POVERTY DESPITE WORK IN COLORADO

[illegible] Colorado [illegible] to support [illegible] jobs that do not pay enough to meet their basic needs. To develop, [illegible] evaluate [illegible] policies to assist these [illegible] requires [illegible] understanding of the causes and characteristics of working [illegible] Colorado. Many of [illegible] strategies [illegible] address [illegible] poverty, such as Colorado's newly reformed welfare program, are predicat[illegible] on the be[illegible] that families and individuals who move from public assistance to work will be better off as a result. And clearly Colorado has succeeded in moving families off public assistance and into the workforce, as evidenced by a 74 percent decline in Colorado welfare rolls since [illegible] whether most families [illegible] and whether a job alone is enough to raise a family out of poverty. The long-term success of Colorado's strategies depends largely on whether former or potential welfare recipients can find and keep jobs that provide adequate support for themselves and their children. This report [illegible] the characteristics of working poverty in Colorado. We first detail the extent of work effort among families living at or below the poverty level. We then focus on the faces, or demographic characteristics, of working poor families and individuals in Colorado and examine attributes such as age, education level and marital status. We follow with a discussion of some of the economic trends contributing to the growing problem of working poverty in Colorado and the nation. Finally, based on the findings in the previous sections, we conclude with an outline of possible policy options to assist working poor families. The report focuses mainly on working poor families with children since it is a distinction often made in state programs or policy debates on poverty and these families face different hardships when entering or returning to the workforce, namely finding quality affordable childcare. Moreover, Colorado's children are significantly more likely to be poor than adults. More than one in ten children in Colorado live in poor families. We do, however, sometimes highlight information about working poor families and individuals without children to better portray the extent of working poverty in Colorado and to flesh out the characteristics of all adults, parents included, who are struggling with jobs that pay too little to make ends meet. Except where noted we define poor families as those with incomes at or below the federal poverty line for the years analyzed. The Census Bureau definition of income includes the earned and unearned income of all family residents. Earned income includes wages and salaries, income from farm employment, and income from self-employment. Unearned income includes cash from public assistance (TANF and SSI), Social Security benefits, investment income, rental income and retirement income. The Census Bureau's income measure does not include the value of food stamps, or the effect of taxes on family incomes. Our primary source of data is the Center on Budget and Policy Priorities' Poverty Despite Work Handbook, an analysis relying on data from the U.S. Census Bureau's Current Population Survey (CPS) for 1998 to 2000 containing data for the years 1997-1999. Policy Priorities for the late-1990s, tells a different story. Of the poor families with children in which the parents were not elderly, ill, disabled or retired, 78 percent contained a worker. For poor individuals and families without children in which the head of household was not elderly, ill, disabled or retired, over two-thirds contained a worker. Many of these families had a worker employed full-time, year round. During the 1990's Colorado rebounded from a steep recession to experience unprecedented growth and prosperity. By the close of 2000, Colorado's unemployment rate dropped to a record low 2.6 percent, personal income showed steady gains, state welfare cases declined dramatically, and State legislators wrestled with an estimated $833 million revenue surplus. However, a look beyond these indications of prosperity shows that not everyone enjoyed the benefits of Colorado's strong economy. In fact, during the late-1990s, 345,000 Coloradans

A REPORT

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The Colorado Fiscal Policy Institute would like to thank the Center on Budget and Policy Priorities for providing much of the information contained in this report. The Center on Budget and Policy Priorities, located in Washington, D.C., is a nonpartisan research and policy institute that conducts research and analysis on a range of government policies and programs, with an emphasis on those affecting low- and moderate-income people.

The Colorado Fiscal Policy Institute, a project of the Colorado Center on Law and Policy, conducts research and analysis on state and local tax and budget policies, and other fiscal issues that affect low- and moderate-income families in Colorado. COFPI produces reports to educate advocates, policymakers and the public and is supported by generous grants from the Open Society Institute, the Charles Stewart Mott Foundation and many local contributors. COFPI is a member of the Center on Budget and Policy Priorities' State Fiscal Analysis Initiative.

Design by Livia Fremouw

INTRODUCTION

Across Colorado thousands of parents struggle to support their families with jobs that do not pay enough to meet their basic needs. To develop, implement and evaluate programs and policies to assist these families requires an understanding of the causes and characteristics of working poverty in Colorado.

Many of Colorado's recent strategies to address poverty, such as Colorado's newly reformed welfare program, are predicated on the belief that families and individuals who move from public assistance to work will be better off as a result. And clearly Colorado has succeeded in moving families off public assistance and into the workforce, as evidenced by a 74 percent decline in Colorado welfare rolls since 1993. What is less clear is whether most families are really better off and whether a job alone is enough to raise a family out of poverty. The long-term success of Colorado's strategies depends largely on whether former or potential welfare recipients can find and keep jobs that provide adequate support for themselves and their children.

This report describes the characteristics of working poverty in Colorado. We first detail the extent of work effort among families living at or below the poverty level. We then focus on the faces, or demographic characteristics, of working poor families and individuals in Colorado and examine attributes such as age, education level and marital status. We follow with a discussion of some of the economic trends contributing to the growing problem of working poverty in Colorado and the nation. Finally, based on the findings in the previous sections, we conclude with an outline of possible policy options to assist working poor families.

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POVERTY DESPITE WORK

During the 1990's Colorado rebounded from a steep recession to experience unprecedented growth and prosperity. By the close of 2000, Colorado's unemployment rate dropped to a record low 2.6 percent, personal income showed steady gains, state welfare cases declined dramatically, and State legislators wrestled with an estimated $833 million revenue surplus. However, a look beyond these indications of prosperity shows that not everyone enjoyed the benefits of Colorado's strong economy. In fact, during the late-1990s, 345,000 Coloradans and their children lived in poverty. And, despite the belief that work means escape from poverty, the majority of these poor families worked.

THE MAJORITY OF POOR FAMILIES IN COLORADO WORK

It is common to assume that most poor families include adults who could work, but do not. Yet an analysis of Census Bureau data, done by the Center on Budget and Policy Priorities (CBPP) for the late-1990s, tells a different story.[1] Of the poor families with children in which the parents were not elderly, ill, disabled or retired, 78 percent contained a worker. For poor individuals and families without children in which the head of household was not elderly, ill, disabled or retired, over two-thirds contained a worker. Many of these families had a worker employed full-time, year round.

WORKING POOR FAMILIES WITH CHILDREN

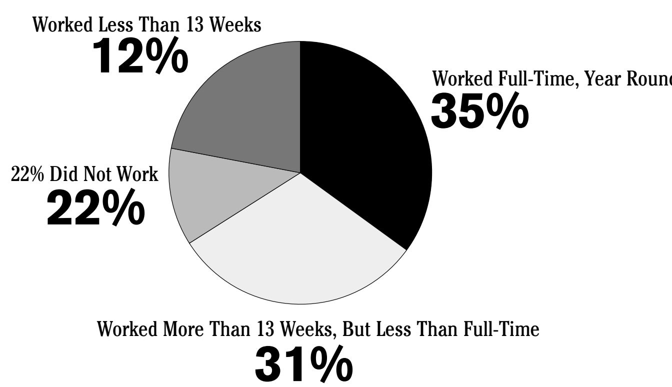
• In the late-1990s, 42,000 families with children in which the parents were able to work had incomes below the federal poverty line. In 1999 this meant living on less than $13,290 for a family of three or less than $17,029 for a family of four. Of these families, 78 percent had one or more parents who worked during the year.

• Some 142,000 people lived in working poor families in Colorado in the late-1990s, including 87,000 children. Approximately 12 percent of Colorado's children lived in poverty.

• On average, the parents of working poor families with children in Colorado worked 40 weeks, or ten months of the year. Even full-time, year-round work did not guarantee a family's escape from poverty. Approximately 35 percent of families with children living at the poverty level had a parent working full-time, year-round.[2]

The fact that earnings accounted for the majority of the family income in more than half (59 percent) of all working poor families with children reflects the extensive work effort of these families. Only a small number of working poor families, 16 percent, gained the majority of their income from public assistance programs. In fact, most of the families with children that received public assistance also worked.

WORK EFFORT OF ADULTS IN WORKING POOR FAMILIES WITH CHILDREN



Source: CBPP analysis of Census Bureau data for years 1997-1999

FAMILIES AND INDIVIDUALS WITHOUT CHILDREN

• In addition to the 42,000 Colorado working poor families with children, another 94,000 individuals and families without children lived at or below the federal poverty level in the late-1990s. This number includes people living alone, married couples without children and unrelated individuals living together who were not elderly, ill, disabled or retired. An estimated 71 percent of these households contained a worker.

• Approximately half of the families and individuals without children worked more than 13 weeks of the year and 14 percent had a full-time year-round worker. On average, the workers in these families were employed eight months of the year.

MANY WORKING FAMILIES HAVE INCOMES JUST ABOVE THE POVERTY LINE

The families described above are those families with incomes below the federal poverty threshold, the most commonly accepted measure of low-income status. However, the federal poverty threshold has been widely criticized in recent years as inadequate to accurately depict poverty in America. The basic formula for determining the threshold has not been altered since its inception in 1966 and does not include deductions from income for work related expenses such as transportation and childcare. A recent report done by the Housing and Household Economic Statistics Division of the U.S. Census Bureau showed that when childcare expenses, out-of-pocket medical expenses and geographic differences in housing costs were taken into account the percentage of people considered poor dramatically increased. The increases occurred even after adjusting for income support such as tax relief, food stamps and school lunch programs, housing subsidies and energy assistance.[3] In addition, a report published in 2001 by the Colorado Fiscal Policy Institute entitled the *Self-Sufficiency Standard for Colorado* determined that a single parent with two small children living in Denver County would need to earn an annual salary of approximately $39,924 in order to meet their basic needs such as housing, food, health care, childcare and transportation without public or private assistance.[4] This figure represents almost 273 percent of the 2001 federal poverty level for a same size family.

Given the apparent inadequacies of the federal poverty threshold it makes sense to broaden the definition of poverty to include households between 100 percent and 200 percent of the federal poverty line. Not surprisingly we find that almost all such “near poor” families worked in Colorado in the late-1990s.

WORKING POOR FAMILIES WITH CHILDREN AND INCOMES BETWEEN 100-200 PERCENT OF THE POVERTY THRESHOLD

Close to 80,000 families with children in Colorado earned between 100-200 percent of the poverty line. Roughly 31,000 earned between 100-150 percent of poverty.

Of the families with children earning between 100-200 percent of the poverty line, almost all worked. Approximately three-quarters contained a parent working full-time, year-round.

Another 126,000 individuals and families without children earned between 100-200 percent of the poverty line. Many of these Coloradans, over 40 percent, also worked full-time, year-round.

CHILD POVERTY IN COLORADO

While recent reports indicate that child poverty declined across the nation, children still stand out as one of the poorest groups. The Census Bureau reported that child poverty in the United States dropped to 16.2 percent in 2000, the lowest level since 1979, but this improvement did little to redress the 32 percent rise in child poverty experienced in the United States from 1970 to 1997. Moreover, the poverty rate for children under six remained high at 16.9 percent. Also of note, the poverty rate for children living with a single female head of household dropped from 41.9 percent in 1999 to 39.8 percent in 2000, but was still almost five times the rate for children living in families headed by married couples.[5]

• In Colorado 12 percent of children lived in poverty during the late-1990s compared to a poverty rate of nine percent for all state residents.

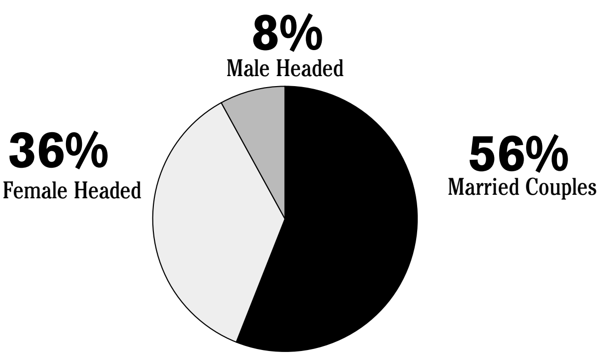
• Black and Hispanic low-income children were much more likely to live in high-risk situations.[6]

THE FACES OF COLORADO'S WORKING POOR[7]

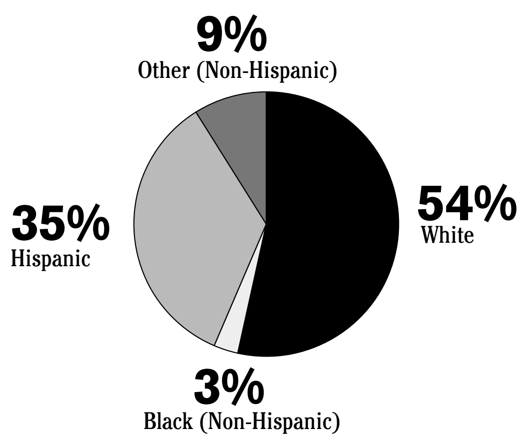
A closer look at the faces of Colorado's working poor families reveals surprising results. Most working poor families in Colorado are White. Hispanics comprise the second largest group. The majority of working poor families in the state are headed by a married couple. The heads of households of working poor families often possess a high school education or more and are in their prime working years (Age 25-44). These facts defy the stereotype of the typical poor family being headed by a young, single woman of color.

DEMOGRAPHIC CHARACTERISTICS OF WORKING POOR FAMILIES WITH CHILDREN

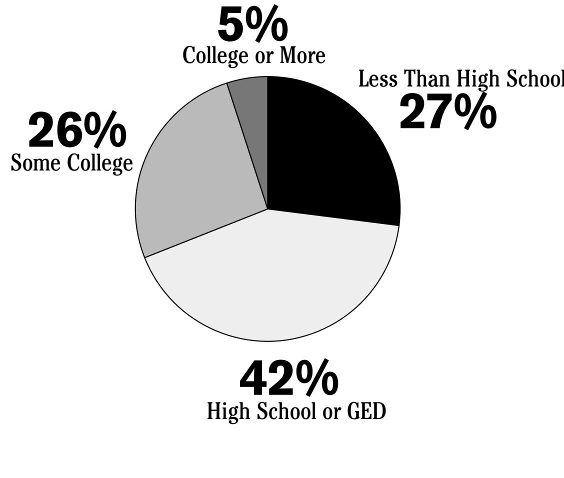
A majority of working poor families with children in Colorado were headed by a married couple. This suggests that even the presence of two earners does not guarantee a way out of poverty. Single mothers headed approximately 36 percent of the state's working poor families with children, while single men headed only about eight percent.



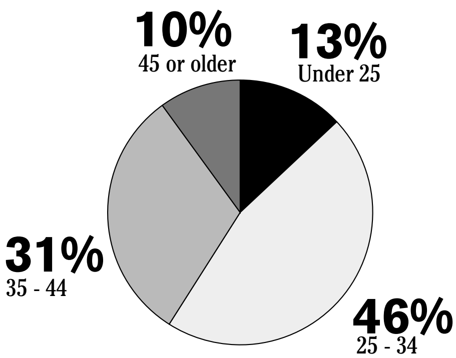
Whites comprised more than half (54 percent) of household heads of working poor families with children in Colorado. A large percentage, around 35 percent, were Hispanic, approximately three percent were Black (Non-Hispanic) and nine percent identified as other Non-Hispanic races.



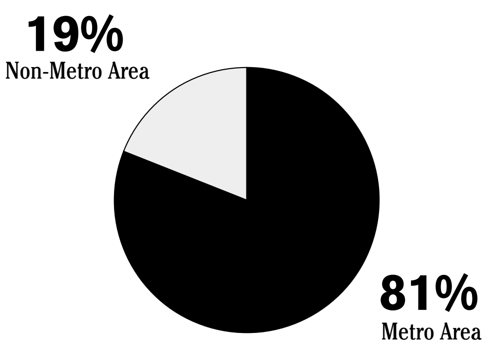
Almost three-quarters of all working poor families with children included a worker with at least a high school education. Some 42 percent earned their high school diploma or GED and 26 percent completed some college. This indicates that education alone is not enough for families to escape poverty. Only about a quarter of the families with children surveyed lacked a high school education.



The majority of working poor parents were in their prime working years. Close to half were 25-34 years of age and 31 percent were between the ages of 35-44. Only about 10 percent of household heads were over the age of 45 and only 13 percent were under the age of 25.



The data found the highest number of working poor families concentrated in Colorado's urban areas. Almost 81 percent of poor families with children lived in cities compared to 19 percent in Colorado's non-metro and rural areas.



DEMOGRAPHIC CHARACTERISTICS OF WORKING POOR FAMILIES AND INDIVIDUALS WITHOUT CHILDREN

Not surprisingly, most working poor families and individuals without children included a single individual as a household head. Only about five percent of these families contained married couples.

The race and ethnicity of the families mirrored a broad cross section of all Coloradans. The majority, 86 percent, were White, approximately 13 percent were Hispanic, and one percent were Black.

Of the families and individuals without children only 17 percent lacked a high school education, compared to a 25 percent national average. Approximately one-quarter of the heads of households in families without children completed a high school diploma or GED and 36 percent had some college training.

Most of these individuals and families without children were young adults under 25 years of age (42.2 percent), around 39 percent were between the ages of 25-44 and 19 percent were 45 or older.

59 percent of working poor individuals and families without children lived in Colorado's urban areas. The remaining 41 percent lived in non-metropolitan areas.

The demographic statistics of workers in Colorado's poor families show that they are much like workers in all Colorado families in terms of age, race and ethnicity, and education level, which suggests that factors beyond these traditional causes of poverty are preventing working poor families from moving ahead despite good economic times.

Source for charts on pages 6 and 7:
CBPP analysis of Census Bureau data
for years 1997-1999

TRENDS WHICH CONTRIBUTE TO POVERTY AMONG WORKING FAMILIES

The contradiction of poverty despite work largely reflects a shift toward low-wage work experienced in the United States over the last two decades. Wages have fallen for most workers since the 1970s, but the steepest declines have been among workers near the bottom of the earning scale. In Colorado, despite gains in wages during the economic expansion of the 1990s, by the close of the decade, Colorado workers were earning wages just beyond the equivalent of what they earned in 1979.[8] In addition, while the number of jobs in Colorado grew by 68 percent from 1982 to 2000, much of that growth was concentrated in lower-paying service industries. In Colorado, as in the nation, these factors resulted in a number of workers with wages too low to lift their families out of poverty despite considerable work effort.

Compounding the problem of the shift toward low-wage jobs is the fact that many parents in low-wage jobs lack work supports such as health insurance, childcare assistance or the training necessary for job retention and wage progression. Colorado's economic strength and growth during the 1990s drove unemployment down, but the costs-of-living and costs-of-working reached all time highs. Housing costs alone increased more than 75 percent from 1989-1999 throughout the state, forcing working families to devote more of their incomes to rent or a house payment, leaving less to cover the costs of childcare, transportation and other work related expenses.

THE PREVALENCE OF LOW-WAGE WORK

In Colorado, some 581,000 parents in families with children worked full-time year-round in the late 1990s. Roughly ten percent had low earnings – defined as wages too low to lift a family of four out of poverty.[9]

POVERTY RATE FOR FAMILY OF FOUR

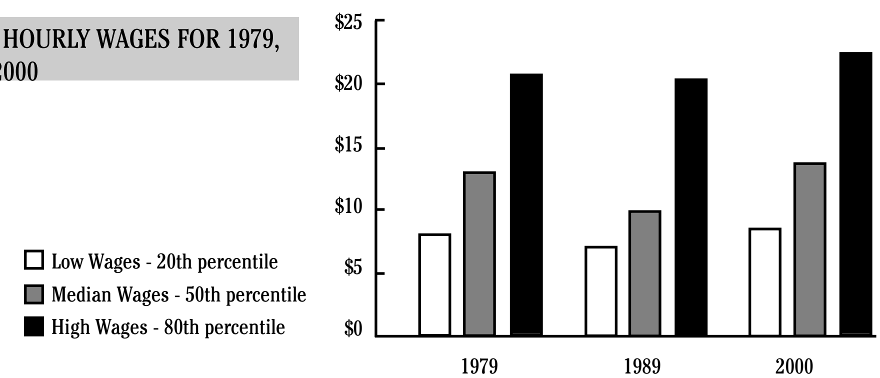
Year	
1997	$16,400
1998	$16,660
1999	$17,029

There were a total of 805,000 full-time or part-time workers in families with children in Colorado in the late 1990s. Nearly one-fifth of these workers had low hourly earnings. This means that their hourly wages on a full-time, annual basis would have fallen below the poverty threshold for a family of four. The increase reflects, in part, the fact that a significant share of low-paying jobs are also part-time.

While working parents with low hourly wages were employed in a broad range of industries, a majority worked in either retail jobs or service jobs.

• In the late 1990s a majority of working parents with low earnings in Colorado worked either in services (41 percent) or retail trade (21 percent).

STATE HOURLY WAGES FOR 1979, 1989, 2000



Source: Economic Policy Institute

• Only 12 percent worked in higher paying manufacturing industries and only five percent in construction.

Furthermore, the proportion of working family heads of households with low hourly earnings increased significantly between the late 1970s and the late 1990s.

• In Colorado, approximately 10 percent of heads of households in families with children had low hourly earnings in the late 1970s. By the late 1990s, the proportion with low hourly earnings had risen to 17 percent. This means that the likelihood that a working head of household would have low hourly earnings increased by more than 50 percent over that period of time.[10]

In Colorado, the industry with the largest rate of employment growth between 1982 and 2000 was the services industry with a 145 percent increase. Employment in the construction industry grew by 94 percent, while retail trade showed the third largest measured growth with a 71 percent increase.[11]

• The average weekly pay in service industries in 1999 was $640.

• In contrast, employment in the industry with the highest average weekly pay, mining, fell by 70 percent.

• The average weekly pay in 1999 for all retail trade workers was $349. Retail salesperson had the highest employment of any other occupation in Colorado in 1999. The median hourly wage for this position was $8.12 per hour, meaning half of all retail salespeople earned at or below $8.12 per hour. At $8.12 per hour an employee working 40 hours per week, 50 weeks of the year would have earned $16,240 – below the 1999 federal poverty threshold for a family of four.[12]

UNDEREMPLOYMENT IN WORKING POOR FAMILIES WITH CHILDREN

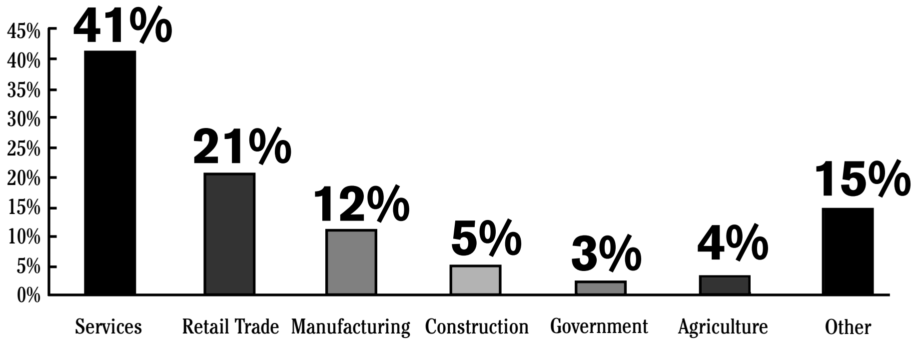
National data indicates many families have low incomes because a working parent faces limited job opportunities or is unable to work as much as he or she would like. The Bureau of Labor Statistics (BLS) identifies two groups of workers who are considered underemployed for "economic reasons" – workers employed part-time for at least part of the year because full-time work was not available, and workers employed part-year or less than 52 weeks of the year because they were laid off, unemployed and looking for work, or unemployed and not looking for work because none was available.

• A rough estimate of BLS data suggests that around 9,000 poor working parents in Colorado worked less than they would have liked due to economic reasons. In other words, as many as one in five poor working parents in Colorado were underemployed.[13]

LACK OF CRITICAL WORK SUPPORTS EXACERBATES WORKING POVERTY IN COLORADO

Stable employment is vital to wage progression and self-sufficiency. In order for working families to find and retain jobs, parents need work supports, including affordable housing, job training, childcare and health care. Paradoxically, during the economic boom of the late 1990s, working poor parents experienced greater ease in finding work, but greater difficulty obtaining many necessary supports needed to make "work pay."

WORKING PARENTS WITH LOW HOURLY EARNINGS BY INDUSTRY



Source: CBPP analysis of Census Bureau data for years 1997-1999

AFFORDABLE HOUSING

Many Colorado households found it difficult to afford housing prices in the late 1990s, but the burden of skyrocketing housing costs hit low-wage workers the hardest. Throughout the decade, Colorado's strong economy attracted new residents which drove vacancy rates down and rents and mortgages up. The Rocky Mountain Division of HUD calculated that the average wage in Colorado's Front Range communities grew by 56 percent from 1989 to 1999, but the average rent for an apartment grew 88 percent and the price for a single-family home grew 101 percent during the same period.[14] The Colorado Division of Housing reported in 2000 that workers in the Denver metro area needed to earn a wage of $14.45 per hour in order to afford the average metro rent of $752 per month for a two-bedroom apartment.

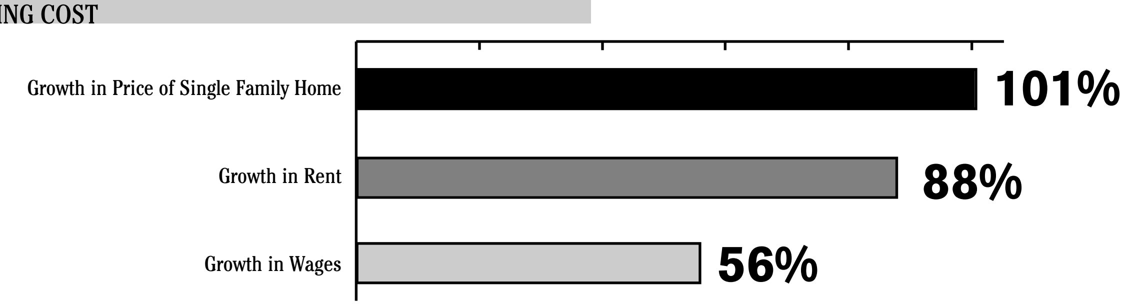
The pressures behind escalating housing costs also contributed to the problem of homelessness in the state. A growing number of families that could not afford inflated housing costs ended up on the streets. One study found that the number of homeless people in the Denver metro area rose by 33 percent from 1998-2000. In 1995 the number of homeless children in the Denver metro area was 1,050. That number more than doubled to 2,745 by 2000. Many of these homeless families reported that they became homeless because they could not pay their rent or mortgage and remained homeless because they could not find affordable housing. Forty percent of the homeless adults surveyed in the study were working.[15]

CHILD CARE

As more Colorado families worked, the demand for quality childcare grew. Unfortunately the number of childcare providers in Colorado did not keep pace with the need, a fact voiced by many working poor parents. In a 1999 survey of Colorado Works participants, 41 percent of all respondents cited lack of available affordable childcare as a barrier to employment.[16] Former participants reported having a more difficult time finding adequate childcare than those still enrolled in the program and receiving assistance. Many former participants who were unemployed stated that they were not working or not seeking work because of childcare issues.[17]

To assist low-income families, the state of Colorado purchases childcare for income eligible families through the Colorado Child Care Assistance Program (CCCAP). The state allows individual counties to set the purchase price of childcare and make payments to providers from a combination of parental fees (determined on a sliding scale) and federal, state and county funds. However, the Colorado Office of Resource and Referral Agencies (CORRA) found in a 2001 study that the average county payment fell below 75 percent of market value. They noted that by purchasing childcare at below market value rates, counties forced providers to subsidize the cost of service to low-income families, which many were simply unwilling to do when limited slots could be filled with families that could afford to pay full rates.[18] Other providers that chose not to simply refuse service to CCCAP families saved money by limiting the number of children on CCCAP that they would accept, cutting programs, or reducing workers' wages. All of these actions limited availability and sacrificed quality of care to low-income children.

GROWTH IN WAGES COMPARED TO GROWTH IN HOUSING COST



Source: Rocky Mountain Office of HUD 2000

HEALTH CARE

Low-wage workers often lack health insurance. A substantial proportion of poor workers and their families have no health insurance because their employers do not offer coverage or offer coverage that requires premium contributions that are unaffordable. In 1999 only 33 percent of the nation's poor workers had employer-based health insurance, compared to 82 percent of non-poor workers. Even among poor workers employed full-time year round, just 42 percent had employment-related health coverage.

At the same time, many members of working poor families are not covered by publicly financed health care. For many parents in working poor families, the little they earn is too much to qualify for coverage. However, by federal law, states must, at a minimum, provide Medicaid to families with children who could have met a state's AFDC income and asset rules in place on July 16, 1996, even if the families are not receiving cash assistance. However, since states, including Colorado, typically provided AFDC benefits only to extremely low-income families, these minimum requirements assure that only families with extremely low incomes will qualify.

Once a family loses "regular" Medicaid due to an increase in earnings, the family will typically be eligible for time-limited coverage under "Transitional Medical Assistance," or TMA. TMA provides up to 12 months of coverage to families with children who lose their eligibility for regular Medicaid due to an increase in earnings. States also have the option to extend this "transitional Medicaid" beyond one year, and 14 states have done so, although Colorado is not one of them. While TMA is helpful for families making the transition from welfare to work, it does not offer coverage to most poor families that consistently work at low-wage jobs.

While most working poor families are not eligible for coverage as a unit, the children in working poor families almost always are eligible for Medicaid or the State Children's Health Insurance Program (SCHIP). In fact the only children in poor working families not currently eligible for Medicaid or SCHIP are those barred from coverage by immigration-related restrictions included in the 1996 federal welfare law. Among other things these restrictions preclude most legal immigrant children who entered the United States after August 22, 1996 from qualifying for Medicaid or SCHIP during their first five years in the country. Due in large part to the availability of publicly funded coverage for children in poor working families, the children in these families are more likely to have coverage than their parents. In the late 1990s, nationally 27 percent of children in working poor families were uninsured, compared to some 44 percent of parents in working poor families.

Even though they fare better than their parents in terms of health insurance, a substantial number of the eligible children in working poor families are not enrolled in publicly financed coverage, largely due to the states' difficulty with "delinking" Medicaid eligibility from cash assistance and to a lack of understanding about Medicaid and SCHIP eligibility among families. In the late 1990s, 2.1 million children in the United States were not covered by any health insurance, including Medicaid, SCHIP, or employer-provided insurance. While this includes a small number of older children and immigrant children who were not eligible, it also includes a significant number of eligible children who did not participate.

• In Colorado in the late 1990s, there were approximately 73,000 children in working poor families whose parents worked a combined total of 13 weeks or more during a year. Of these children, roughly 41 percent lacked health insurance of any kind.[19]

• Of the 43,000 working poor parents in Colorado in the late 1990s, half had no health insurance.

• The Colorado Medicaid program covers all infants and children under age six in families with incomes below 133 percent of poverty, and children ages 6-17 in families with incomes below the federal poverty line. Currently, children age 18 are only covered in families with incomes at or below 43 percent of poverty. Unfortunately, Colorado imposes an assets test which excludes many low-income children who would otherwise be eligible for coverage. Many of these children, however, are eligible for coverage under the SCHIP program.

• Colorado extends coverage under a separate SCHIP program known as the Children's Basic Health Plan (CBHP) or Child Health Plan Plus (CHP+) for children age 18 and under at 185 percent of poverty. However, Colorado requires the parents of the children in these programs to pay copayments for services and annual premiums for coverage if the family's income is above 150 percent of the poverty level.

JOB TRAINING AND EDUCATION

Many low-wage workers lack adequate job training or the skills needed to progress in the job market. A survey of former Colorado Works participants found that those with job skills barriers including lack of education or training were employed at a rate of 53 percent compared to an employment rate of 70 percent for those without skills barriers. The same survey respondents who participated in employment services offered through the program rated job skills training or on-the-job-training, and vocational/college education most helpful to them in their efforts to find and retain work.[20] Employers also clearly want and value education and training for workers. The Colorado Department of Labor and Employment found that the difference in wages offered by metro Denver employers that required a vocational training certification increased by $4.40 per hour over those that required only a high school diploma/GED. Moving from a two-year degree to a four-year degree increased the average wage offered by $7.70 per hour.[21]

POLICIES TO HELP WORKING POOR FAMILIES

The purpose of this section is not to offer any specific policy recommendations, but rather to outline possible directions to take when developing policies to assist working poor families. If Colorado's economy weakens and unemployment rises, the number of working poor families will likely increase and they will face greater hardships. The benefits and gains many low-wage workers experienced due to near full-employment during the late 1990s will wane as the state moves further away from those record low unemployment rates.

Recent data suggests that low-income workers are already being hit hard by the economic downturn of 2001. Colorado's unemployment rate increased to 3.6 percent in August, the highest level since November 1998, and several layoffs were announced through September and October.[22] At the same time, participation in public assistance programs increased. The number of Colorado Works participants who received basic cash assistance, diversion or other assistance increased in 2001 for the first time since 1996. October 2001 caseloads increased by 4.17 percent over July 2000 caseloads.[23] Participation in the food stamp program also increased by 4.7 percent from August 2000 to August 2001 with 2.6 percent of that increase realized between July and August of 2001.[24] If these trends continue, well-targeted policies to assist working poor families will become even more important.

There are three distinct ways to use public policy to improve the economic situations of working families and help them achieve greater self-sufficiency. Essentially, policies for working families can be designed to increase the amount of money working families earn, decrease the expenses they incur and strengthen the safety net for times of trouble.

INCREASING INCOME

Policies designed to increase wages should be measured based on their ability to make sustainable changes in family income over time. They should require investments from all parties – government, employers and workers. The goal of these policies should be to develop the assets of the individuals so that they can earn sufficient wages to make themselves independent of public or private assistance programs due to increased earnings. Public policy options that could be pursued include:

• Raising the state minimum wage. National research indicates that the decline in the value of the federal minimum wage is a factor behind the substantial drop in earnings for low-wage workers – as well as the gap between low-wage and higher wage workers – since the late 1970s.[25]

• Modifying cash assistance benefit rules in ways that phase out benefits more gradually when a family's earnings rise. Colorado legislators took an important step in this direction by increasing earned income disregards for Colorado Works participants during the 2001 session.

• Assisting with asset building through policies such as individual development accounts (IDAs). Colorado established a statutory framework for IDAs during the 2000 legislative session, but they have yet to be used broadly.

• Providing assistance with education, training, and job retention to low-wage workers to remove skills barriers and help them move up the economic ladder. For instance, some county Welfare-to-Work programs have implemented career track training programs tied to specific industries. Experts from the field work with clients to determine industries best suited to their interests and skills. The selected field can range from health care to finance. After deciding an area of interest, participants complete a training program through a community college which is specifically geared to the industry. These programs have been found to provide not only general job-readiness skills, but also very valuable industry specific experience.[26]

DECREASING EXPENSES

Most public policy approaches to decreasing expenses focus on increasing eligibility for assistance with the expenses associated with working, such as childcare, transportation and housing. Changing eligibility for work supports must be accompanied by public resources through direct appropriations or tax credits. These resources can be made available to people through a variety of methods.

• Cash to individuals, such as transportation vouchers or rental assistance.

• Direct payments to providers, such as payment for childcare made through the Colorado Child Care Assistance Programs. However, these policies must ensure that providers have an incentive to serve low-income families and allow them to compete fairly with other providers in the open market. For instance, CCCAP could require counties to make payments to day care centers that are equal to fair market rates.

• Public services such as early childhood education programs and easy to access health care programs for children and parents.

DECREASING EXPENSES THROUGH TAX POLICY

This category is actually a subset of decreasing expenses associated with working and it focuses on decreasing the burden of taxes on working families. The most obvious examples of such policies are the federal, state and local Earned Income Tax Credits (EITCs). In addition, lower tax rates for lower income brackets and decreased payroll taxes for lower income earners are other such tools.

• Colorado offers a refundable EITC that is currently 10 percent of the federal EITC. However, the credit is temporary and triggered only if the state posts a $59 million TABOR revenue surplus. Making the state EITC permanent and therefore more dependable would benefit many low-income families.

• Currently Colorado's income tax is a flat 4.63 percent of federal adjusted gross income (AGI) regardless of income. While relatively progressive since it is tied to the federal AGI, this tax could be made more progressive if it were graduated based on income. The more progressive the overall tax system, the more low- and moderate-income families benefit.

• Targeted, refundable tax credits for work related expenses like the child care tax credit. Colorado provides a state child care tax credit, but at this time the credit is not refundable and therefore does not benefit the poorest families. Tax incentives for businesses to offer expanded benefits could also be used to assist working families with child care and health insurance.

STRENGTHEN THE SAFETY NET

Policies designed to assist and protect workers in the event of job loss or other economic hardships could include strengthening the unemployment insurance system in the state. In Colorado, only around 25 percent of unemployed workers claimed unemployment insurance benefits in 2000. In addition, in the late 1990s the ratio of unemployment insurance claims to workers who lost their jobs was 0.53, well below the national ratio of 0.78. These figures suggest that Colorado's unemployment insurance system fails to provide the support it is intended to give.

Many unemployment insurance reforms require federal actions, but states do have the power to modify rules that would expand coverage among low-wage workers. To strengthen the system, Colorado could explore:

• Extending benefits during periods of high unemployment.

• Broadening the list of good cause reasons for leaving work voluntarily. Colorado disqualifies workers from the unemployment insurance program if they voluntarily leave work. However, if workers leave for "good cause" they remain eligible to receive benefits. Colorado could expand what is considered a good cause reason to include problems that may cause low-wage workers to lose their jobs, such as loss of childcare or reliable transportation.

• Paying dependant allowances. Some states acknowledge the special needs of working parents by providing additional unemployment insurance payments to workers with children and sick family members.

CONCLUSION

Despite Colorado's strong economy, too many working families lived with incomes below the poverty line during the late 1990s. More families earned wages simply too low to afford their basic needs, making the true extent of working poverty more severe than covered in this report. In addition, given recent economic trends, the poverty rate among working families is likely to increase. Fortunately, many of the trends which drive the problem of working poverty in Colorado have solutions. This report outlined several policy directions that Colorado leaders and communities could explore in their efforts to decrease working poverty and help all low-wage workers achieve greater self-sufficiency. For Colorado, the solution to poverty despite work is not a matter of wealth, but will.

ENDNOTES

[1] Daniel Tenny & Bob Zahradnik, *The Poverty Despite Work Handbook Third Edition*, Center on Budget & Policy Priorities, 2001.
[2] The Census Bureau defines full-time, year-round workers as those who work at least 50 weeks and at least 35 hours per week. In this report, families are considered to have a full-time, year-round worker if either the head of household or spouse worked full-time, year-round or if the combined work of the head of household and spouse exceeded 50 weeks at an average of at least 35 hours per week.
[3] Kathleen Short and John Iceland, *Who's Better Off Than We Thought: Evaluating Poverty with a Different Measure*, U.S. Census Bureau, 2000.
[4] Diana Pearce and Jennifer Brooks, *The Self-Sufficiency Standard for Colorado: A Family Needs Budget*, Colorado Fiscal Policy Institute, 2001.
[5] U.S. Census Bureau, *March Current Population Survey*, 2001.
[6] Colorado Children's Campaign, *KidsCount in Colorado*, 2000.
[7] The working poor families in this section include only those families in which the parents worked a combined total of more than 13 weeks in the year, demonstrating a clear connection to the labor market.
[8] Economic Policy Institute, *State of Working America*, 2000.
[9] This number represents both family heads and spouses that worked full-time, year-round and does not include families with two workers whose combined work effort is the equivalent of a single full-time, year-round worker.
[10] The proportion of increase is calculated as the percentage point increase divided by the percent with low hourly earnings in the earlier period.
[11] U.S. Bureau of Labor Statistics.
[12] Colorado Department of Labor and Employment, OES Wage Survey 1999-2000.
[13] Sample sizes for this data were too small for Colorado to calculate an exact number of workers who were underemployed for economic reasons, but other sources of information, including surveys of former welfare participants in the state, indicate that some low-income workers were underemployed for economic reasons.
[14] Colorado Division of Housing Department of Local Affairs, *Housing Colorado: The Challenge for a Growing State*, November 1, 2000.
[15] Sheba R. Wheeler, *Price Pinch Hits Working Poor*, The Denver Post, February 22, 2001.
[16] Berkeley Policy Associates, *Evaluation of the Colorado Works Program: Second Annual Report*, November 2000, 148.
[17] Ibid. 151.
[18] CORRA Counts, *The Fiscal Impact of Colorado Child Care Assistance Program Payments on the Child Care Industry*, 2001.
[19] This number included children in all working poor families, including families that received cash assistance for part of the year and those that received no cash assistance. These children were not covered by Medicaid, private health insurance, or any other form of insurance and includes children who were eligible for Medicaid but not enrolled.
[20] Berkeley Policy Associates, *Evaluation of the Colorado Works Program: Second Annual Report*, November 2000.
[21] Colorado Department of Labor & Employment, *Denver Metro Job Vacancy Survey: Conducted Between May 1, 2001 and July 3, 2001*, November 2001.
[22] Colorado State Legislative Council, *Colorado Economic Chronicle*, October 3, 2001.
[23] Colorado Department of Human Services Office of Self-sufficiency, November 2001.
[24] U.S. Department of Agriculture, Food and Nutrition Service, Food Stamp Program Data Latest Available Month – State Level Participation, www.fns.usda.gov/pd/fslatest.htm.
[25] See for example Nicole Fortin and Thomas Lemieux, *Institutional Change and Rising Wage Inequality: Is There a Linkage?*, Journal of Economic Perspectives, Spring 1997, 75-96.
[26] Colorado Office of the State Auditor, *Welfare-to-Work Department of Labor and Employment: Performance Audit*, July 2001.