One of the cornerstones of American society is the principle that hard work is rewarded. It is implicitly understood that in America, if you work hard and make smart choices, you will have a good life. Pulitzer Price-winner David Shipler put it succinctly in his book “The Working Poor: Invisible in America”: “Nobody who works hard should be poor in America” and most Americans would agree. Ditto for Franklin Delano Roosevelt’s 1937 comment:

“Our nation, so richly endowed with natural resources and with a capable and industrious population, should be able to devise ways and means of insuring to all our able-bodied men and women, a fair day’s pay for a fair day’s work.”

However, work no longer pays for many Americans, the implications of which are far-reaching for our society’s family and general values.

It is possible in this country, and certainly in Montana, to work full time and still be poor. It is not even particularly uncommon. Having parents in the labor force can reduce a child’s odds of growing up in poverty almost six-fold; however, parental employment does not guarantee financial security. In 2010, there were an estimated 34,000 working families in this state who were low income, or working poor. And nothing predicts bad outcomes in children more powerfully than growing up poor.

**WHAT DOES IT MEAN TO BE “WORKING POOR”?**

The U.S. Bureau of Labor Statistics defines someone as “working poor” if that person “spent at least 27 weeks in the labor force” during the past year, but earned an income that “fell below the official poverty level” (BLS).

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1 The official federal poverty level is graduated by family size. For a family of four, the level was set at an annual income of $23,050 in 2012. For a single person, the level was $11,170. This is referred to as “100% FPL”, and any annualized income less than or equal to this amount qualifies a person or a family as poor. Source: Federal Register.

There are persistently low levels of educational achievement among the working poor, with as many as 40 percent of parents in such families being high school dropouts and 35 percent having no education or training beyond high school. A child’s educational achievement is highly correlated with that of his or her mother, creating a cycle of low educational achievement and, by extension, poverty.”
Working Poor Families Are More Likely To Include Part-Time Workers.

Approximately 4 percent of full-time workers qualified as working poor in 2010, compared to 15 percent of part-time workers. Some workers choose part-time employment over full time; however, for many, part-time work is a forced choice. They may not be able to secure full-time work, or as a result of the recession, they may have found themselves forced to either reduce their hours or be laid off.

Working Poor Families Are More Likely To Have Lower Levels Of Education.

Among the college graduates who were in the labor force in 2010 for a minimum of 27 weeks, about 2 percent were classified as working poor. Of those with less than a high school diploma, 21 percent fell into this category. There are persistently low levels of educational achievement among the working poor, with as many as 40 percent of parents in such families being high school dropouts and 35 percent having no education or training beyond high school. A child's educational achievement is highly correlated with that of his or her mother, creating a cycle of low educational achievement and, by extension, poverty.

Working Poor Families Are More Likely To Include Children.

Families with children under age 18 are about four times more likely to live in poverty than those without children. For families with children under age 5, the likelihood is even higher. All working families are facing ever-increasing child care costs for the times their children are not at school (after-school hours, holidays, and vacations) but the parents still have to be at work. During the years prior to children entering kindergarten, child care costs are considerably higher, to the point where low-income working families may choose to keep one parent out of the labor force to care for their children rather than devote over of $500 per child per month to child care expenses.

Working Poor Families Are More Likely To Be One-Parent Families.

On average, single-parent families will have less disposable income than families with two potential wage earners. Furthermore, single-parent families headed by women are even more likely to be poor than those headed by men due to women’s earnings being, on average, lower than men’s. In 2007, single-mother families were five times more likely to be poor than married-parents families, and the percentage of children in single-mother headed households is increasing.

Working Poor Families Are More Likely To Include Non-White And/Or Immigrant Parents.

There are striking racial and ethnic disparities when it comes to child poverty. Growing up in a working family with parents who are either non-White or non-American, or both, can practically triple a child’s likelihood of being poor. Non-Whites have, on average, lower levels of education than Whites, which lowers their chances for employment that pays well. In addition to racial and ethnic issues, immigrant parents also face the problem of limited language ability, also leading to employment with generally lower wages.
Working Poor Families Are Less Likely To Be Homeowners

Asset accumulation is essential to economic security and social mobility, and homeownership is the asset most families strive to achieve. It not only provides a relatively secure investment, it also eliminates many of the myriad problems associated with finding and maintaining a place to live. However, living in poverty or near-poverty leaves a family with no funds to set aside for larger expenditures such as a down payment on a home. Homeownership has become an elusive goal for a large number of American families.

Working Vs. Making A Living?

The living wage is the wage that an individual must earn to support their family at the most basic level (see Table 1). The gap between actual wages earned and the living wage is continually widening as a large portion of low-education jobs pay not only less than the living wage, but also less than what is considered a poverty wage (the wage rate at which the earner and his/her family are at the federal poverty level). To compound an already difficult wage situation, the recent recession and associated recovery further depressed wage rates.

Pre-tax expenses for a Montana household of three (1 adult, 2 school-age children) average $2,400 per month. If a household has children under age 5, monthly expenses will increase by approximately $550 per child to account for childcare. If the children are under age 3, the household budget also has to include diapers. The budget example in Table 1 allows only $226 per month for “other” necessities, such as clothing, school supplies, toiletries, and household

Homeownership has become an elusive goal for a large number of American families.

### Table 1
Montana Household Basic Pre-Tax Expenses and Living Wage (1 Adult, 2 School-Age Children)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Monthly Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic expenses, monthly</td>
<td>$2,400</td>
</tr>
<tr>
<td>Food</td>
<td>$536</td>
</tr>
<tr>
<td>Health care</td>
<td>$360</td>
</tr>
<tr>
<td>Housing</td>
<td>$639</td>
</tr>
<tr>
<td>Transportation</td>
<td>$639</td>
</tr>
<tr>
<td>Other necessities</td>
<td>$226</td>
</tr>
<tr>
<td>Basic expenses, annual</td>
<td>$28,800</td>
</tr>
<tr>
<td>Living wage, hourly</td>
<td>$13.85</td>
</tr>
<tr>
<td>Montana minimum wage income, annual</td>
<td>$16,224</td>
</tr>
<tr>
<td>Montana minimum wage, hourly</td>
<td>$7.80</td>
</tr>
<tr>
<td>Poverty-level income, annual (100% FPL)</td>
<td>$19,090</td>
</tr>
<tr>
<td>Poverty wage, hourly</td>
<td>$9.18</td>
</tr>
</tbody>
</table>

Source: Monthly family budget generated by the Living Wage Calculator, Massachusetts Institute of Technology (http://livingwage.mit.edu).
items. Unforeseen expenses like car or house repairs will also be taken from that amount, as will any costs associated with after-school child care.

One person supporting a household with two children would need to earn an hourly wage of $13.85 and work 40 hours per week, every week of the year, to make enough money to cover basic expenses. The minimum wage in Montana is $7.80, which is higher than the federal minimum wage of $7.25. However, it would be virtually impossible for a single parent to work 40 hours per week, 52 weeks a year due to child-related obligations such as illness and school holidays.

Income aside, the working poor face many obstacles in their effort to create a better life for their children. To be sure, some are the same everyday struggles as those faced by the non-working poor. However, there are also

**DEFINITIONS**

**Poverty:** The federal definition of poverty is generally referred to as “the federal poverty level”. It is tied to a family’s annual income and varies according to family size. The guidelines are the same across all 48 contiguous states, with additional provisions made for residents of Alaska and Hawaii. The annual poverty-level income, also referred to as “100% FPL”, for a 3-person family was $19,090 in 2012.

**Poverty Wage:** The amount a person has to earn per hour in order to make enough money to reach the federal poverty level. Poverty wage calculations assume full-time employment. As the federal poverty level varies by family size, so does the poverty wage.

**Low Income:** The federal definition of “low income” is equal to between 100% and 200% FPL, or between $19,090 and $38,180 annually for a 3-person family in 2012.

**Minimum Wage:** The minimum wage is the lowest monthly amount that employers can legally pay workers. The federally mandated minimum wage is $7.25, while many states and jurisdictions, Montana among them, have their own higher minimum wage requirements. On January 1, 2013, Montana’s minimum wage was increased to $7.80.

**Basic Expenses:** The amount required to provide the most basic food, health care, housing, transportation, and household items for a given family. These expenses are the basis for the calculated living wage, and vary by family size and geographic location.

**Living Wage:** The wage an individual must earn to support their family at the most basic level, covering only the most basic of household expenses, as described above. The living wage will also vary by family size and geographic location.
unique issues that hinder workers’ ability to find and keep jobs, and to make ends meet. Housing issues are at the forefront among these, as both working poor and low-income families will find it difficult to save enough money for a deposit on a rental property or a down payment on a mortgage. As a result, many working-poor families end up in living situations that are actually more expensive in the long run, such as weekly motel room rentals. In some cases, low-income families end up living out of a vehicle, or in a homeless shelter. Even families who qualify for a housing subsidy are not free of housing-related obstacles, as less than 25 percent of those who qualify actually receive one.

Access to reliable transportation also affects how these workers are able to support themselves and their families. Without a dependable car or public transportation options, a worker cannot accept a better-paying job if it were located too far away because they simply cannot get there.

**Working-Poor Families: Impacts On Children**

Generally speaking, the development trajectories for children growing up in poverty show disadvantages compared to those of children in more affluent families, and across all developmental domains: health, cognitive development, and behavior. Similarly, children from poor families are less likely to be identified as gifted and more likely to be overweight. Children from poor families are less active in extracurricular activities and are less likely to attend kindergarten, private school, or religious school.

The Annie E. Casey Foundation has long been making the case for the working poor, with part of the argument being focused primarily on the wellbeing of children. Children who spend their formative years in poverty will carry the resulting negative consequences and disadvantages with them for the rest of their lives. Generally, children who grow up poor are:

- more often sick and underweight as toddlers;
- less ready to start school;
- more likely to fall behind in grade school;
- more likely to drop out of high school;
- more likely to become teen parents;
- more likely to be either a victim or a perpetrator of a crime; and
- less likely to be economically successful as adults.

However, the Annie E. Casey Foundation is also concerned about how the perpetuation of the concept of “working poor” impacts other aspects of society. Douglas Nelson, the Foundation’s then-executive director, suggested in the 1996 National KIDS COUNT Data Book just how much is at stake:

*If we continue to see growing millions of American families who are unable to protect their kids from poverty despite year-round work efforts, it is truly hard to imagine how we will plausibly promote meaningful self-sufficiency for those millions of parents who are not yet even in the labor force (p39).*

What message is related to today’s children when they watch their parents work hard but still struggle to make ends meet?

An additional consequence of growing up in poverty that is rarely discussed is the effect economic strain has on parenting behavior and family conflict. Economic pressures, defined by objective indicators like family debt-to-asset ratio, parents’ unstable work history, low per-capita family income, and loss of income, are associated with a parent’s psychological stress and associated increases in irritability and instability. The resulting tension, family and marital conflicts, and non-optimal parenting behaviors are associated with negative developmental outcomes in children, such as antisocial behaviors, depressive symptoms, and low self-esteem in adolescents.

Additionally, many low-income neighborhoods do not have the same community resources found in more affluent areas, such as high-performing schools and strong social networks. Consequently, growing up in low-income neighborhoods isolates adolescents from educational and economic opportunities that could
provide a path out of poverty, and leads instead to increased behavioral problems.

WHAT CAN BE DONE?

The ranks of the working poor continue to grow as those traditionally in the middle class continue to be squeezed downward and the financial gap to overcome grows ever wider. However, there are strategies that aim at supporting families in our current economy. Below are some strategies that are aimed specifically at improving the lives of children through multi-generational approaches that focus on assisting parents so that they can better provide for their children.

Helping Parents Succeed As Workers

Low-income parents need to get and retain good jobs — or employment that leads to good jobs — and acquire new skills so that they can advance in the workplace. They need to earn and keep more money from their labor so that they can provide for their families and build assets. And they need to maintain economic momentum even in the face of illness or temporary job loss. Nelson 2002

Helping low-income parents succeed as workers requires a two-pronged approach. First, low-income parents need the education and training required to obtain jobs with higher salaries and benefits; and second, low-income parents need to be able to retain a larger portion of their salaries as disposable income and to enable asset accumulation.

Education & Training

There have been dramatic changes in the U.S. labor market that necessitate higher levels of education and training in order to secure employment that pays the equivalent of a living wage or better. Yet as education becomes ever more necessary, it is also becoming increasingly out of reach. Since 1980, the cost associated with a 4-year college degree has risen by 128 percent. Obtaining the computational, literacy, technical, and learning skills required in today’s labor market imposes challenges for all but the most financially secure. For those already in a difficult financial situation, it becomes all but impossible and, as such, perpetuates the inter-generational cycle of low educational levels and poverty.

To give parents a realistic shot at economic success, they must be able to develop the skills needed to advance in the workplace. Family economic self-sufficiency depends on such forward mobility, yet under-educated workers face obstacles to acquiring the education and training they need. There are some funding supports available to help low-income workers access post-secondary education. At the federal level, grant opportunities like the Federal Pell Grants and the Federal Supplemental Educational Opportunity Grants (FSEOG) offer important assistance, the latter of which requires a 1/3 state match. In Montana, there are also two state-funded grant programs that work through the Montana University System: the Montana Higher Education Grant (MHEG) and the Montana Tuition Assistance Program (MTAP) Grant. Both of these receive funding through state appropriations, with the MHEG also including a federal match. The MHEG is awarded based on exceptional financial need, while the intent of the MTAP Grant is to offset any Federal Pell Grant funding a student may have lost due to earned wages, with the idea that students should be awarded for working to pay for college costs. Montana also offers the Governor’s Best & Brightest merit-based scholarships, and participates in the Grants for Access and Persistence (GAP) programs, which are based on state partnerships with individual schools, nonprofits and Early Awareness programs.

Helping low-income parents succeed as workers requires a two-pronged approach. First, low-income parents need the education and training required to obtain jobs with higher salaries and benefits; and second, low-income parents need to be able to retain a larger portion of their salaries as disposable income and to enable asset accumulation.
In addition to grants and scholarships, which do not have to be repaid, there are also numerous student loan alternatives, most of them private. There is, however, the federal Perkins Loan Program, which offers low-interest loans (5 percent) to students with exceptional financial need, and federal Stafford Loans, where eligible students borrow directly from the U.S. Department of Education. Students can also apply for federal or Montana Work Study programs, under which a student works part time and his/her pay is subsidized from either federal or state sources.

College experience – even if it does not result in a degree – can significantly increase a worker’s lifetime earnings, making community colleges a valuable tool in improving access to education. Community colleges are helpful in and of themselves, but become even more so when they develop pre-college programs for non-traditional students, in addition to increasing outreach efforts, counseling and support services, and work-based learning programs that let students explore careers and develop the soft skills necessary for success in today’s workplace.

There are numerous such options within the Montana University System (www.mus.edu/Universities/university_main.asp). Dawson Community College in Glendive offers a free Adult Basic Education program where participants can prepare for and take the official GED test, as well as participate in Standard Education Literacy and Workplace Literacy classes. At Flathead Valley Community College in Kalispell, the career and technical programs offer a combination of classroom instruction and hands-on experience, while Miles Community College in Miles City offers workforce training through their Career & Placement Center. Miles Community College also offers the Jump Start program, which provides an opportunity for high school students to get college preparation and earn transferable credits without attending a full semester of classes. Jump Start participants receive tuition waivers for the classes they take.

Incentivizing Work

Education and training take time, so it is crucial that low-wage workers are able to make ends meet while they pursue advancement opportunities. Workers have to find the time to work, acquire new job skills, AND care for their families. There are several ways that have been proven to be successful in supporting low-income workers, including Temporary Assistance to Needy Families (TANF) policies that supplement earnings and refundable tax credits. TANF can be even more useful in supporting families with only small policy changes. Increasing the amount of money a person can earn without reducing subsidies, or even allowing recipients to get TANF support without having that time counting toward the federally established time limit on benefit eligibility, would both encourage families working toward economic self-sufficiency.

Using federal and state tax credits to supplement earnings and build assets has proven to be the most powerful approach, with the most successful being the federal Earned Income Tax Credit (EITC). The EITC offers a strong incentive to work by rewarding earnings with a refundable tax credit that can amount to as much as $4,000 a year. Awareness of these tax provisions, along with assistance with complex application processes, would lead more families to take advantage of them. The Internal Revenue Service’s Volunteer Income Tax Assistance (VITA) program provides assistance in navigating the EITC process. VITA sites also offer assistance in applying for the federal Child Dependent Care Credit and the Child Tax Credit, the latter of which is partially refundable.

Building And Protecting Assets

It is hard for any family to achieve economic stability when the majority, if not all, of one’s income only covers basic necessities. The slim margin between earnings and expenses makes it difficult to build any kind of asset base to serve as a cushion in the event of temporary unemployment, or a family or medical emergency. Real financial security requires both an income and such a cushion, a safety net that can be encouraged through policies and programs that give low-income workers more incentive to save and invest. Through affordable
financial services, workers can strengthen their capacity as consumers and financial managers. Examples include Individual Development Accounts (IDAs), which are savings accounts where deposits made by qualifying low-income individuals are matched by public or private funds, and financial literacy training that helps families develop budgets, avoid scams, increase savings, resolve credit problems, and invest prudently.

Sustaining Economic Momentum

One of the most common ways for low-wage workers to fall behind is job interruption. State unemployment insurance (UI) benefits can support full-time workers, and workers in permanent positions; however, benefits are often not available to low-income workers who hold part-time or temporary jobs. Yet it is these short-term, entry-level jobs that are the most vulnerable to interruption and termination, in many cases forcing workers to return to welfare until they find another job since they cannot access temporary benefits.

Several states have developed innovative and practical strategies for extending unemployment insurance to low-income workers, such as not requiring part-time workers (usually mothers with very young children) to document their availability for full-time work, or extending UI eligibility to people who leave work because of “undue family hardship”.

Supporting Working-Poor Parents

If we want the children of low-income working families to thrive, then we need more than a stronger safety net. We must build, track, and evaluate a real system of policy supports that can help their parents become more successful both as workers and as parents.

Nelson, 2002

Parents in low-wage jobs often struggle to keep their families on an even keel because they lack the basic emergency and day-to-day supports that parents in better jobs take for granted. These supports, described below, include accessible child care for both preschool and school-age children; health care for family members; workplace policies that give employees flexibility to attend to critical child- and family-related issues; and efforts to reinforce strong families.

Meeting Child Care Needs

Reliable, accessible, and affordable care for preschool and school-aged children helps parents succeed in the workplace by giving them the peace of mind that comes from knowing their children are safe and supervised. However, it is often a challenge to find, not only quality care, but quality care that available during unconventional work hours. As a consequence, many children in low-income families lack adequate or appropriate care.

Parents of school-age children face similar issues when it comes to after-school and vacation care. There have been expansions in after-school programs in recent years, but fees and transportation barriers still exclude some of the poorest...
children from safe, supervised care on a regular basis. Research shows that teenage children are at special risk of diminishing supervision.

Some states and cities are partnering with public agencies to make child care more available, through new facility development or through recruiting, training and supporting new care providers. A growing number of states, localities, and private organizations support academic, cultural, and recreational programs before and after school, on weekends, and during school vacations. To make child care even more affordable, some states have used federal Child-Care and Development Block Grant funds to subsidize child care costs for parents transitioning to the workforce. In Montana, parents who are either working, in school or in training can qualify for Best Beginnings Childcare Scholarships, which help cover the cost of child care for children under age 5 (www.dphhs.mt.gov/hcsd/childcare/).

Providing A Family-Friendly Workplace

Workplace policies that address family needs include sick, personal, and vacation leave; flex-time; and part-time work or job-sharing options. Such policies help workers in their day-to-day schedule, while also being more confident that a family crisis will not jeopardize their ability to stay employed, by allowing them to respond to unanticipated family issues without having to choose between the need to work and the need to attend to their children. Businesses offering such policies lower employee turnover, increased employee loyalty, and improved moral, which in turn helps reduce costs associated with recruitment efforts and training. Montana KIDS COUNT offers a guide to creating family-friendly workplace policies which can be accessed at www.montanakidscound.org/filelib/guide.pdf.

Health Insurance

Uninsured children are less likely to receive preventive medical care, as well as the more urgently needed care for serious injuries and recurring/chronic health conditions. While this causes children to suffer, it also causes their parents to miss more days of work to care for them, especially if conditions that start out as minor health issues can become major medical concerns through lack of preventive care. Research has shown that children without health insurance are up to 25 percent more likely to miss school than children with health insurance. Lack of health care coverage may even influence the job choices of low-income parents, who may feel compelled to turn down jobs that offer better wages but not health insurance.

Montana has made a good start in lightening the burden for the state’s parents with the establishment of Healthy Montana Kids (HMK). HMK combines state and federal funding through Children’s Medicaid and the Children’s Health Insurance Program (CHIP) to insure children in families with income up to 250 percent of the federal poverty level. HMK insured a total of 83,371 Montana children under age 19 in the 2010-2011 fiscal year.

Strong Families

Few factors have a stronger influence on a child’s healthy development than his or her family. With respect to working-poor families, those headed by single parents are the most vulnerable, and those headed by single mothers even more so. Enabling children growing up in these families to live up to their full potential requires ongoing support. One way to provide such support is to encourage active participation and involvement by non-custodial parents, who in most cases are fathers. Women’s Opportunity & Resource Development, Inc. (WORD) in Missoula specializes in services for young fathers through its Futures program,
while the Parents as Teachers program offers a “Promoting Responsible Fatherhood” curriculum at several locations throughout the state.

Several federal and state policies and programs are aimed at re-engaging fathers in their children’s lives, the most promising of which include education assistance, job training, and peer support groups for low-income fathers, and counseling and mediation for their families. No-cost family mediation can also be obtained through the Montana Legal Services Association which offers free services through its Family Law Mediation, and the Mediation Clinic at The University of Montana Law School.

Additionally, child support payment enforcement can be enhanced as a tool for increasing family stability, as only 41 percent of custodial parents nationwide receive the full amount of child support payments due. Such payments provide a vital source of income for single-parent families that bolsters family earnings and keeps a family afloat economically.

It is important to continue to provide support for single-parent families; there are strategies that can be adopted to strengthen two-parent families as well. One such strategy is to eliminate tax provisions that create disincentives to marriage and two-parent families. Revisions to the federal Earned Income Tax Credit is a positive step in this direction. A second strategy is to remove such disincentives from welfare and social service programs, especially for low-income working couples, which would encourage two-parent families while at the same time increasing family income and, potentially, family stability.

Improving the lives of at-risk children is impossible without improving their parents’ chances of economic success. It is the belief of Montana KIDS COUNT and the Annie E. Casey Foundation that the best way to reduce negative child outcomes is to strengthen our most vulnerable families by increasing their ability to provide real economic security for their children.

**SOURCES**


Montana Guaranteed Student Loan Program. www.mgslp.org,


If you are a member of STATE GOVERNMENT, you can:

- Support funding for Montana education grants, low-interest loans, and other funding mechanisms that facilitate secondary education, making such support available not only to those in “extreme financial need”, but also to those on the edge of poverty.
- Support revisions of Montana’s welfare and social service programs to remove provisions and requirements that discourage work and two-parent families.
- Introduce a refundable state Earned Income Tax Credit for Montana that does not contain a marriage penalty.
- Support funding for child care subsidies and development.

If you are a BUSINESS LEADER OR EMPLOYER, you can:

- Establish family-friendly policies for your employees, including providing sick, personal, and vacation leave; flexible workweeks; health insurance; and child-care benefits.

If you are a COMMUNITY MEMBER, you can:

- Encourage the establishment of after-school and vacation childcare at local schools, faith-based institutions, and community organizations.
- Patronize businesses that have family-friendly policies for their employees.

If you are a PARENT, you can:

- Pursue all avenues of assistance available to you and your family, including funding for additional education and training; housing and energy assistance; child care subsidies; food assistance; and no-cost after-school programs for your children.
- Seek outside help if necessary to deal with the strain of financial stress. Links to local resources can be found through the family resource network Hearts & Homes at www.heartsnhomes.org.
- Continue to be actively involved in the lives of your children.