance, would generally not qualify for UI benefits. Participants noted the higher risk of unemployment for low-income parents. They often have no other choice than to miss work and risk being fired when a child gets sick. Dr. Jody Heymann of the Harvard School of Public Health remarked that children’s health outcomes are much better when parents can be home when children are sick. David Berns, director of Arizona’s Department of Economic Security, said how rare it was for a national conference to highlight these interconnections. He noted the potential for a strong connection between unemployment insurance and resources to get people back into the labor market.

Maurice Emsellem with the National Employment Law Project reported that about half the states have significantly improved UI and related programs since the 1996 welfare reforms to recognize family needs more directly. For instance, some states permit UI to be triggered in job loss resulting from domestic violence or a sick family member. Another example is California, which passed legislation that qualifies workers for paid family and medical leave based on the same work history and benefit levels as in UI. Also, Emsellem saw potential in recent state discussions about linking health care coverage to UI during a recession.

The discussion of how the range of existing programs could support low-income working families led many participants to consider what was possible from their own professional base. For instance, Shan-

non Christian, associate commissioner for the Child Care Bureau at HHS, said she would reexamine their agenda with more focus on low-wage workers as part of the next phase of welfare reform. “If we could look at the middle-class systems that fail this group and figure out how to tweak those systems, there might be less need to talk about whole new programs.” David Berns promised to try services integration across Arizona’s different state systems. “I’d like to, from this meeting, take a specific look at our unemployment insurance population and those coming to our attention through WIA [Workforce Investment Act] and job services programs. What can we do with these programs to get better connections to supports for families that otherwise would only be getting help with a job?”

Low-Income Families Face Greater Risks

Low-income working parents with relatively limited skills and educations face multiple challenges. Speaking at lunch, David Shipler, author of *The Working Poor: Invisible in America* (New York: Vintage, 2004), vividly illustrated the risks through the stories of working families. One father working construction jobs with no medical insurance went to a hospital emergency room for painkillers and antibiotics whenever a tooth abscess developed. The hospital bills eventually ruined his credit rating and, like a house of cards, led to other financial catastrophes. Eventually this father was unable even to have a telephone in his own name. Shipler’s case studies highlight “how the poor have less control than the affluent over their private decisions, less insulation from the cold machinery of government, less agility to navigate around the pitfalls of a frenetic world driven by technology and competition. Their personal mistakes have larger consequences, and their personal achievements yield smaller returns” (*The Working Poor*, page 7).

Roundtable participants explored how working parents’ risks have intensified in recent years. As some participants saw it, workers and parents bear the heightened risk as the private sector, striving to be competitive, has reduced benefits and job security, while public programs have not filled the gaps. One example is the increase in the duration of unemployment, with no corresponding change in unemployment insurance. According to Vroman’s paper on unemployment over the past 50 years, recent years have the lowest overall unemployment rates but the longest durations of unemployment for those who do lose a job. Unemployment insurance, on the other hand, only covers short spells of unemployment, and families risk a major reduction in family income and the onset of poverty when benefits run out. Another example is skyrocketing housing costs not matched by increases in housing assistance—raising the risk of eviction or homelessness.

And because workers in low-income working families are also parents, work life instability can interact with family life instability to compound overall risks. For example, changes in job shifts and changes in child care providers may both contribute to instability in children’s care, triggering possible developmental risks for children.

A vivid example of the increase in family risk, according to a number of participants, is the reduced likelihood that low-income parents will have health insurance—rendering them vulnerable to financial catastrophe in the event of serious illness. Employers are shifting more health care costs to workers, pricing premiums beyond reach for many. Marva Hammons, executive director of Colorado’s Department of Human Services, said that a portion of her 5,000 employees are low income and cannot afford the state-offered health insurance. Jack Meyer, president of the Economic and Social Research Institute, noted that the rise in working uninsured can be traced more to workers turning down the employer-offered insurance as too costly than a decline in employers offering insurance.

Some participants suggested that the pendulum might start to swing back toward a lower public tolerance for risk, as workers react to the shifts they have experienced—unreliable pensions, less-defined benefits, more restrictions, a porous safety net, less unionization, and a low minimum wage. For instance, some cited the president’s proposal for private accounts in Social Security. They argued that people strongly oppose the plan because they perceive too much risk in their lives already.

The discussion moved toward what other risks might be insured against. Lisa Mensah highlighted the value of building assets to insure against unexpected disasters. However, she also noted that we do not have a good match between policies that encourage low-income families to accrue assets and policies that provide work supports. Most programs still have asset tests that can penalize a family for accumulating any wealth. Such mixed signals make it more difficult for these working families to own a home, finance an education, and plan for retirement.

Juggling Work and Children’s Needs

Participants often highlighted the connections between parents’ experience on the job and children’s well-being. Experiences like job loss or shift changes for parents may translate into instability and developmental risks for children. Ajay Chaudry, director of New York City’s child care program and author of *Putting Children First: How Low-Wage Mothers Manage Child Care* (New York: Russell Sage Foundation, 2004), reported on interviews with 40 low-income working mothers in New York. Their children averaged five different child care arrangements in their early years of life, most lasting no more than six months and often starting and ending abruptly. Mothers as low-wage workers have very little schedule flexibility for child care and will find any care setting, even an inadequate one, to start working. “There are so many changes and instability around low-income work, but these mothers continued to put work first.... As the children got closer to school age, many regretted the lost development opportunities,” he reported.

Participants also explored the connections between paid leave and children’s health. Dr. Heymann said that the likelihood of parents staying home with a sick child is five times greater when the parents have paid leave. Children recover faster with a parent at home. In cases of acute and chronic diseases like asthma, having a parent able to stay at home may prevent a child from growing sicker and requiring hospitalization.

Inflexible jobs that make it difficult to meet family responsibilities squeeze many low-income parents. For example, parents’ work schedules can influence a child’s education. National research conducted by Heymann and colleagues demonstrated that for each hour a parent regularly works in the evening, a child is 17 percent more likely to measure in the bottom quartile in math. Parents working the night shift raises the likelihood of school suspension for children in that family nearly threefold.

Another challenge posed by balancing work and family responsibilities is finding the time to upgrade education and skills to advance to higher-wage jobs. Holzer and Martin’s background data show that education and job training that lead low earners to credentials valued by employers (such as associate’s degrees) are most successful. Yet workers who are also parents face a very tight squeeze on time, so adding training or education to a schedule that already includes work and family responsibilities may not be realistic in the face of other urgent demands.

Jared Bernstein, director of the Economic Policy Institute's research on living standards, told the roundtable about his experiences with focus groups on the economic insecurities of middle-income families. When asked what was important about jobs, flexibility ranked near the top. Workers thought of mobility and advancement as an illusion, but something as concrete as a day off to help a sick family member meant a lot to them.

Ron Mincy noted that these trade-offs may be different in two-parent than in one-parent families and that men and women may experience these trade-offs differently. He argued that as we think about policies designed to improve the well-being of working families, gender must become an important element of our thinking. For example, policies designed to encourage low-earning parents to undertake additional training need to consider whether such incentives are more likely to be taken up by husbands or wives in two-parent families, depending upon how the incentive is structured. For example, because child care responsibilities often fall predominantly to wives, incentives that are not designed with attention to gender may end up increasing training among men, but not women.

The Role of the Workplace in the Lives of Low-Income Working Families

The conversation frequently returned to the role that the workplace and employers play in low-income working parents' lives. To understand what public and private actions could make a difference to these families, policymakers need to think about how the workplace—particularly the low-wage workplace—supports or does not support the balance of family income and raising children. Not enough is known about incentives that might encourage private business to provide higher wages, more benefits, more flexible scheduling, and other conditions of work to ease the tough choices their low-wage employees face. More broadly, not enough is known about employer practices and rationales for their current wage and benefit structures. Trends and employer practices are much better documented for health care benefits than for other job benefits and characteristics, such as scheduling and opportunities for advancement.

Private employers play a role in children's well-being through paid leave and flexible scheduling and in family economic security through greater opportunities for low-wage workers to advance and improve earnings. For example, if employers provided more training, low earners could potentially move up in their careers more quickly. Benefits such as health insurance can have an effect on both children's well-being and family economic security, provoking considerable discussion on what employer versus governmental roles should be. If employers provided more generous benefits, families would not need to apply for public work support programs, and those programs would cost less; if employers instead highlighted the available public benefits or helped workers apply for them, public work supports would be more costly but more widely used.

Research shows that higher wages generate greater incentives for workers to perform better and to stay with the job. The human resources policies of larger employers with formal recruitment, training, and compensation practices and protective work rules at unionized establishments reduce turnover, too. Health benefits will keep workers on a job, while jobs without benefits do not. Holzer and Martinson's background paper also pointed out the research evidence showing that turnover rates are higher for lower-wage workers with part-time jobs and for those working nonstandard shifts.

Gordon Berlin, president of MDRC, expressed concern that employers that take the high road are dinosaurs and might soon be competed out of the global market. And he noted that, even if that was

not true, the number of good jobs available for low-wage workers was surely a zero-sum game. The Urban Institute's Harry Holzer, a former chief economist for the Department of Labor during the Clinton administration, disagreed, arguing that low-wage employers and employers paying higher wages both are pursuing alternative business strategies that can be successful. He also believes that the competitive global market will not eliminate most higher paying U.S. jobs. A prerequisite for getting the better jobs, however, is a set of skills—including English language proficiency—that many low-wage workers lack.

Other participants, though, were more worried about employers' ability to pay higher wages and provide benefits, pointing out problems on the demand side of the labor market. Brookings Institution's Isabel Sawhill, though unable to attend the roundtable, noted in a written statement that "there are a group of employers that are themselves struggling to be competitive in a global marketplace, are subject to the ups and down of the business cycle....The largest and most responsible [employers are also affected by] the rising cost of employer-sponsored health care." Holzer also recognized the competitive pressure on employers, although he believes it is a bit exaggerated, and he also cited difficulties that arise because of the mismatch between where people live and where firms are located.

Several participants highlighted the role of unions and collective bargaining in strengthening workplace practices. Nancy Mills, executive director of the AFL-CIO Working for America, argued that increased unionization would bolster the lives of low-income working families. Unionized workers can earn 20–40 percent more than others and are more likely to have affordable employer-provided health insurance, have paid sick leave and some form of retirement security plan, and work full time, she said. She noted that support for unionization is at an all-time high among Americans, but so is employer resistance to unions. Making it easier for workers to unionize—such as by allowing card-check recognition of unions as in Canada—would do a lot to raise the living standards of today's low-wage workers.

Beyond the Research: Four Challenges

Roundtable dinner speakers helped frame the policy and research challenges ahead. Annie E. Casey President Doug Nelson told participants that the roundtable is an example of how the Urban Institute's *Assessing the New Federalism* project has "created an information context that allows us to think about these shifts, to identify positive changes, and to evaluate what happened and what didn't." Former Senator John Edwards of North Carolina challenged participants to "shine a light on poverty." HHS's Wade Horn mentioned the funding battles ahead.

Throughout the remaining panels, participants drew on these ideas as they struggled with the challenges of shaping a research and policy agenda within a broader context of values, priorities, public commitment, and fiscal constraint. Four challenges in particular echoed throughout the conversation: who should be responsible for improving family circumstances—business, government, or families themselves; which families should be the priority for policy attention; how researchers can help shape the issues for the broader public; and how researchers and policymakers might move strategies forward in fiscally restrained times.

Taking Responsibility for Lifting Workers Out of Poverty

Who should take responsibility for the circumstances of working families? While all participants agreed that individuals, private employers, and government each bear some responsibility, they disagreed about the exact boundaries of those responsibilities.

Individual responsibility does play a role in creating difficult choices, some participants argued. For example, a parent's choices about how many children to have directly affect whether the family is poor and whether the family can make ends meet at a given wage level. And single-parent families are more vulnerable than two-parent families, underlining the current administration's push for healthy marriage promotion. At the same time, choices about education and training and about hours worked directly affect parents' wages and incomes. Individuals who fail to complete their education or pursue job-related skills find it more difficult to move up in the workplace. Several participants argued that, particularly in two-parent families, one full-time worker is not enough. And some suggested that even the full-time workers had the potential to increase their hours if necessary to make ends meet. Finally, others addressed the responsibility of noncustodial parents for their children.

At the same time, most roundtable participants agreed that government bears some responsibility. For parents who work, government should keep its promise to "make work pay." Some thought that government's responsibility was to provide a more coordinated and fully accessible set of work support programs. Others suggested that government has a role in helping workers move up the ladder.

The debate over responsibility also included the private employer's role: participants felt that the demarcation line between the responsibilities of government and of private business was very blurry. When should employers be responsible for providing paid leave and health care benefits, and when should they just be a conduit between the worker and government-sponsored programs that fill in the gaps in employee benefits? Must government offer financial incentives for employers to provide training to their low-wage workers, or should employers finance the training as an investment in their workforce? Participants remarked on the ambivalence society expresses about its expectations of employers. While at least full-time workers need paid leave and everyone needs access to health insurance coverage, it is not clear who should bear the cost. Employer mandates generate concerns about higher labor costs and job loss. And if employers simply pass new costs along to workers, they may simply trade benefits for lower wages.

Participants debated what kinds of public investments, incentives, or other approaches to partnership with employers would have the greatest payoff. Cliff Johnson of the National League of Cities said that economic development might be the engine to drive local experimentation on different approaches, with the goal of developing better workers for greater prosperity. Others raised the question of whether development incentives subsidize employers and provide little or no benefit to workers. Still others argued that employers should understand that business wins when workers are better paid and have longer tenures.

Besides incentives for employers, participants also discussed mandates. Dr. Heymann predicted that mandatory paid leave eventually could come to the United States. She and her colleagues surveyed the policies of 168 countries, finding that 164 with diverse economic levels mandate paid maternity leave. Dr. Heymann argued that increasing pressure for workers to care for their elders will strengthen the argument for mandatory paid leave in the United States.

Choosing Which Families Should Be the Policy Priority: Targeted versus Universal Strategies

Participants debated which individuals and families should be the primary focus of policy attention: the most needy, the broader group at risk of economic hardship, all families up and down the income spectrum, or other specific vulnerable groups. Research provides some guidance on the problems partic-

ular families face and the likely effects of various programs on those families—and further research could provide more—but values and judgments must also weigh in on the recommendations.

Within the broad group of low-income working families, some participants thought the greatest focus should be on families with the lowest incomes, those already experiencing severe economic hardship, while others thought the focus should be on the whole group, many of whom live on the edge and at risk of economic hardship. Families' economic status can change rapidly, so a family appearing at a safe distance from hardship could falter after one or two setbacks. Likewise, some families only dip into poverty for short periods. These dynamics further complicate how to draw policy priorities.

Most of the families in this low-income group were never on welfare, forming a segment of the population largely ignored in the past by public policy. But several participants expressed doubt about whether it made sense to focus on this broader group. Larry Mead, professor of politics at New York University, said that it was reasonable to concentrate transitional services on families leaving welfare, as they have the most acute needs. He was skeptical that there is an acute unmet need for support above that level, particularly in regard to child care. On the other hand, Joan Lombardi argued that low-income working families should not have to enroll in welfare to get help paying for such services as child care.

Recognizing that a broader focus would entail more public dollars, many participants thought that families playing by the rules, working and independent from welfare, should get some help. Sawhill's conference statement argued that the discussion should include "people who are not poor, who don't think of themselves as poor, but are part of the struggling working class—the blue- and pink-collar workers who may be earning as much as \$20,000 a year."

Throughout the discussion, many participants wondered whether policy should go beyond even this group of low earners to include universal solutions that focus on all families and emphasize what families have in common. In particular, many participants thought that the work–family issues, such as paid leave, spoke to universal concerns and could best be framed in that way. For example, most participants agreed that jobs should provide a minimum number of paid leave days. Some suggested that the current discussion in many states about universal pre-K programs providing high-quality developmental care for children could be redirected to include a stronger focus on the needs of working families. Universal child care could help solve parents' difficulties in locating care quickly when a job becomes available—and quality care could begin to address the disparity between children prepared for school and those who are not. And the universal need for health care also suggests a broad base of support for coverage (though not necessarily through public programs). Others warned that political support could lag with a broader agenda because spreading services to those less needy would dilute the sense of urgency and costs would be prohibitive.

Kristin Anderson Moore, president of Child Trends, suggested that improving child well-being provides a good organizing structure. Investments in the next generation appeal to enlightened self-interest, draw support from the bottom up, and enjoy bipartisan support. Child well-being also provides a measurable outcome for assessing progress. Mark Greenberg also asserted that people can relate to a national vision of giving a better life to our children. The challenge is how to make this vision compelling through a bipartisan agenda.

Some segments of the low-income working population did not get as much attention in the full discussion as deserved, some participants said. Only limited, targeted discussion of immigrant workers and their families occurred, for instance. Yet, over half of immigrant working families with children are low income. Likewise, since 80 percent of low-income working families are married couples or other multiple-adult families, some participants felt the conversation focused too much on single-parent families and on the experiences of women as mothers and workers. The question of whether men face a different set of issues was not highlighted. In addition, some felt that noncustodial fathers did not get due recognition. Of course, many of the solutions discussed at the roundtable would benefit all low-income working parents, regardless of their immigrant status or whether they currently live apart from their children.

Shaping the Issues for the Broader Public

As participants debated next steps for policy and research, they considered how these next steps should *reflect* public attitudes toward the working poor—and how they might in turn *shape* attitudes. Some participants felt the public is uninformed and uninterested in struggling families. Many echoed Senator Edwards’s sentiment, calling on others to consider ways of “shining the light” on family circumstances through research stemming from the roundtable. Others, particularly those representing states and localities, thought that strong public interest already had driven some local program reforms and that next steps might build on that interest.

Despite some skepticism, participants highlighted reasons why the public may care about the struggles of these families. Their tenuous balance of work and children, for instance, connects low-wage working families to much larger issues of supportive work places, family-friendly employment policies, quality child care, and emergency care. A solid worker being able to support his or her children is an American ethic that resonates. The economic viability of local communities depends on stable families and a stable workforce, a unifying goal to improve all families’ economics. Similarly, children’s well-being and educational success should matter to everyone, as that determines the nation’s future competitiveness.

Participants held different views about where to begin. Senator Edwards argued that we should start developing an agenda for low-income working families around universal health care coverage, because so many Americans at all income levels worry about unexpected illness and high health care costs. Some participants countered that the complexity and universality of the health care problem are exactly what make it too thorny a place to start.

How do low-income families themselves see these issues? This is as important to know as what the broader public believes, some argued. Building an effective agenda requires bringing low-income working families into the discussion to shape the agenda. Discussions among elites are not likely to move policy, some said, noting that at-risk workers must express their needs at the voting booth. “What is missing is the pressure from below that created some of the great programs that we rely on today,” said Larry Mead of New York University.

Developing Strategies in Fiscally Restrained Times

Participants grappled with whether it would take a “big idea” to jump-start momentum on a working families agenda, a more incremental approach, or a mixed strategy. Isabel Sawhill had called on the

group to use its skills to focus on some bigger ideas for helping low-income working families. She believes there is strong bipartisan support among the public for doing more for these families. She argued that progress might accelerate with bigger goals in mind.

Some participants argued that the political climate is wrong for big ideas; others reiterated that the golden days of funding for work support programs are over. Jared Bernstein of the Economic Policy Institute disagreed: “Big ideas take many years to ferment and it is in our interest to start thinking about them now.”

Other support for the bold vision emerged. Robert Haveman, professor of economics and public affairs at the University of Wisconsin–Madison, suggested a total overhaul of current work supports—taking the \$140 billion currently being spent and devising a “holistic approach” that resembles Milwaukee’s New Hope Project, which operated outside the public assistance system and offered job search assistance, a monthly earnings supplement, and subsidized child care and health insurance. Many roundtable members, however, noted that bringing New Hope to scale in the United States would far exceed current work support investments.

James Weill of the Food Research and Action Center suggested that a bold vision becomes more tenable if examined through the lens of young families. “Everything that we’re talking about in the last few days is more true for young families. They are the newest job entrants with the fewest benefits and the most expensive child care needs.” Jack Meyer raised the idea of a workers’ bill of rights, which would establish a basic minimum set of employee benefits that workers could carry from job to job. Meyer noted that historically, such standards have succeeded on issues of child labor, wages, and working conditions. Robert Lerman of the Urban Institute suggested thinking hard about an insurance model to protect working families against more risks and thus spread the costs of coping with contingencies over their life cycles and across all insured families.

Most participants agreed that a more incremental approach, such as improving the rates at which low-wage workers apply for existing programs, should also be pursued. It is not incompatible with a big idea and states can make progress within existing federal regulations. Sharon Parrott of the Center on Budget and Policy Priorities cautioned against scrapping the current work support structure because states are already able to push participation and limit families’ interaction with the welfare office. For example, low-income working families in Arkansas can access all federal work supports with one eligibility interview, and benefit continuation requires two visits to the welfare office during the year. Increased participation would cut a swath through poverty and could be done much more quickly than the big ideas.

Looking Ahead: The Research and Policy Agenda

As participants looked ahead, they were struck both by what we know and by what we do not know about the multifaceted challenges facing low-income working families. On the one hand, many participants emphasized the importance of placing the facts we know into the hands of employers, local and state administrators, and federal policymakers. On the other hand, participants also wanted to know more, especially about the dynamics of family experiences over time. How long do families stay low income? How many spiral into catastrophe, how many work their way up, how many just get by month after month? What are the consequences for children of each trajectory? Participants also wanted to understand the experiences of particular groups of families—immigrants, two-parent families, single-

parent families—and the implications of family choices, such as working longer hours. And a clearer understanding of how families cope with the risks of substantial income loss due to ill health, job loss, and other traumatic life events can inform policymakers about solutions and priorities.

When they turned to the lively debate about solutions, participants also saw strategies they were ready to take up at once—and areas where they thought more knowledge was needed. Most broadly, participants generally agreed that linked problems require linked solutions, and that successful strategies will expect individuals, government, and employers to bear some responsibility. Many, though not all, also thought that solutions should be a blend of incremental steps—for example, increasing participation in work support programs and building on existing knowledge about work advancement and retention—and bigger ideas that reshape public and private approaches. Participants argued that sources of information they can draw on right now in developing solutions include past research—as synthesized in the background papers by Holzer and Martinson on employment advancement and retention and by Zedlewski and colleagues on work supports—the experience of other countries (for example, with paid leave), and the varied experiences of states and localities.

Yet at the same time, participants asked for researchers to fill knowledge gaps that became evident during the roundtable discussion. For example, Howard Rolston of the Brookings Institution especially lobbied for a more systematic understanding of the investment value of strategies that support low-income working families. While strong research syntheses exist in some fields, such as employment and training programs for welfare recipients, the kind of cross-cutting syntheses developed for this roundtable—papers that report on knowledge across many linked program areas and that look broadly at the effects on low-income working families—remain rare. Further, cross-cutting research that describes family challenges holistically also can play a role in planting the seed of a bigger idea, a long-term agenda for investing in children growing up in low-income working families.

Building on the remarkable breadth of participants' experience, the discussion at the roundtable created, as Doug Nelson remarked over dinner, a rich “information context” for next steps to benefit working families. Yet at the same time, it laid bare the gaps in what we know, sharpening participants' hunger for the next research agenda to take that information base into the future.

NOTES

1. The three papers released to date are *Who Are Low-Income Working Families?* by Gregory Acs and Pamela Loprest, *Working to Make Ends Meet: Understanding the Income and Expenses of America's Low-Income Families* by Gregory Acs and Austin Nichols, and *Can We Improve Job Retention and Advancement among Low-Income Working Parents?* by Harry J. Holzer and Karin Martinson. All three papers were published in September and are available on the Urban Institute web site. In addition, the first brief in the *Perspectives on Low-Income Working Families* series—"An Introduction to Unemployment and Unemployment Insurance" by Wayne Vroman—was published in October.
2. In their paper, Turner and Kaye define low-income as income below 80 percent of the median income for the area in which a family lives. This definition overlaps considerably, although not exactly, with the 200 percent of FPL definition used elsewhere. Also, Turner and Kaye's statistics apply to all families, not just those with children.

