

"Ending welfare as we know it" spells poverty for millions of America's working poor

Elisa Brehm**31 August 2001**

The subject of poverty is not part of the public debate in the United States. Poor people are generally not depicted on popular television programs or movies—unless as criminals. But the dearth of discussion exposing the plight of the poor cannot conceal the reality that growing numbers of working families cannot make ends meet.

This month marks five years since the implementation of welfare reform—the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. Welfare rolls are down by 50 percent in most states. Recent data shows, however, that while overall poverty is down, it actually has deepened for those who remain poor and has increased among working families. According to the Urban Institute, the majority of those who were forced off welfare are only earning around \$7.15 an hour. For the most part, "ending welfare as we know it" threw millions into very difficult economic circumstances, even in the late 90s before the collapse of the stock market boom.

Hardships in America, the Real Story of Working Families is a recent report produced by the Economic Policy Institute (EPI) that documents the growing numbers of working families who are enduring these hardships. The report shows that having a job is not a ticket out of poverty or a guarantee of a decent standard of living. Nearly one-third of working families with children have difficulty paying for basic necessities. Millions of families who live above the official poverty level do not earn enough to cover basic living expenses, such as food, housing, health care and child care. According to the EPI report, during any 12-month period in the late 1990s nearly one third of working class families faced at least one critical hardship, such as missing meals, being evicted from their housing, having their utilities disconnected, being forced to double up on housing with friends or relatives, or not having access to needed medical care.

While the federal poverty line is traditionally used to measure whether families have incomes too low to enable them to meet basic needs, it is now more generally agreed that "poverty line" income is ridiculously low to support families in today's society. "Basic family budgets" offer a more realistic measure, by taking into account what income is required to have a safe and decent standard of living in cities and states throughout the country. According to the report, 29 percent of families

nationwide with one to three children under 12 years old fell below basic family budget levels in the late 1990s. This translates into 4 million families—14 million people, including 7 million adults and 7 million children.

The official poverty thresholds were established in the late 1960s and do not take into account geographic differences in expenses for child care, medical care and housing. The traditional poverty line for a two-parent, two-child family is \$17,463. By contrast, basic family budgets for a family of the same size range from \$27,005 a year to \$52,114 depending on the community. A family making \$30,000 in New York City is going to have a lot more financial difficulties than a family making \$30,000 in Mississippi. While it could certainly be argued that even the new standard is far cry from maintaining a safe and decent living standard, when this measurement is used, over two and half times as many families fall below family budget levels as fall below the official poverty line.

Most poverty standards are a measure of economic deprivation, or the minimum income necessary for basic survival. Basic family budgets set a higher standard. For example, basic family budgets include the cost of quality child care, because they assume that families should not be expected to place their children in worse conditions than if the mother remained at home. The family budget standard also includes such necessities as a telephone and paying taxes.

The EPI report demonstrates that poverty extends beyond the boundaries of what is typically depicted as the poor population. While families headed by single parents, young workers, minority workers or workers with less than a high school diploma are more likely to struggle to make ends meet, many working poor families don't fit this profile. According to the report, "Of families with incomes below basic budget levels, half include a parent who works full time; nearly 60 percent are two-parent families. More than three-quarters are headed by a worker with a high school degree or more, and nearly half are headed by a worker over age 30. Moreover, the bulk of families falling below family budget levels live in the suburbs."

What level of income is necessary to support a family's basic necessities? To get a picture of the new standard, the "budget calculator" on the EPI web site: www.epinet.org gives an estimate of the minimum budget needed in various cities by

families with two adults and two children.

Using the EPI's calculator, the following budgets were generated for four-person families in Detroit and New York City:

In reality, most families would be hard-pressed to find decent housing in New York City for only \$891 a month. Moreover, while the family budget line is more than twice the official poverty level, it does not include money needed for restaurant meals, entertainment, Internet access, vacations, or savings for college or retirement. The budget also does not include unforeseen circumstances, such as an unexpected move or a catastrophic medical illness, which can be considerable expenses.

Barbara Ehrenreich, the author of the new book *Nickel and Dimed*, attended the press conference held to announce the release of the Economic Policy Institute's *Hardships in America* study. Ehrenreich's book investigates the plight of some of the low-wage workers studied by the EPI report. In an effort to find out how the four million women who were booted from welfare into the labor market were faring, she spent nearly two years trying to survive on jobs that paid only \$6 or \$7 an hour.

Presenting herself as a divorced woman with grown children, she moved from Florida to Maine to Minnesota, working as a waitress, hotel maid, cleaning woman, nursing home aide and a Wal-Mart "associate." *Nickel and Dimed* presents an exhaustive account of Ehrenreich's budget challenges in each city where she worked. She found families with serious financial hardships everywhere—working in retail, scrubbing floors, serving fast food, typing legal briefs, cleaning hotel rooms. In order to make ends meet, she often worked two jobs.

One of the most distressing situations facing the working poor is finding decent and affording housing, which is completely out of reach for many families. Expenditures on public housing have fallen since the 1980s, and the expansion of public rental facilities came to a halt in the mid-1990s. If a worker cannot come up with the two months' rent generally needed to secure an apartment, he or she ends up paying higher costs renting a room by the week.

Ehrenreich describes the living conditions of her co-workers at a Florida restaurant. Gail is sharing a room in a well-known downtown flophouse for \$250 a week. Marianne, who is breakfast server, and her boyfriend are paying \$170 a week for a one-person trailer. Tina, another server, and her husband are paying \$60 a night for a room at the Days Inn, because they have no car and the motel is within walking distance of her job at the restaurant. Joan lives in a van parked behind a shopping center and showers in Tina's motel room. Such living conditions make it nearly impossible to maintain healthy eating habits, because there is no kitchen. Without a refrigerator or stove, and perhaps only a hot plate to prepare meals, food choices are expensive and generally not very nutritious.

Wages in the Florida restaurant where Ehrenreich worked

were only \$2.43 an hour. She points out that according to the Fair Labor Standards employers are not required to pay "tipped employees," such as restaurant servers, more than \$2.13 an hour in direct wages.

Ehrenreich's describes her attempt to secure some free meals from a resource center in Maine. Like many workers, her first paycheck was withheld but her weekly rent was due. Is there help for the hardworking poor, she asks? "Yes, but it takes a determined and not too terribly poor person to find it." Her phone call to the resource center immediately after her shift ended is answered with a recorded message that closing time is 3:30 and instructions to call another number. When she finally reaches someone and explains that she needs either food or some cash assistance, she is interrogated and told she lives in the wrong county—even though she works seven days a week in the applicable county.

After Ehrenreich finally cuts through the bureaucratic red tape, she is allowed a food voucher. Her choices are limited to any two of the following: one box of spaghetti noodles, one jar of spaghetti sauce, one can of vegetables, one can of baked beans, one pound of hamburger, a box of Hamburger Helper, or a box of Tuna Helper; no fresh fruit or vegetables, no chicken or cheese. The end result of her efforts is \$7.02 worth of food, procured after 70 minutes of haggling and driving and \$2.80 for phone calls.

Nickel and Dimed graphically details the daily frustrations of low-wage workers and, like the EPI report, demonstrates that having a job—or even two jobs—does not eliminate the economic hardships for many working class families. Five years of welfare reform have converted millions from the welfare poor to the working poor. The developing economic downturn will have devastating implications for working class families already living just on the edge.



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