

Introduction: An Unfair Market

It is common for Americans in every class of our economy to complain about their finances and the extreme strain of their cost of living. Though most Americans are just complaining about not being able to buy the products they desire beyond their basic needs, a significant minority of hard working citizens is struggling to support their families in our changing economy. Many workers are employed full time for every week in the year, and continue to barely survive along with their families. Who are these people, and why are they struggling so hard to meet even their basic living needs?

Defining the Problem

Many Americans commonly assume that most of the poor in the nation are in dire circumstances simply because of laziness or bad decision-making. In reality, around 3.6 million people who are working full time in the country live under the federally defined poverty line (U. S. Department of Labor 2002). The working poor are defined as individuals who have worked at least 27 weeks of the year but have incomes lower than the poverty line, and in the year 2000, 6.4 million people were classified as working poor, with over half of them working full time, and many of them supporting spouses and children (U. S. Department of Labor 2002).

The difficulty of overcoming the condition of being working poor, and the process through which one becomes a member of the working poor can be defined as a social problem. The common American love of the “rags to riches” success story defines

a national ideal: those who work hard should be able to live comfortably, and even improve their economic status in time. Clearly, the ranks of the working poor are the direct opposite of this ideal. Well over half (68 percent) of workers who make 150 percent less than the poverty line would be unable to work their way out of poverty even if they worked full-time every week of the year (Kim 1998). Similarly, over half of the workers within 100 percent and 125 percent of the poverty line would not be able to work their way out.

Those 3.6 million workers who participated in the labor force year-round and made at least the minimum wage prove that the problem must be structural in nature. There are too many people in these difficult and unchanging circumstances to insist that it is caused by some natural factor. Though many of the working poor have conditions that impair them from full time labor, most of the factors that prevent full-time work are caused by society at large (Kim 1998).

On these terms, the difficulty of overcoming working poverty can be defined as a social problem. A significant number of Americans face the difficulties of this form of poverty; its cause is not natural but societal in nature, and the mere existence of the working poor defies a strongly held national ideal.

Defining the Problem: Trends of Growth

The numbers of the working poor seem to have been slightly lessening in the past seven years, though no clear predictions about the future exist (U.S. Department of Labor 2002). Historically, the working poor first became a large problem during the great

depression, a time in which work was often impossible to find and those who had work found wages that were inadequate to support whole families (Vedder and Gallaway 2002). Through the introduction of a federal minimum wage and other programs in the United States, the insurgence of poverty was eventually overcome, but the difficult situation of overcoming poverty has remained. With a raise in the cost of living and the changing size of the minimum wage in relation to inflation, the significant numbers of the working poor continued through the 1970's and increased by two million the 1980's and early 1990's, due to poor program enforcement and the stagnation of the minimum wage (Chilman 1991; Levitan, Gallo and Shapiro 1993:4).

Most recently, in the last 7 years a slight decline has been seen, though the actual number of the working poor has not changed very significantly (a difference only about half a million less working poor) (U.S. Department of Labor 2002). Throughout the rise and fall of these numbers, however, difficult living conditions persisted, and there is no reason to believe that any significant decline will happen if the status quo continues on (Levitan et al. 1993).

The Meaning of it All: Causes of the Working poor Problem

Numerous causes can be linked to the troubles of the working poor—difficulty seems to come at the group from all economic angles possible. The main two issues hurting the working poor are the availability of jobs, and the amount of pay available for attainable jobs. Many of the causes that have been linked to the lack of jobs and the low wages available to the working poor are: national economic difficulties, additional

women in the workforce, rising immigration, the stagnation of wages to inflation, cuts in federal aid to the poor, rising demand for educated workers, the rising cost of living, and even *increases* in the minimum wage (Chilman 1991; Vedder and Gallaway 2002; Newman 1999; Kim 1998; Levitan et al. 1993). Most of these issues can be fit under the umbrella of one large economic movement in the past 50 years within the United States: deindustrialization.

Through the process of deindustrialization, the American economy has provided less low-level jobs for workers with little experience (Kendall 2004). With the movement of manufacturing jobs overseas and the use of more mechanized labor, few positions are available for individuals who have little experience and are willing to work hard. This lack of jobs has caused extreme competition within the secondary (low-wage) job market. It appears that this primary cause of dismay within the secondary job market has allowed issues like the introduction of women into the workforce and increasing immigration to have a wider-felt impact on the availability of adequately paying jobs for the poor in America.

This explanation makes light of the initial cause of the working poor, but a note should be made to explain why the secondary job market has not adjusted to the dire circumstances surrounding it. The deindustrialization of our economy has had large effects on the education system through which the job force is prepared (Bettis 1996). As Pamela Bettis describes the condition of high school students living in urban post-industrial communities in her article *Urban Students, Liminality, and the Postindustrial Context*, "The students appeared to exist in a liminal state, one without a defined status or future in the world of work" (1996). Students in the modern economy are ill-prepared to

face the blue-collar job market, and the education system has often not prepared the children of current working poor Americans to participate in the postindustrial economy (Bettis 1996). With this lack of proper education, it can be understood that the working poor would not adjust properly to the job market, fairly stable levels of economic difficulty.

Who Are the Working poor?

The demographic characteristics of the working poor are further reason to believe that something is going wrong with the social structure. In a job market with such high competition, members of our society who are otherwise disadvantaged are overrepresented within the working poor.

Statistics from the U. S. Department of labor make the demographics clear. Black or Hispanic Americans are more likely to be considered working poor than Whites. Women are more likely to experience these circumstances than men (especially single women with children). Younger Americans aged between 16 and 24 were nearly 10 percent more likely to be working poor (2002).

There are some more obvious links that the Department of Labor study paper makes as well. Thirty-one percent of the poor who worked (not necessarily working poor, who are required to work 27 weeks or more) were employed in service occupations for their main job. Workers who dropped out of high school were more than twice as likely to be working poor than high school graduates. As well, full-time workers were found to be far less likely to be considered working poor.

The life that typical working poor Americans live is clearly characterized by Katherine S. Newman in *The Invisible Poor* (1999). Newman's studies focus on the lives of the Harlem, New York working poor, and found the nature of working poor living difficult and depressing. The Harlem poor live in badly maintained and often graffiti-ridden housing, work in demeaning fast-food jobs, and often care for numerous children in an aging neighborhood once recognized for its beauty. Harlem is a self-contained community of working class and poor Americans, in many ways separated from both the society and economy of the postindustrial country. In short, within modern society's rampant consumerism and the shadow of the American dream, the common working poor neighborhood is a cesspool of economic and social integrity not revitalized in over a generation.

A wider understanding of what the working poor look like reveals the extreme difficulty in revitalizing the economy that the problem exists in. Even if wages are increased or other programs are put in place to help the economic situation of working poor Americans, the communities in which jobs exist contain many factors that will continue to bring down the quality of life.

Addressing the Problem: The Minimum Wage

One such program that has had a wide effect on the working poor is the federal minimum wage. The minimum wage was created as a program that would help ensure that hard working Americans during recovery from the depression would be able to support their families (Vedder and Gallaway 2002). The actual effects of the minimum

wage are highly disputed amongst sociologists and economists, but the overall opinion seems to suggest that the minimum wage is not enough to adequately counteract extreme competition, inflation as a result of the wage hike, and a lack of jobs in the secondary job market, even if it does all that its creators assumed it could.

Richard Vedder and Lowell Gallaway present an argument against using the minimum wage as a way of counteracting the working poor problem in *The Minimum Wage and Poverty Among Full-Time Workers*. Though poverty rates tend to decrease steadily as employment increases, Vedder and Gallaway insist that the same relationship is not present between the dollar rate of the minimum wage and working poverty (2002). The history of the minimum wage from 1970 to the early 1990's reveals that even when the minimum wage was raised, poverty did not necessarily decrease. In fact, their statistical analysis of trends in the minimum wage and poverty, which includes other factors to help isolate the effects of the minimum wage, insists that there may be a slight correlation between *increasing* poverty rates in response to raises in the minimum wage, though the correlation has very low statistical significance. Vedder and Gallaway associate this finding with two factors: job loss and forced reduction of available working hours due to firms' responses to a hike in the minimum wage.

In order to confirm this conclusion, as many sources as possible were consulted on the issue of the minimum wage. In *Working Poor Families*, Catherine Chilman refers to a 1989 article which discusses further minimum wage increases after a large minimum wage increase was made in 1987 (1991). One article insists that most minimum wage workers are not the primary providers for their family, and many are actually quite well off—meaning that an increase in the minimum wage would not hit the intended target for

the economic support. Hope that increases in the minimum wage can make strong effect in the world of the working poor is not strong.

Arguments for large increases in the minimum wage generally ignore the problems of inflation, and make a-priori assumptions that the outcome of such increases would be generally good. William Quigley cites that information from the Economic Policy Institute shows that the pay of 20 percent of all workers would increase if minimum wages increase, and much of that increase would be for workers above the minimum wage in his article *The Minimum Wage and the Working Poor* (1995). Quigley makes no reference to the counteracting effects of inflation, and does not address the question of *which* 20 percent of the economy would see the effects of the proposed increase.

The current data seems to insist that increases in the minimum wage are not capable of causing the positive effects that it originally created in the modern economy, and if they were able to cause this outcome, it would come at a much higher cost than other means of economic support. The problem is not because the wage increase is not needed or it hurts businesses, but because of the ways in which businesses automatically adjust to a wage increase—they cut jobs and pay in order to counteract the increase wherever possible.

Wage Additives: A Suggestion for Social Change

The circumstances of the working poor and of the labor market surrounding them seem to insist one point that must be considered in any program designed to help the

problem: new money must be inserted into the system from somewhere. New jobs are needed, and the jobs that exist must provide what is needed for workers to survive above the poverty line. The current minimum wage would land a family of four with one adult working year-round full-time at minimum wage about four thousand dollars short of the poverty line. With a high costs of living and children to take care of, a family under these circumstances can be clearly assumed to be under undue economic strain, especially when an adult is participating fully in the job market. Though the poor does include many individuals who are unwilling to work, the individuals who are willing to devote time and energy to producing something for our economy deserve to live fairly. The lawmakers of this country upheld this American ideal when they originally enacted a minimum wage, and it is a valued sentiment that should not be left behind in the interest of massive corporate achievement.

I propose that the government appropriate funding so that the gap between what a full-time working family earns and the poverty line is filled. Though that 4000 dollars is a large amount of money when applied to roughly 6.4 million people, not all of the working poor are this short of the poverty line, and only slightly more than half of those 6.4 actually work full time. Workers would receive the benefit as a steady monthly check in proportion to the number of hours worked—this way part time workers and persons who choose to lessen their hours worked would receive benefits only for the hours they worked. In essence, my proposition is for an increase in the minimum wage proportional to the needs of working individuals that businesses would not pay for directly, but in taxes. This increase in wages would also apply for anyone who would receive inadequate

wages from full-time year-round employment, ensuring that there is still encouragement for those who are able to work towards pay raises from their employers.

By paying for this wage increase through the government and through taxes, there are several benefits not found in forcing a minimum wage increase directly to businesses. Firstly, businesses are less likely to fire employees or reduce wages available to current workers with a tax increase, because the tax is applied evenly throughout the economy—most of a firm's competitors will face the same change in costs. As well, the focused spending power of the government is known to have a “multiplier effect” in which funds that the government spends often end up becoming worth more than their initial value. If the government funded a minimum wage increase, its actual cost to the American people would be less than if it was enacted directly by employers. Increased spending by poorer families, who are forced to consume most of the money they receive, could help create more jobs as production of basic resources increases.

The benefits as they reveal themselves to the working individual are clear as well—a family would receive the money they need to survive with minimal stress, and with no requirements except that they must work for their money. Larger families have the poverty threshold placed higher, and would thus receive the extra money they need. By giving families money instead of free food and basic resources, the feeling of taking “handouts” would be less. Families would not be forced to buy U.S. Government peanut butter, but they could choose their own. Previous attempts at helping poverty, like the welfare food stamp programs, often put strain on families because of uneven benefits in proportion to the family size. If the poverty line were calculated accurately, there would

be no benefit for a family to have more or less children than they already do. As well, families would have a choice with how their money is spent.

Clearly this plan is not fully developed, but the framework needed to make a lasting impact on the incidence of the working poor is present. With such a large group of hard-working Americans in an impossible situation, something large must be done in order to uphold our ideals as a nation.

As Levitan, Gallo and Shapiro put it, “The working poor remain America’s glaring contradiction” (1993). The fact that so many people in our population are economically immobile despite the will do to hard work is devastating, and a point many of us ignore. Many Americans face extreme hardship that goes unnoticed in the public eye, and must be brought into light. The disconnected communities that the working poor reside in are masses of individuals displaced from our society and are not being taken care of in the same way that the rest of Americans are. It is only in the spirit of American ideals that this problem can be properly addressed, and we can only ignore the problem by overlooking our collective standards.

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