

Working to Make Ends Meet

Understanding the Income and Expenses of America's Low-Income Families

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Low-Income Working Families

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ABSTRACT

Recently, the policy community has focused on alleviating the strain on working families, particularly families with children. Research has examined the size and characteristics of low-income working families, the amounts and sources of income available to them, and, to a lesser extent, the expenses these families face, such as housing or medical expenses. Discussions of low-income working families, however, are hampered by the fact that there is no clear consensus on how much work a family must do to be considered a working family or the level and types of resources a family must fall below to be considered low-income.

This report seeks to clarify the discussion and debate over what constitutes a low-income working family. It then documents the size and characteristics of the low-income working population. Finally, it carefully examines their incomes and expenditures.

We use data from the 2002 round of the National Survey of America's Families (NSAF), representing the income and expenses of all U.S. families with children in 2001. We find that low-income families (those with incomes below twice the federal poverty level) with at least one full-time, full-year worker (high-work families) have incomes that are roughly in line with their basic expenses.

Gross income (before taxes and transfers) varies substantially by the level of work attachment and by other characteristics, and income after taxes and food stamps varies only slightly less. However, there is surprisingly little variation in expenses. So families with lower work attachment have substantially less income left over for discretionary spending or saving, and may even find themselves running up debts to cover basic needs. Single parents living alone are less likely to be high-work families than married-

couple and other multiple-adult families, but single parents who work full time fare almost as well as their married or cohabiting counterparts, with most of the gap explained by higher child care expenses. High-work families headed by immigrants as well as those with children under age 6 do not fare substantially worse than the average high-work, low-income family, and they are actually more likely to be high-work families.

Overall, we find that low-income working families fare better than one might expect in 2001, thanks to their work effort, earned income, and a generous refundable Earned Income Tax Credit. But low-income families without a full-time, full-year worker and poor families do not appear to have enough income to cover their basic expenses. In addition, our data cannot reveal what happened to low-income families during the long, slow job market downturn of the past three years. Other research indicates that much of the impact on low-income families has been a reduction in work (Acs, Holzer, and Nichols 2005), so we may expect that a greater proportion of these families today faces the bleaker bottom line of the low-work, low-income families.

WORKING TO MAKE ENDS MEET

Sweeping through West Virginia in 1960, John F. Kennedy witnessed the destitution of Appalachia and vowed to “do something” about it. America had discovered poverty. A few years later under President Johnson, the federal government embarked on a “War on Poverty” that has spanned four decades and counting. As the stark images of barefoot men and their families walking the desolate streets of coal towns gave way to the less congenial picture of contemporary urban poverty, fears of welfare contributing to the growth of an intransigent underclass began to rise. During the 1990s, America’s public assistance policies shifted away from providing cash aid to the poor and began conditioning aid on work. Today, one of every eight Americans is poor, down from about one of four in 1960, and policymakers, analysts, and advocates have turned their attention to the plight of the “working poor”—families that struggle to make ends meet even though the adults are strongly committed to the labor market.

Discussions of the working poor are hampered by the many definitions of the term. This is not surprising given the complex patterns of parental work over the course of a year and the range of incomes—extending above poverty yet far below the median—associated with material hardship. Depending on the definitions chosen by the researchers, some studies report virtually no working poor and others count up to one-quarter of all nonelderly Americans in the category.

While most policy analysts and advocates opt for more expansive definitions and refer to this larger population as low-income working families, the circumstances of these families are not well understood. Some families are firmly established on the bottom rung of the economic ladder and poised to move up, while others are scrambling to stay on the top steps of a downward-moving escalator. To identify what

programs and policies, if any, are needed to support low-income working families, it is vital to gain a better understanding of both the scale and scope of their problems.

This report has three goals: (1) clarifying the discussion and debate over what constitutes a low-income working family by classifying working families into three groups—high-, moderate-, and low-work families; (2) documenting the size and characteristics of low-income working population by group; and (3) carefully examining and comparing their incomes—including earnings, cash transfers, tax credits (liabilities), and food stamps—with their reported and inferred expenditures.

Specifically, we use data from the 2002 round of the National Survey of America's Families (NSAF) to examine the work effort, characteristics, income sources, and spending patterns of low-income families with children. In this report, a low-income family has an annual income below twice the federal poverty level, or FPL. We compare low-income families that are strongly attached to the labor market with low-income families that have lower levels of work effort. In addition, we compare low-income families that have full-time workers with middle-income (incomes between two and three times the FPL) families that have full-time workers.

Going beyond other recent research on low-income families, this report carefully estimates how much these families actually pay to meet their child care, housing, and health care needs. We then add in estimates of how much support they receive from existing government programs such as food stamps and earned income tax credits to help meet these needs. In short, we assess whether and how low-income working families are making ends meet; we also discuss what the federal government is doing, and should be doing, to help these families.

Background

It is easy to understand the concern over the working poor. Most Americans would echo President Clinton's precept that "people who work shouldn't be poor;"¹ yet a full-time worker making \$6 an hour—well above the federal minimum wage (\$5.15 an hour)—would not earn enough money in a year to lift a family of three above the federal poverty level (\$14,824 for a single adult with two children in 2003). But this working family will almost be lifted out of poverty once taxes are considered. Indeed, the federal Earned Income Tax Credit (EITC) and the refundable portion of the child tax credit more than offset this family's payroll tax liability, increasing the family's net income by about \$2,500.² If the family receives food stamps or other transfer program benefits, it is successfully lifted out of poverty.

Studies of the working poor or low-income working families differ in how they count income (pre-tax, pre-transfer, in-kind valuations), whether they look just at workers or include their families, how they define low-income, and how they define work. Some studies focus only on working adults, while others examine workers and their families. And, although there is an official, widely understood definition of poverty, it is loosely based on a family's basic needs—food, clothing, and shelter—circa 1960.³ Today, working families not only have to meet these basic needs but also have to pay for work expenses such as child care, and they face considerably higher costs for health insurance and health care. For working families, many analysts consider the official poverty thresholds too low and use a higher income amount—150 to 200 percent of the poverty level—as their threshold.⁴ For example, in his recent book, *The Working Poor*, David Shipler (2004) describes the plight of families just above the poverty line as "living dangerously close to the edge of destitution." While some, like Shipler, still refer to the working poor when including families just above the poverty line, others adhere to the

census definition of “poor” and use the somewhat less confusing term “low-income working families” to refer to families below or only slightly above the poverty level.

Defining “work” is even more challenging. There is little agreement on the number of hours a week and the number of weeks a year an individual has to be employed to be considered working. Similarly, it is unclear whether the same standards for working should be applied to single-parent and two-parent families. How the terms “low-income” and “work” are defined and the populations to which they are applied affect the size and composition of the working poor, as well as possible policy interventions to address their needs. As a result, there are widely differing estimates of the size and composition of the low-income working population.

First consider papers that focus only on workers. Four papers by researchers at the U.S. Bureau of Labor Statistics (BLS) focus on the working poor and adopt a common definition: a worker is poor if his or her family’s income falls below the federal poverty threshold; an adult is a worker if he or she worked or looked for work in at least 27 weeks over the past calendar year. Examining data for 1987, 1990, 1994, and 2001, these researchers estimate that the poverty rate among working adults ranges from 4.9 to 5.9 percent (Gardner and Herz 1992; Hale 1997; Klein and Rones 1989; Mosisa 2003).

Altering the standard for working profoundly affects these results. For example, Schiller (1994) only counts adults working full-time and full-year as workers. Using this strict standard, he finds that the poverty rate among workers is only 2.5 percent, less than half what the BLS researchers report. On the other hand, when researchers use a very broad definition of work—any earned income at all in the previous calendar year—the size of the working poor population grows to 10 percent, almost twice the rates reported by BLS researchers (Kim 1998).

Not surprisingly, when researchers consider income thresholds well above the poverty level, the share of workers considered low-income grows. For example, Schwarz and Volgy (1992) consider full-time, full-year workers just as Schiller does, but they set their poverty threshold at 155 percent of the federal poverty level. Schwarz and Volgy find that 7.4 percent of all workers are low-income, compared with 2.5 percent under Schiller’s definition. Kim (1998) shows that the share of workers she counts as working poor increases from 10 percent when she uses the official poverty line to 18 percent when she uses 150 percent of the poverty line as her income threshold.

More recent research focuses on families, not just the workers themselves, and uses an income threshold of twice the federal poverty level to define the low-income population. This means that a family of four (two adults and two children) whose annual income falls below \$37,320 is considered low-income. A benefit of using twice the poverty level as the income cutoff is that any family above this income level is likely ineligible for assistance through most public programs and earned income tax credits. Further, researchers that have tried to develop “family budgets” showing how much it actually costs to meet a family’s needs without government benefits come up with a figure approximately equal to twice the poverty line (Pearce and Brooks 1999).

Two studies that use the twice-the-poverty-line threshold to define the low-income population come to differing conclusions about the size and characteristics of the low-income working population. But these differences likely reflect differences in the time periods examined, the units of analysis, the data sets used, and, most important, the definition of a working family. Waldron, Roberts, and Reamer (2004) focus on families and define a working family as one in which the adults combine to work at least

39 weeks during the year or 26 weeks in a year while one parent is unemployed for the past four weeks. In contrast, Acs, Ross Phillips, and McKenzie (2000, 2001) define working families as those in which every adult works more than 1,000 hours on average a year. As such, the Acs, Ross Phillips, and McKenzie work threshold is clearly higher than the Waldron, Roberts, and Reamer threshold for all families with two or more adults.⁵

Using data from the 1997 round of the NSAF, Acs, Ross Phillips, and McKenzie (2001) find that one in six nonelderly persons lived in a working low-income family in 1996. In contrast, Waldron, Roberts, and Reamer (2004) report that one in four families is a low-income working family using 2002 data from the American Community Survey (ACS). There are other differences as well. Waldron, Roberts, and Reamer (2004) find that just over half of all low-income working families are headed by a married couple, but Acs, Ross Phillips, and McKenzie (2001) find that two-thirds of the family heads in low-income working families are married. Waldron, Roberts, and Reamer (2004) report that over one-third of families have at least one adult who did not complete high school, but Acs, Ross Phillips, and McKenzie (2001) find that only one-fifth of the adults heading working families lack high school degrees.

Despite these differences, both studies reach similar conclusions about the work effort of low-income working families. Both report that the adults in low-income working families combine to work from 2,500 to 2,600 hours in a year, well more than the equivalent of one full-time, full-year worker per family. These families are clearly committed to working, but some may argue that they could be working even more. Acs, Ross Phillips, and McKenzie (2000) address this concern in related research. They estimate that if all able-bodied 25- to 54-year-old adults in working low-income families were to work at least 2,000 hours a year, about one in every five would see his or her family income rise above twice the poverty level.

Indeed, both studies suggest that the hallmark of a low-income working family is not limited work effort but low wage rates. In inflation-adjusted terms (2003 dollars), the average hourly wage rate of the primary earner in a low-income family is about \$8.75 (Acs et al. 2001).

In the following sections, we develop a new definition of low-income working families, distinguishing those who are highly attached to the labor market from those who are moderately attached and those who are only weakly attached. We then move beyond discussions of the prevalence and composition of low-income working families and examine how they spend their money and what type of cash and in-kind support they receive from government programs.

Goal 1: What Is a Low-Income Working Family?

To define the scope of our research, we asked ourselves four questions about low-income working families:

- What is “low”?
- What constitutes income?
- What does a family comprise? and, most important,
- How many hours are required to consider a family working?⁶

The choice of family definition is perhaps the most crucial, so we start there. The unit we are trying to capture is the group of individuals who can be relied on to help each other on a daily basis, those who share resources and can be expected to do so for some time. So we do not include everyone in the household (since these may include roommates or boarders who have no real social bond and do not share resources). We opt instead for the next-most inclusive definition, called the social family,⁷ which incorporates all related individuals living together, even if the relationships exist only through other family members (i.e., there is no direct relationship). While this definition results in smaller groups than a household-level analysis, it produces families larger than those identified in the Current Population Survey or by any concept of nuclear families.

In all our analyses, we are looking only at families with children under the age of 18, and the unit of analysis is the social family. The estimates we present for families with minor children may be construed as nationally representative, which gives similar weight to families of very unequal size, and so are not comparable to estimates of poverty or low-income rates for individuals.⁸

For some analyses, we define family types based on the marital status of the head and the number of adults in the social family. Families with one adult are called “single-parent families.” Families with two married adults are called “married-couple families.” “Multiple-adult families” include families with two cohabiting adults, three-generation families, or more complex arrangements with more than two adults present.

The next important concept to define is “income.” We begin with the basic definition of income used in most published work and federal statistics: income is gross money receipts including earnings, unearned income such as interest, and cash transfers, and excluding taxes and in-kind transfers.⁹ Gross income, however, does not fully capture the resources available to low-income working families. These families must pay payroll taxes; conversely, they may receive substantial tax credits, and they may receive near-cash assistance through the Food Stamp Program, which is considered an in-kind transfer. Consequently, we also discuss income after taxes and transfers, which is gross income adjusted for federal and payroll tax liabilities (including negative liabilities, or rebates, due to refundable credits) and the reported cash value of food stamps.

Determining the cutoff for a low-income family involves making value judgments. We consider families whose gross income falls below twice the FPL low-income families.¹⁰ Using a definition based on the poverty level allows us to adjust for differences in family size and composition because the poverty level varies along these lines. Setting the low-income threshold comfortably above the official poverty level allows us to capture a large number of families with children that may be experiencing many hardships and are struggling to balance work and family responsibilities—the very families that are “playing by the rules” but losing the game. In addition to focusing on low-income families, we consider poor families (those with incomes below the FPL) and we compare low-income families with middle-income families (those with incomes between two and three times the FPL).¹¹ Most of our analyses compare low-income to middle-income families, for reasons discussed below.

The last key concept is “work.” The first major goal of this paper is to clarify the discussion of what work means for low-income families. Rather than draw a hard, fast line distinguishing working families from all other families, we break families into three groups: high-work, moderate-work, and low-work. We define families as high-work if any adult reports at least 1,800 hours of work in the prior year—approximately equal to 35 hours of work a week for 52 weeks in the year. We make this choice

because we expect that the benefits associated with full-time, full-year work could make these families quite different from families where multiple adults working part-time achieve the same number of total hours. We classify families as moderate-work if adults average at least 1,000 hours or the total hours worked is at least 1,800 hours, but no adult reports 1,800 hours of work in the prior year. Families that do not fulfill either criteria are low-work families.

For a single parent, the categories of labor force attachment have straightforward interpretations of full-time, part-time, or less than part-time. For families with two or more adults, the definition of high-work requires at least one full-time worker. Consequently, a family with two adults each working 1,200 hours a year is a moderate-work family, but a family with one adult working 1,900 hours a year and one not working is a high-work family, even though the family with two workers is providing more total hours to the labor market. Thus, this definition places a premium on full-time, full-year work, reflecting the fact that full-time, year-round workers are more likely to be eligible for employer-sponsored benefits and more likely to experience wage growth than part-time or intermittent workers.

As illustrated later in the paper, this distinction turned out to have interesting consequences when thinking about the barriers to full-time work, particularly for single-parent families. The distinction leads to additional research and policy questions about the ways in which public policy and private sector institutions do or don't support "high work", defined as full-time, full-year work, for low-income families; the conditions required for a transition from moderate work or low work to high work; and the supports moderate-work families need to help them improve their financial position over time.

Goal 2: Documenting the Size and Characteristics of Low-Income Working Families

Among all families with children, regardless of income, the vast majority (over 80 percent) has at least one full-time, full-year worker and is considered a high-work family (figure 1). About 12 percent of families are low-work (families in which the adults work less than 1,800 hours a year combined and each adults works less than 1,000 hours on average). The remaining 6 percent are moderate-work families.

Not surprisingly, family incomes are strongly related to family work status. Table 1 shows that mean income for high-work families in 2001 is almost \$70,000, and nearly twice as high as the income of moderate-work families. The average income for low-work families is the lowest of the three groups, and just over a third of the income of high-work families. Adjusting for family size by dividing income by needs (defined by the FPL) shows a similar pattern, with the income-to-needs ratio ranging from 3.92 for high-work families to 1.36 for low-work families. Note that low-work families, on average, have incomes just 36 percent above the poverty level. The idea that work is the best defense against poverty largely borne out by the NSAF data. Table 2 shows that the poverty rate among high-work families is 5.4 percent, less than half the average for all families with children. In contrast, the poverty rate among low-work families is more than four times the average and ten times higher than the rate for high-work families. Indeed, over half of all low-work families are poor. Moderate-work families fall between the two other groups with a poverty rate of just over 27 percent. While full-time, full-year work keeps 19 of 20 families out of poverty, it still leaves almost one in four high-work families below the low-income threshold. Nearly six in ten moderate-work families are low-income, and eight in ten

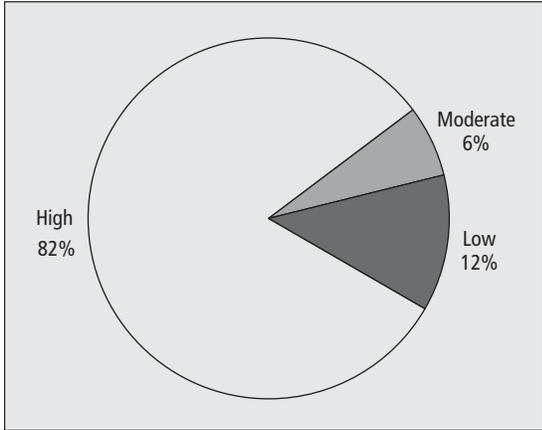
low-work families are low-income. For the rest of the paper, we focus on low-income families rather than poor families, because in many ways, the broader definition of low-income captures the population at risk of economic hardship more accurately than the official poverty level, especially once the tax and transfer system is added to the analysis.

Looking at direct measures of economic hardship, poor and low-income families report similar rates of difficulty paying for food, housing, and health care, while low-income and middle-income families look quite different.¹² Comparisons of difficulty paying for food, housing, and health care appear in table 3, which shows that low-income families are nearly twice as likely as middle-income families to report cutting or skipping meals or not being able to pay for food (“food insecurity”), half again as likely to miss rent, mortgage, or utility payments (“housing insecurity”), and twice as likely to lack health insurance as middle-income families. Low-income families are also more likely to put off needed medical care due to financial hardship. Again, work status does affect economic hardships, even among low-income families. For example, high-work, low-income families are less likely to experience food and housing insecurity than moderate- and low-work, low-income families (table 3). But even high-work, low-income families experience more hardship than middle-income families.

As is true among all families with children, the majority of low-income families with children are high-work families. Figure 2 shows that 58 percent of all low-income families are high-work, while 12 percent are moderate-work families and 30 percent are low-work families.

Next, we hone in on the characteristics of low-income families by work status to see what distinguishes high-work, low-income families from other low-income families. We also compare high-work, low-income families with their middle-income counterparts to identify factors that might contribute to their lower economic positions. Keep in mind that the differences in the characteristics of

FIGURE 1. Family Work Attachment for All Families with Children



Source: 2002 National Survey of America’s Families.
 Note: See text for definitions of work and income categories.

TABLE 1. Income by Family Labor Force Attachment

	Mean income	Mean income-to-needs ratio
Labor force attachment		
High	\$68,977***	3.92***
Moderate	\$36,957***	2.26***
Low	\$24,033***	1.36***
All	\$61,443	3.50

Source: 2002 National Survey of America’s Families.
 Notes: Income-to-needs ratio is the family income divided by the federal poverty level (federal poverty threshold applied to the social family). See text for definitions of work categories. Significance tests for the first row test high vs. moderate, second row moderate vs. low, and third row low vs. high work categories. All differences significant at the 99% level.

TABLE 2. *Income Levels of Families with Various Degrees of Labor Force Attachment (percent)*

	Poor	Low-income	Middle-income
Labor force attachment			
High	5.4***	23.2	21.1
Moderate	27.3***	57.8***	20.1
Low	24.9***	80.8***	9.2***
All	12.8	32.4	19.6

Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work and income categories. Significance tests for the first row test high vs. moderate, second row moderate vs. low, and third row low vs. high work categories. *** significant at the 99% level.

low- and middle-income families do not necessarily cause or explain the differences in their economic status and may themselves result from differences in work and income. For example, more single-parent families may be low-income than married-couple families. The lack of a second potential earner may contribute to this difference, but it is also possible that the inability of two parents to achieve middle-income status may lead the couple to break up. Nevertheless, understanding the how families differ by work and income status is a useful exercise.

Differences among Low-Income Families by Work Status

Many important differences set high-work, low-income families apart from other low-income families. The most striking revolve around family structure. As table 4 shows, high-work, low-income families are far less likely to be headed by a single parent living alone than are moderate- and low-work, low-income families (22 percent compared with 62 and 39 percent, respectively). This suggests that having two or more adults in a family greatly enhances the chances that at least one adult will work full-time. The number of children in a family likely affects the family head's ability to work, and one might expect that low-income families with more children would be less likely to be high-work families

TABLE 3. *Economic Hardship Rates by Work Status and Income (percent)*

	High-work	Moderate-work	Low-work	All
Low-income				
Food insecurity	27.6***	40.5	38.8***	32.5
Housing insecurity	28.2***	40.5*	35.5***	31.8
Uninsured	35.9**	41.4***	31.7**	35.3
Put off needed care	8.6**	13.8**	8.7	9.2
Middle-income				
Food insecurity	16.1***	24.0***	23.6***	17.1
Housing insecurity	18.9***	35.5	26.7**	20.5
Uninsured	16.1***	18.3***	32.4	17.2
Put off needed care	6.3**	10.0	9.9	6.7

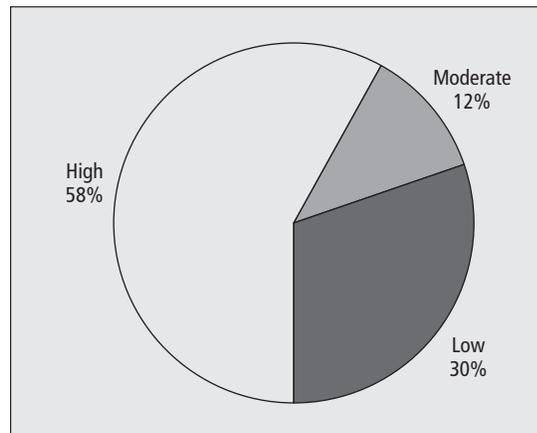
Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work and income categories. Significance tests for low-income families are across work category: tests are for the difference in proportions, for the first column high vs. moderate, second column moderate vs. low, and third column low vs. high. Significance tests for middle-income families are across income category, testing differences between low-income and middle-income within each work category. * significant at the 90% level; ** significant at the 95% level; *** significant at the 99% level.

than those with fewer children. Table 4 shows this is not the case. High-work, low-income families are less likely to have one child than moderate- and low-work, low-income families; they are also more likely to have large families with three or more children.

The educational attainment of family heads differs between high- and low-work, low-income families: nearly two in five low-work, low-income families is headed by a high school dropout, compared with just over one in four high-work families. But the educational attainment of high and moderate-work families is very similar. Thus, schooling differences cannot explain the difference between part-time and full-time work among low-income families. They may, however, help explain why some low-income families manage to maintain at least steady part-time work while others work erratically or not at all.

FIGURE 2. Family Work Attachment for Low-Income Families with Children



Source: 2002 National Survey of America's Families.
Note: See text for definitions of work and income categories.

The racial and ethnic composition of low-income families varies by work status as well, with the most consistent differences appearing between high- and low-work families. For example, of every ten high-work, low-income families, six are headed by whites and two by blacks. In contrast, of every ten low-work, low-income families, fewer than five are headed by whites and nearly three by blacks.

Immigration status also plays a role. While eight in ten moderate- and low-work families are headed by U.S.-born citizens, only seven in ten high-work, low-income families are headed by U.S.-born citizens. This means 30 percent of high-work, low-income families are headed by immigrants, and interestingly, over two-thirds of these immigrant families are headed by noncitizens. Language barriers or immigration status may confine these family heads to low-wage jobs and hinder their upward mobility.

Finally, high-work, low-income families are more likely to be headed by a prime-age worker (age 30–49) than moderate- and low-work, low-income families. Almost seven in ten high-work, low-income families are headed by a prime-age individual, compared with 58.9 percent of moderate-work, low-income families and 59.4 percent of low-work, low-income families. Compared with their high-work counterparts, moderate-work, low-income families are more likely to have heads under 30. Their lower work levels may be related to age, with some adults in these families combining work with some training or school. Low-work, low-income families are more likely to be headed by someone over age 50 than high-work, low-income families, suggesting that age and infirmity may account for their low work status. Indeed, about 16 percent of the heads of high-work, low-income families report being in fair or poor health, compared with about 25 percent of those in moderate-work families.

Differences between High-Work, Low- and Middle-Income Families

Next, consider what distinguishes high-work, low-income families from high-work, middle-income families. Middle-income families have incomes between two and three times the federal poverty level;

TABLE 4. Characteristics of Low-Income Families by Work Status (percent)

	High-work	Moderate-work	Low-work	All
Family type				
Single parent alone	21.7***	62.2***	38.6***	31.5
Married couple	45.9***	19.3*	23.5***	36.0
Other adults present	32.4***	18.6***	37.8***	32.4
Number of children				
One	24.2***	36.3	34.6***	28.7
Two	35.8*	31.6	33.1	34.5
Three or more	39.9**	32.2	32.3***	36.7
Education of head				
High school dropout	27.6**	20.8***	39.1***	30.3
High school graduate (or GED)	39.1	43.4***	33.9***	38.0
Some postsecondary	25.4	28.5***	20.9***	24.4
College graduate	7.9	7.3	6.1**	7.3
Race of head				
White	59.4**	53.6**	45.6***	54.5
Black	18.7***	28.2	28.7***	22.8
Hispanic	19.0**	14.6	16.7	17.8
Other	2.9	3.7***	8.9***	4.8
Immigrant status of head				
U.S.-born citizen	68.6***	79.7	75.5***	72.0
Foreign-born naturalized U.S. citizen	8.9***	5.1	6.9**	7.8
Foreign-born noncitizen	22.6***	15.2	17.5***	20.2
Age of head				
18–29	25.0***	35.5**	28.8**	27.4
30–39	45.5**	38.8	34.4***	41.3
40–49	23.6	20.1*	25.0	23.6
50+	5.9	5.6***	11.8***	7.7

Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work and income categories. Significance tests are across pairs of work categories: for the first column, high vs. moderate; second column, moderate vs. low; and third column, low vs. high. * significant at the 90% level; ** significant at the 95% level; *** significant at the 99% level.

these families have achieved a degree of economic security and well-being that eludes their lower-income counterparts.

High-work, low-income families are more likely to be headed by single parents than high-work, middle-income families. The difference, though significant, is modest, 21.7 versus 15.7 percent (table 5). Similarly, high-work, low-income families are less likely to be headed by a married couple than high-work, middle-income families, 45.9 versus 55.1 percent. The fact that high-work, middle-income families are more likely to have two or more adults and two married adults than high-work, low-income families may account for some income differences between the two groups.

High-work, low-income families tend to have more children than high-work, middle-income families. Indeed, about two in five high-work, low-income families have three or more children, compared with about one in four high-work, middle-income families. This is not surprising—if the adults in the two families work the same jobs at the same wages, the families will have the same gross income but the larger family will have greater needs and is thus more likely to be low-income.

TABLE 5. Characteristics of High-Work Families by Income-to-Needs Category (percent, unless noted)

	Low-income	Middle-income
Family type		
Single parent alone	21.7	15.7***
Married couple	45.9	55.1***
Other adults present	32.4	29.2**
Number of children		
One	24.2	36.6***
Two	35.8	37.3
Three or more	39.9	26.0***
Hourly wage of head	\$9.59	\$15.01***
Education of head		
High school dropout	27.6	11.3***
High school graduate (or GED)	39.1	37.9
Some postsecondary	25.4	32.7***
College graduate	7.9	18.0***
Race of head		
White	59.4	74.3***
Black	18.7	14.9***
Hispanic	19.0	8.9***
Other	2.9	1.9*
Immigrant status of head		
U.S.-born citizen	68.6	85.0***
Foreign-born naturalized U.S. citizen	8.9	6.9*
Foreign-born noncitizen	22.6	8.0***
Age of head		
18–29	25.0	18.2***
30–39	45.5	39.5***
40–49	23.6	35.5***
50+	5.9	6.9

Source: 2002 National Survey of America's Families.

Notes: Low-income families have gross income less than twice the federal poverty line (FPL), middle-income have at least twice but less than three times the FPL. Significance tests are across income-to-needs categories. * significant at the 90% level; ** significant at the 95% level; *** significant at the 99% level.

But the differences between high-work, low-income and high-work, middle-income families are not confined to family type and family size. The heads of high-work, low-income families are far less educated than their counterparts in middle-income families. While 27.6 percent of high-work, low-income families are headed by a high school dropout, only 11.3 percent of high-work, middle-income family heads failed to earn a high school degree. Similarly, only 7.9 percent of high-work, low-income family heads are college graduates, compared with 18.0 percent of high-work, middle-income families.

Indeed, among high-work families, the difference in income between low- and middle-income families is not due to work effort, nor is it simply a function of family size. Family heads of middle-income families have more education and earn higher hourly wages than the family heads of low-income families. As table 5 shows, the average hourly wage rate for the heads of high-work, low-income families is \$9.59, compared with \$15.01 for the heads of high-work, middle-income families.

There are also significant and substantial differences in the racial, ethnic, and immigration status of high-work, low- and middle-income families. Nearly three-quarters of high-work, middle-income families

are headed by non-Hispanic whites, compared with nearly three-fifths of high-work, low-income families. Among high-work families, those with low incomes are more likely to have a Hispanic head than middle-income families, 19.0 versus 8.9 percent. Consistent with the findings on race and ethnicity, high-work, low-income families are less likely to be headed by a U.S.-born citizen than high-work, middle-income families (68.6 versus 85.0 percent). And high-work, low-income families are almost three times more likely to have noncitizen heads than their middle-income counterparts (22.6 versus 8.0 percent).

The heads of high-work, low-income families tend to be younger than the heads of high-work, middle-income families. Almost one-quarter of high-work, low-income families are headed by someone under the age of 30, compared with 18.2 percent of high-work, middle-income families. Thus, to a certain extent, low-income status among high-work families may be due in part to youth and inexperience. However, the vast majority of high-work, low-income families (75.0 percent) are headed by someone age 30 or over; it is unlikely these families will naturally move up the income scale as their heads age and gain experience.

This comparison of the socioeconomic characteristics of high-work, low- and middle-income families offers several insights as to why some families remain low-income despite having at least one full-time, full-year worker while others achieve more economic security. First, high-work, low-income families have low incomes primarily because of low wage rates. The hourly wage rates of the heads of high-work, low-income families are only 64 percent of the wages of the heads of high-work, middle-income families. Differences in education levels, race/ethnicity, and immigration status may account for some of the wage rate differentials. Second, high-work, low-income families have more children and thus need more money in absolute dollar terms to cross the low-income threshold than their middle-income counterparts. Recall that the low-income thresholds vary by family size, and larger families need more money than smaller families to gain middle-income status. Finally, high-work, low-income families are more likely to be headed by a single parent than high-work, middle-income families. The presence of a secondary worker whose earnings exceeds his or her needs could help move some high-work, low-income families into middle-income status.

Next we take a closer look at the incomes and expenses of high-work, low-income families to better understand their sources of income and to see how effectively they can meet their expenses.

Goal 3: Understanding the Income and Expenses of Low-Income Working Families

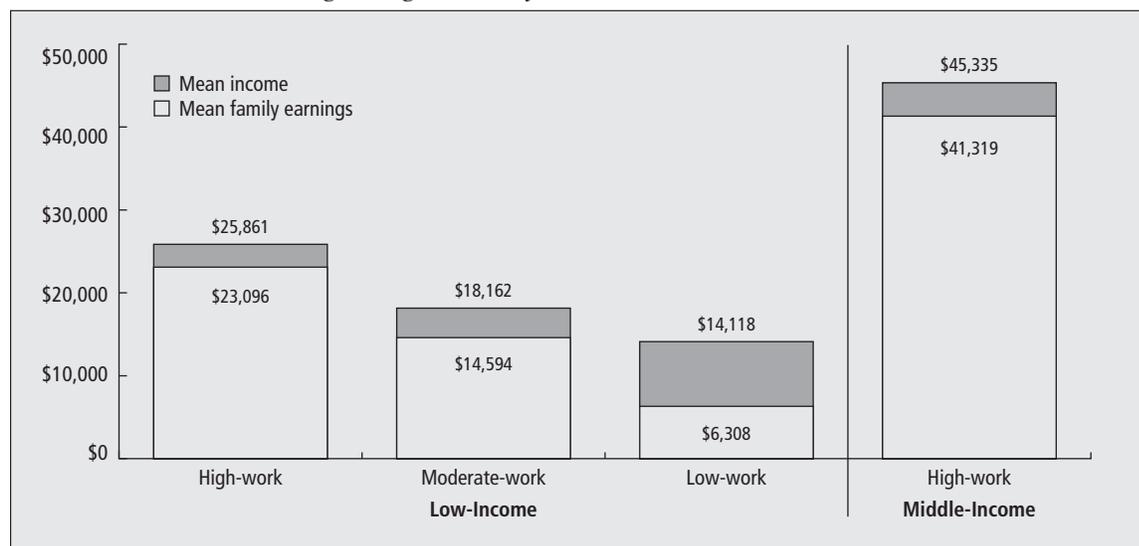
Income of Low-Income Working Families

Family incomes come from many sources. We begin by assessing gross cash income—money a family receives through earnings; public cash transfer programs, including welfare or Social Security; any interest, dividends, or rent; and private cash transfers, such as child support, alimony, and gifts from family and friends. We then assess families' incomes after taxes and food stamps (a near-cash public assistance program).

Gross income

Income before taxes and expenses varies across low-income families in much the way one would expect. Figure 3 shows that the mean gross income of high-work, low-income families is \$25,861 in 2001. The

FIGURE 3. Income and Earnings among Families, by Work Status



Source: 2002 National Survey of America's Families.

Note: See text for definitions of work and income categories. Differences across each pair of categories are significant at the 99% level.

bulk of that income (89 percent) comes from earnings. The income of moderate-work, low-income families is somewhat lower (\$18,162), and 80 percent comes from earnings. Among low-work, low-income families, income is even lower (\$14,118), and only 45 percent comes from earnings. By definition the income of high-work, middle-income families is higher than that of high-work, low-income families (\$45,335 versus \$25,861), but both groups receive a similar share of their income from earnings (91 percent).

Public assistance programs do not provide much cash income to working families largely because most high-work, low-income families are not poor. As a result, working families may be ineligible for many of these programs or eligible for such a small benefit that they choose not to participate. For example, only 5 percent of all low-income families with a full-time, full-year worker receive welfare. In addition, 15 percent of moderate-work, low-income families receive TANF, and 25 percent of families with minimal or no work report receiving TANF benefits. Similarly, about one in 20 high-work, low-income families receives SSI; it is important to note that SSI is targeted at families in which someone is disabled. Nevertheless, the benefits families receive through these cash assistance programs are counted in cash income.

In-kind transfers

In-kind transfers such as public health insurance, food stamps, housing assistance, and WIC are more common sources of support for low-income working families than cash assistance programs, and the value of these programs is not captured in cash income. For example, one in five high-work, low-income families receives food stamps, one in ten receives housing assistance, and one in five participates in government-sponsored health insurance programs including Medicaid and SCHIP (table 6). Nevertheless, these public assistance programs are targeted at families lower down the income scale than the typical high-work, low-income family. Indeed, among low-work, low-income families, half receive food stamps, a quarter receive housing assistance, and over half are enrolled in government health insurance programs.¹³

TABLE 6. Public Assistance Receipt of Low- and Middle-Income Families, by Work Status (percent, unless noted)

	Low-Income			Middle-Income
	High-work	Moderate-work	Low-work	High-work
Mean food stamps	\$384***	\$786***	\$1,219***	\$72***
Percent with food stamps	19***	45	50***	5***
Mean positive food stamps	\$1,972	\$1,733***	\$2,440***	\$1,492***
Percent with SSI benefits	6	6***	21***	3***
Percent with TANF benefits	5***	15***	25***	3***
Percent with WIC benefits	28	29*	34***	12***
Percent with Medicaid/SCHIP	21***	42***	54***	8***
Percent with housing assistance	9***	19**	26***	1***

Source: 2002 National Survey of America's Families.
 Note: See text for definitions of work and income categories.

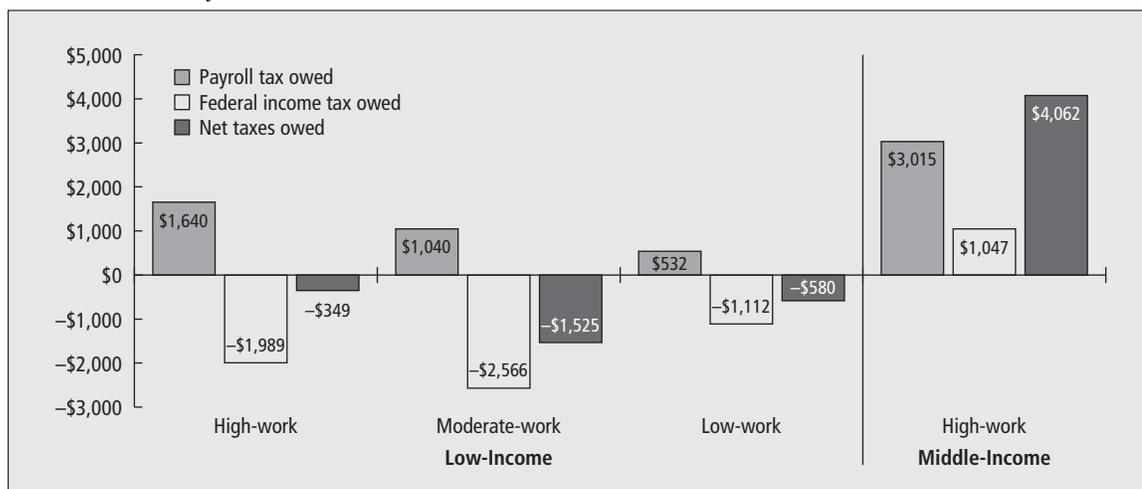
It is exceedingly difficult to place a cash value on in-kind transfers such as Medicaid; however, it is fairly straightforward to add in the cash value of food stamps to a family's income. Among families receiving food stamps, the mean annual reported benefit is \$2,440 for low-work, low-income families; \$1,972 for high-work, low-income families; and \$1,492 for high-work, middle-income families.

Taxes

Taxes play a significant role in determining families' net incomes.¹⁴ All working families are subject to payroll taxes, and the more they work the more they must pay. Figure 4 shows that, on average, high-work, low-income families pay \$1,640 in federal payroll taxes a year, compared with \$1,040 for moderate-work, low-income families and \$532 for low-work, low-income families. High-work, middle-income families pay an average of \$3,015 in payroll taxes.

For lower-income families, refundable tax credits such as the Earned Income Tax Credit offset payroll taxes and actually boost net income. Among low-income families, high-work families receive almost

FIGURE 4. Taxes by Work



Source: 2002 National Survey of America's Families.
 Note: See text for definitions of work and income categories. Differences across each pair of categories are significant at the 99% level.

\$2,000 in net federal income tax credits, while low-work families receive over \$1,000. The biggest beneficiaries of these refundable federal tax credits are moderate-work, low-income families; they receive over \$2,500. In contrast to low-income families, high-work, middle-income families have federal tax liabilities that average over \$1,000 a year. On net, federal income and payroll taxes increase the annual gross incomes of low-income, high-, moderate-, and low-work families by \$349, \$1,525, and \$580, respectively, while they decrease the gross income of high-work, middle-income families by \$4,062.

Post-tax, post-food stamp income

In-kind transfers from food stamps augment the incomes of low-income families, and they are particularly important for low-work, low-income families. On average, a low-work, low-income family's income increases from \$14,698 to \$15,917 if food stamps are added to after-tax income. In contrast, adding food stamps would increase the income of high-work, low-income families from \$26,209 to \$26,593 and the income of high-work, middle-income families from \$41,273 to \$41,345. This largely reflects the fact that few high-work families receive any food stamp benefits regardless of their gross income levels.

Expenses of Low-Income Working Families

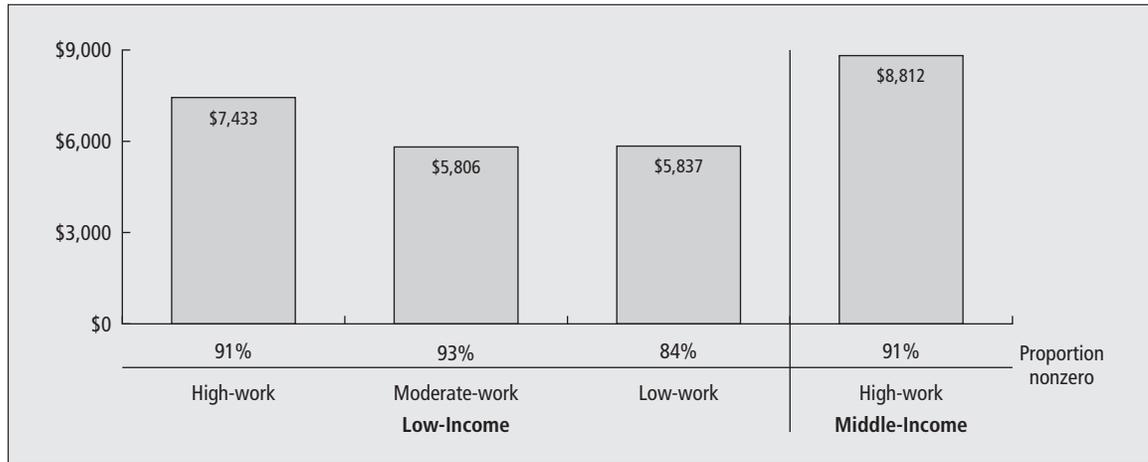
Out of their net incomes (gross income adjusted for taxes and food stamps), families must meet their basic expenses; working families must also meet their work-related expenses. Reliable data on the spending patterns of low-income working families are quite limited. The NSAF contains data on three major expenses incurred by families (housing, health care, and child care), and we examine how these expenses vary by the work status and income of families with children. Spending on such other items as food and clothing can be inferred from data sources like the Consumer Expenditure Survey.

Housing

More than nine in ten high-work, low-income families pay for their own housing (figure 5). This is virtually identical to the shares of high-work, middle-income and moderate-work, low-income families paying for housing. It is only slightly higher than the share of low-work, low-income families that pays for housing. By and large, families in the NSAF that report spending nothing on housing say their home is "paid for." Other reasons for having no housing expenses include living "rent free" as guests (either with or without the owner or lessee) or receiving housing assistance that covers all shelter costs.¹⁵

Housing is the single largest expense for most families, and the amount spent on housing among those reporting expenditures varies by work status and income.¹⁶ High-work, low-income families spend more on housing than their moderate-work and low-work counterparts (\$7,433 versus \$5,806 and \$5,837, respectively). In turn, high-work, middle-income families spend \$8,812 on housing. Data from the Consumer Expenditure Survey (CEX) also indicate that housing costs represent the largest single expenditure for low-income families, although reported levels of income and housing expenditures are somewhat lower in the CEX than in the NSAF. NSAF data indicate that high-work, low-income families spend an average of 28 percent of their pre-tax cash income on housing; moderate-work, low-income families spend 32 percent; and low-work, low-income families spend 41 percent. In contrast, high-work, middle-income families spend an average of 19 percent of their income on housing. These figures are comparable to those from the CEX that estimate families in the bottom two income quintiles spend 25 to 30 percent of their income on housing (Duly 2003) and families with incomes below 150 percent of the federal poverty level spend nearly 40 percent of their income on housing (Liao 2002).¹⁷

FIGURE 5. Mean of Nonzero Housing Expenses of Low- and Middle-Income Families, by Work Status



Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work and income categories. Save moderate- and low-work, every pair of conditional means differs significantly at the 99% level. The proportion with positive expenses differs significantly only for low-work families (at the 99% level).

The U.S. Department of Housing and Urban Development's measure of housing affordability suggests that families should pay no more than 30 percent of their income for housing. On average, working low-income families are clearly balanced right on the edge of affordability even after public rental assistance is taken into account. As a result, they may face more frequent moves and attendant disruptions than their middle-income counterparts. In addition, the housing low-income families can afford may be of marginal or poor quality.

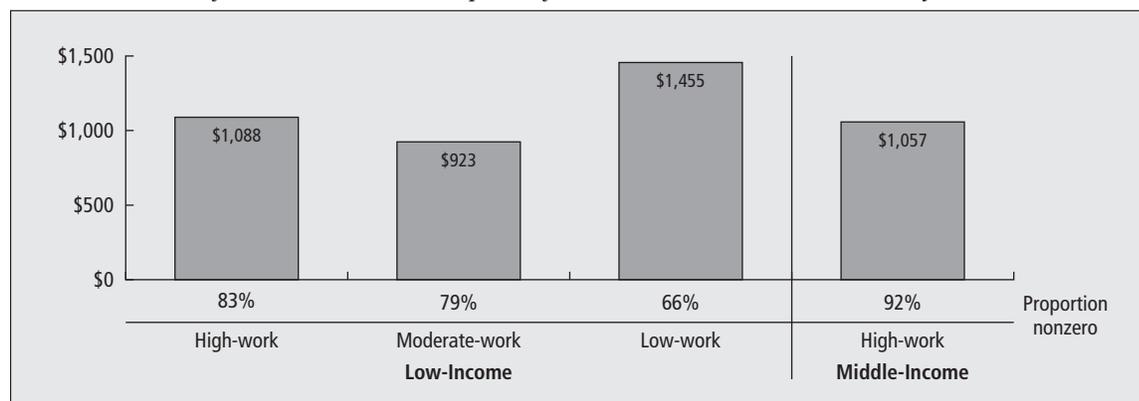
Assessing whether low-income working families' spending on housing is "adequate" is inherently subjective, and we cannot directly address this question. However, it may be useful to compare the spending of low-income families with the spending of middle-income families. The more the spending of low-income families lags behind the spending of middle-income families, the greater the concern about adequacy for low-income families. High-work, low-income families spend 84 percent as much on housing as high-work, middle-income families. Keep in mind that low-income families tend to be larger than middle-income families, so their expenses have to cover more people. On the other hand, middle-income families are less likely to receive public housing assistance than low-income families.

Out-of-pocket health expenses

Families pay for health care in many ways. Some portion of their health care may be paid by private or public health insurance plans, and workers pay for their insurance both directly through premiums and indirectly through reduced wages. We have no information on the premiums paid by or on behalf of workers and families in the NSAF. However, we do have information on their direct out-of-pocket expenditures on health care goods and services.

Whether paying for over-the-counter or prescription drugs or meeting co-pay or deductible requirements when seeing a physician, virtually all families face some health care costs.¹⁸ About four in five high- and moderate-work, low-income families have out-of-pocket health expenses (figure 6). Among

FIGURE 6. Mean of Nonzero Health Care Expenses of Low- and Middle-Income Families, by Work Status



Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work and income categories. Differences in conditional means are not significant, but difference in proportions with expenses are significant at the 99% level.

families with health care expenses, spending is somewhat higher for high-work than moderate-work families (\$1,088 versus \$923), although this difference is not statistically significant. Only two-thirds of low-work, low-income families report out-of-pocket health expenses, but those with expenses are spending more than other low-income groups, \$1,455. The high-work, middle-income group has the highest prevalence of out-of-pocket health care spending. Nine in ten high-work, middle-income families report spending on health care. Among those with health care spending, their expenditures are virtually identical to those of high-work, low-income families (\$1,057 versus \$1,088).

In general, self-reported out-of-pocket health care spending in the NSAF is slightly higher than in the Medical Expenditure Panel Survey, but for low-income working families the two data sources are comparable.¹⁹ Given that low-income families tend to be in worse health and are more likely to be uninsured than middle-income families, the fact that their out-of-pocket health spending is at or below the levels of middle-income families may indicate they are forgoing some needed or preventive care.

It is also important to note that health care spending varies considerably even across families with positive expenditures. In any given year, most families will have modest health expenses while a few families will have extraordinarily high expenses. In 2001 among low-income high-work families paying for some health care, the mean expenditure is about \$1,100 but the median expenditure is only \$400. In other words, meeting health care expenses is manageable for most families but challenging for a minority of families that incur unusually high costs. Even for families that fit out-of-pocket health care expenditures into their budgets, these data cannot tell us if they must forgo recommended care to do so.

Child care

The final major expenditure category we consider is spending on child care. Understanding what child care means for low-income families by work status is challenging. For example, a low-work, low-income family may have no child care expenditures because the adults in that family are not

working. However, the proximate cause of their joblessness may be their inability to afford child care. Similarly, working families may have very low or even no child care expenses, because their older children no longer need care or a friend or relative provides unpaid care, but it is only because child care is inexpensive that they can “afford” to go to work.²⁰

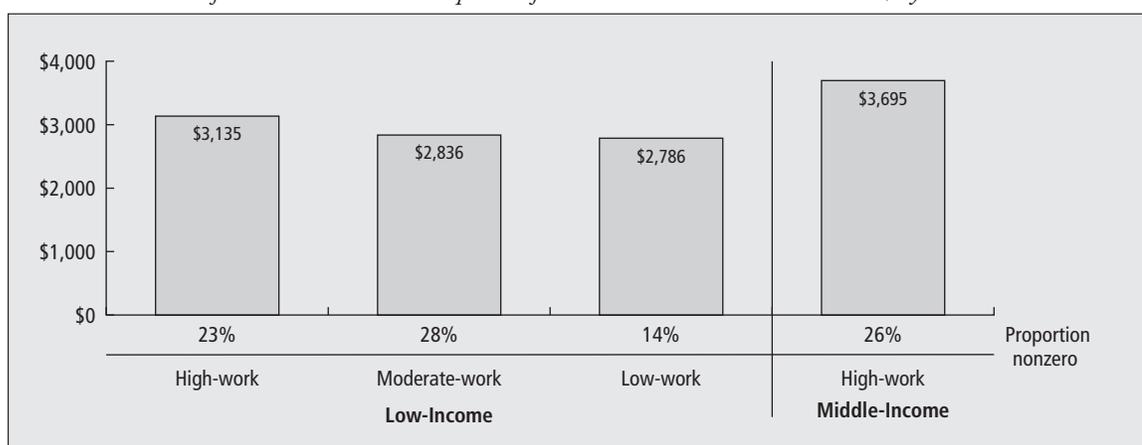
Figure 7 shows that the vast majority of low-income and even middle-income families have no child care expenses. Twenty-three percent of high-work, low-income families pay for child care, compared with 28 and 14 percent of moderate- and low-work, low-income families. Twenty-six percent of high work, middle-income families pay for child care.²¹

At first, these proportions may seem low to those acquainted with research on child care. Keep in mind that child care research focuses on families that need child care—for example, families with children under the age of 13 and employed mothers—and does not necessarily distinguish between low-income and higher-income families. This paper focuses on low-income families but includes families in which all children are teenagers and families in which the father works full-time while the mother provides care to the children.

When comparing similar populations from the NSAF and other data sources, such as the Survey of Income and Program Participation (SIPP), the findings are quite similar. For example, SIPP data suggest that 33 percent of low-income families with children under age 15 are paying for child care (Smith 2002), a figure only slightly higher than the roughly 25 percent found in the NSAF. Further, the NSAF data indicate that in low-income single-parent families where the one adult works full-time, full-year, 44 percent pay for care, a figure comparable to the 47 percent of employed mothers with children under age 15 who report paying for care in the SIPP (Smith 2002).

For those who report paying for child care, the expense represents a significant share of their incomes.²² High-work, low-income families that pay for child care spend \$3,135 per year on average, or 12 percent

FIGURE 7. Mean of Nonzero Child Care Expenses of Low- and Middle-Income Families, by Work Status



Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work and income categories. The only statistically significant differences in conditional means are between middle-income, high-work and each low-income category. Differences in proportions with child care expenses are significant at least at the 95% level across all categories.

of net and gross incomes. Moderate- and low-work, low-income families that pay for child care spend about \$2,800 per year on child care, or 14 and 18 percent of net incomes, and 16 and 20 percent of gross incomes. High-work, middle-income families with child care expenses spend an average of \$3,695 per year on child care, representing about 8 percent of net income and 9 percent of gross income. That high-work, middle-income families are spending more on child care than high-work, low-income families may indicate that low-income families are more likely to receive help with child care costs, use different child care arrangements, use lower-cost (and potentially lower-quality) care, or some combination of these.

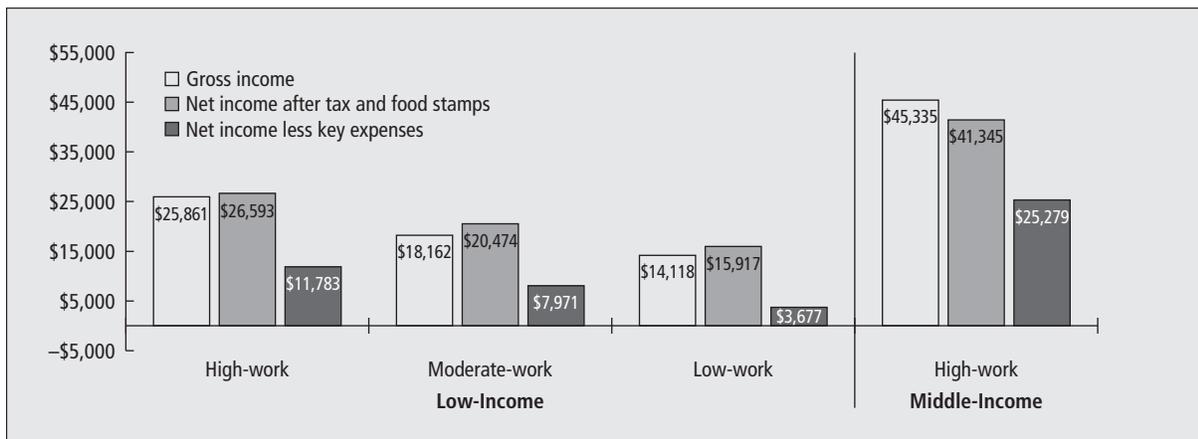
Other expenses

The NSAF does not estimate spending on the full gamut of basic expenses facing low-income families, but these expenses can be inferred from other sources. The U.S. Department of Agriculture's thrifty food plan upon which the federal poverty level is based suggests that a family of four must spend about \$6,000 a year on food to meet its nutritional requirements; data from the CEX indicate that, on average, families spent \$5,375 on food in 2002 (BLS 2004). According to data from the CEX in 2002, families in the bottom 40 percent of the income distribution spent \$1,061 on apparel and \$4,149 on transportation. Together these basic expenditures are expected to chew up well over \$10,000 a year.

Making Ends Meet? Comparing the Income and Expenses of Low-Income Families

Taking taxes, food stamps, and observed expenditures on housing, health care, child care, and imputed food expenses into account, we can assess how much income low-income working families have left to meet their other expenses, including clothing, utilities, and transportation costs. We use a very simple method to impute food expenditures: because the poverty level equals three times a family's basic food needs and adjusts for variation in family size, we assign each family food expenses at one-third of its poverty-level income. Figure 8 compares the average gross, net, and post-key expense incomes of low- and middle-income families by work status.

FIGURE 8. *Gross and Net Income of Low- and Middle-Income Families, by Work Status*



Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work and income categories. All differences across categories are significant at the 99% level. Key expenses include food, housing, out-of-pocket health care, and child care.

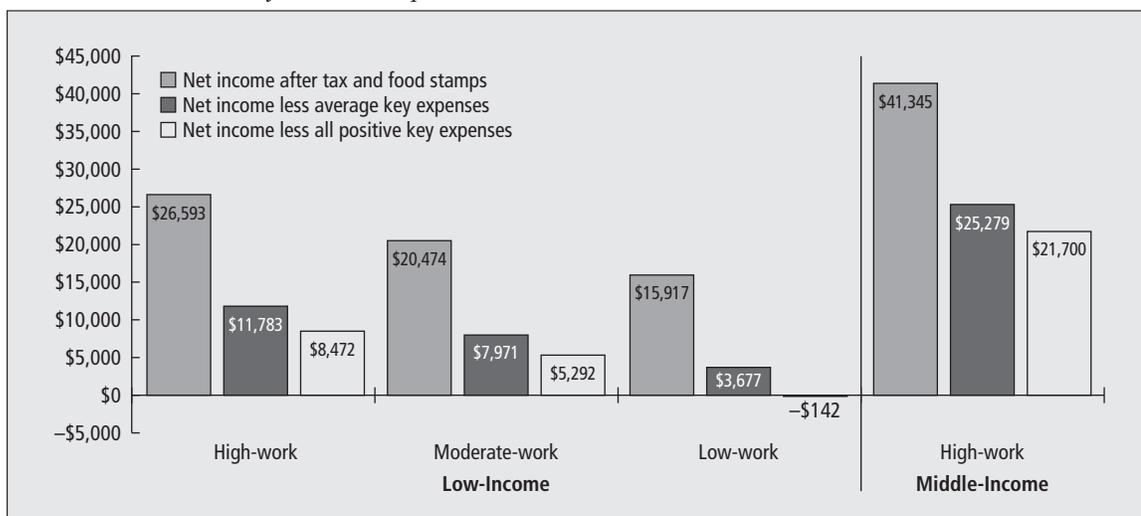
On average, after taxes, food stamps, and key expenses, high-work, low-income families have \$11,783 of their \$25,861 gross income left to meet their additional expenses. Moderate- and low-work, low-income families have \$7,971 and \$3,677 left, respectively, to meet these expenses. High-work, middle-income families have \$25,279 left over to meet their additional expenses. Indeed, the difference in income for additional expenses between high-work, low- and middle-income families is quite large: \$13,496, or almost 15 percent more than the after-expense income of high-work, low-income families.

Low-income families can expect to pay another \$5,000 for clothing and transportation expenses based on spending patterns from the CEX. These additional basic expenditures essentially wipe out the remainder of income in moderate- and low-work, low-income families. High-work, low-income families fare somewhat better; they still have about \$7,000 left over to spend on other items such as utilities, purchase and repair of appliances and household furnishings, health insurance premiums, children's needs (including educational expenses), and personal care products. Even after these expenses, these high-work, low-income families may have some money left over for savings.

Families that do not incur certain expenses will be that much better off than average, while families that must pay for housing or child care will be worse off. Consider the after-expense income available to the average family (some of which have expenses, and some of which do not), compared to the hypothetical after-expense income of families with positive expenditures for all four major categories we consider: housing, health care, child care, and food. Figure 9 compares after-expense income by work and expenses, assuming the same amount of net income, and subtracting the mean conditional on positive expenses within each category of expense.

For high-work, low-income families, those who must pay for all these items will have \$8,472 in after-expense income—less than the after-expense income available to the average high-work, low-income family. Having all these significant expenses tightens the budgets of these families considerably. However, even after allocating money for clothing and transportation, these families still have about

FIGURE 9. Net Income by Work and Expenses



Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work and income categories. Net income with all expenses is simulated, not calculated, so no significance tests are feasible.

\$3,500 left to pay for health insurance premiums, personal care products, and other items. In contrast, if moderate-work, low-income families must incur housing, health care, child care, and food expenses, their after-expense incomes fall to \$5,292, and clothing and transportation expenses could more than exhaust their incomes. Low-work, low-income families cannot even meet the four basic expenses considered here if they must spend the average amounts that families incurring these expenditures are spending.

This analysis of the incomes and expenditures of low-income families leads to several interesting conclusions. First, the majority of low-income families without at least one full-time worker have very limited net incomes, and their expenditures exhaust or even exceed their incomes. In contrast, low-income families with at least one full-time worker (high-work families) have incomes that are, on average, roughly in line with their major expenses in any given year. And it is also important to note that the average high-work, low-income family is in a far more precarious position than a family just one rung up the economic ladder.

Even if the incomes of low-income families with a full-time, full-year worker line up with their expenses, on average, it does not mean they are fully able to meet their needs. As the data on food and housing insecurity and forgone medical care suggest, some families may achieve the balance in expenditures and incomes by trimming expenditures that middle-income families would see as non-discretionary. And even for families that do meet their bills, the quality of what they buy may be seriously compromised: their child care spending may be lower than needed to purchase good-quality care for their children, and the quality of their housing may be questionable.

Finally, these assessments are based on group averages. Even though high-work families—those with at least one full-time worker—have enough money on average to make ends meet in a single year, certain subsets of these families may be falling short. In the next section, we consider how the circumstances of high-work, low-income families vary by family type, comparing low-income, high-work families headed by single parents, married-couple families, and families with other adults present. Then we consider subgroups that may be particularly at risk for financial hardships: (1) high-work families with incomes below the poverty level; (2) families with children under age 6; and (3) families headed by a foreign-born parent.

Income and Expenses of High-Work, Low-Income Families by Family Structure

Single parents living alone tend to have very different patterns of work, income, and expenses from their married or cohabiting counterparts. Table 7 shows that work attachment varies significantly by family structure. Married couples are significantly more likely than both other groups to have at least one full-time, full-year worker (high-work category), and significantly less likely to dip below part-time into the low-work category. Families with other adults present have similar rates of moderate work attachment to married couples, and similar rates of low work attachment to single parents living alone. More than a third of single parents living alone exhibit low work attachment, and about four in ten have at least one full-time, full-year worker.²³

Table 8 demonstrates that the income and expenses of high-work, low-income families vary across family types, with single-parent families having the lowest annual gross incomes (\$19,773) and other multiple-adult families having the highest (\$29,063). Married-couple families have gross incomes that are lower than those of other multiple-adult families (\$26,337). Because single-parent families tend

TABLE 7. Family Work Attachment by Family Structure, Low-Income Families with Children (percent)

	Single parent alone	Married couple	Multiple adult	All low-income
High	39.5***	73.4***	57.5***	58.2
Moderate	22.5***	6.2	6.5***	11.6
Low	38.0***	20.5***	36.0	30.3

Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work, income, and family structure categories. Significance tests for the first column test single vs. married, second column married vs. other, third column other vs. single (all within low-income, high-work). *** significant at the 99% level.

to be smaller than two-parent and other multiple-adult families, differences in family income relative to needs across family types are not quite so large. While high-work, low-income single-parent families have the lowest income-to-needs ratio of all three family types (1.32), they are only slightly worse off than married-couple and multiple-adult families (1.37 and 1.33, respectively). For all high-work, low-income families, the bulk of their income comes from earnings, ranging from 84 percent for other multiple-adult families to 94 percent for two-parent families.

Among high-work, low-income families, single-parent families are more likely than other families to receive in-kind government supports. Nearly three in ten high-work, low-income single-parent families

TABLE 8. Income and Expenses of High-Work, Low-Income Families with Children, by Family Type

	Single parent	Married couple	Multiple adult	All
Mean gross income	\$19,773***	\$26,337***	\$29,063***	\$25,861
Mean gross income to needs	132%**	137%	133%	135%
Mean earnings	\$17,354***	\$24,838	\$24,287***	\$23,096
Mean federal income tax	-\$2,743***	-\$1,800	-\$1,776***	-\$1,989
Mean payroll tax	\$1,264***	\$1,649***	\$1,868***	\$1,640
Mean net taxes paid	-\$1,480***	-\$151**	\$91***	-\$349
Mean food stamps	\$609***	\$262**	\$413**	\$384
Percent with food stamps	29%***	14%***	21%***	19%
Mean positive food stamps	\$2,094	\$1,825	\$2,008	\$1,972
Mean income after tax and food stamps	\$21,862***	\$26,750***	\$29,385***	\$26,593
Mean housing expenses	\$5,308***	\$7,251	\$6,915***	\$6,736
Percent with housing expenses	93%*	90%	89%**	91%
Mean positive housing expenses	\$5,689***	\$8,034	\$7,733***	\$7,433
Percent with housing assistance	22%***	4%***	8%***	9%
Mean health expenses	\$536***	\$1,092	\$865***	\$902
Percent with health expenses	81%*	85%**	80%	83%
Mean positive health expenses	\$662***	\$1,278	\$1,077***	\$1,088
Mean child care expenses	\$1,355***	\$523	\$557***	\$708
Percent with child care expenses	44%***	16%	18%***	23%
Mean positive child care expenses	\$3,105	\$3,191	\$3,107	\$3,135
Mean imputed food expenses	\$5,105***	\$6,474***	\$7,320***	\$6,465
Mean net income after key expenses	\$9,558***	\$11,410***	\$13,728***	\$11,783

Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work, income, and family type categories. Significance tests for the first column test single vs. married, second column married vs. multiple, third column multiple vs. single (all within low-income, high-work). * significant at the 90% level;

** significant at the 95% level; *** significant at the 99% level.

receive food stamps, and among recipients, the value of the food stamps exceeds \$2,000 annually. In contrast, only one in seven high-work, low-income married-couple families receives food stamps, and the average annual benefit is \$1,825. Other multiple-adult families fall between single- and married-parent families, with 21 percent receiving food stamps and their average annual benefit just over \$2,000. Similarly, single-parent high-work, low-income families are more likely to receive housing assistance (22 percent) than married and other multiple-adult families (4 and 8 percent, respectively).

Married-couple and other multiple-adult high-work, low-income families have virtually no net tax liability. Their payroll taxes are almost exactly offset by federal earned income and other credits. On net, other multiple-adult high-work, low-income families must pay \$91 in taxes while married-couple families receive a credit of \$151. In contrast, single-parent high-work, low-income families receive \$2,743 in federal income tax credits and owe \$1,264 in payroll taxes. On net, they come out almost \$1,500 ahead after these taxes are considered.

Because of taxes and in-kind transfers, the apparent income disadvantage of single-parent high-work, low-income families compared with married-couple and other multiple-adult families is greatly diminished. Further, because their income is used to meet the needs of fewer people, single-parent high-work, low-income families are not necessarily worse off than other families with children in terms of net income.

Expenses vary by family type as well. Although virtually all families incur housing expenses, the expenses of single-parent families are markedly lower than those of other families. Single-parent high-work, low-income families with housing expenses pay on average only \$5,689 a year, compared with \$8,034 for married couples and \$7,733 for other multiple-adult families. It is unclear whether the lower housing expenses reflect greater receipt of housing subsidies, the use of smaller dwellings, or differences in housing quality.

More than four in every five high-work, low-income families have some out-of-pocket health care expenditures regardless of family type. Single-parent families have the lowest level of out-of-pocket health spending at \$662 a year. Married couples have the highest at \$1,278, and other multiple-adult families with health expenses spend an average of \$1,077 a year.

All families paying for child care pay about the same amount: about \$3,100 a year. However, there are large differences in the share of families actually paying for child care across family types. Less than 20 percent of married-couple and other multiple-adult high-work, low-income families pay for child care. In contrast, 44 percent of single-parent high-work, low-income families incur child care expenses.

We assume all families incur food expenses, and the variation across family types solely reflects differences in family size. The expenses, especially food-related expenses, for married couple and other multiple-adult families are likely higher than those for single-parent families as the former have more members on average.

Taking housing, health care, child care, and food expenses along with taxes into account, single-parent high-work, low-income families have \$9,558 after expenses to pay for clothing, transportation, and other expenses. Married couples have \$11,410 left over and other multiple-adult families have \$13,728 left (figure 10).

FIGURE 10. Gross and Net Income of High-Work, Low-Income Families, by Family Structure



Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work, income, and family structure categories. All differences across categories are significant at the 99% level.

Based on the expenditure patterns discussed in the previous section, these data suggest that on average high-work, low-income families regardless of family type have incomes approximately in line with their expenses. Indeed, single parents who are able to work full-time are in the same boat as married couples and other multiple-adult families in terms of income and expenses; however, only two in five single parents manage to work full-time, full-year. This points out the need to examine the barriers to work for single-parent families.

Income and Expenses of High-Work, Low-Income Families for Key Subgroups

We focus now on three types of families that may face bigger obstacles to making ends meet. First, we look only at families whose gross income falls below the federal poverty level. While they are typically eligible for more aid and may face lower expenses, these families are the worst off on the traditional measure of gross income, and we expect they will have the hardest time making ends meet. Second, we look at families with children under age 6, who likely have greater need of child care. Third, we look at families whose head of household was born outside the United States and may face obstacles to finding jobs, housing, or aid.

As can be seen from table 9, about one-third of poor families are high-work and half are low-work. On the other hand, low-income families with kids under the age of 6 work more than low-income families without young children, and low-income families with immigrant heads have significantly higher work attachment than their native-born counterparts.

As in the previous section, we examine the income and expenses for the high-work families within each family type, but instead of comparing across three mutually exclusive categories, we will compare each category to its complement within high-work, low-income families with children. The significance tests in table 10 for poor high-work, low-income families compare their income or expenses to high-work families with incomes between 100 and 200 percent of the poverty level, called high-work, near-poor families. High-work, low-income families with children under 6 are compared to those with-

TABLE 9. Family Work Attachment by Family Type, Low-Income Families with Children (percent)

	Poor	Children under 6	Head foreign-born	All low-income
High	33.7***	59.7**	65.5***	58.2
Moderate	13.2***	11.1	8.0***	11.6
Low	53.1***	29.2***	26.5***	30.3

Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work, income, and family type categories. Significance tests in each column test the null that the difference between families in the specified category and all other low-income, high-work families (the complement) is zero. ** = significant at the 95% level; *** = significant at the 99% level.

out children under 6, and high-work, low-income families with immigrant heads are compared to their native-born counterparts.

As table 10 shows, gross income is low among high-work, poor families: \$14,067 a year, with an income-to-needs ratio of 0.69 (about two-thirds of the poverty level). High-work, poor families' gross income is only 54 percent of the gross income of all high-work, low-income families with children. Compared with all high-work, low-income families, these high-work, poor families owe less in payroll taxes and receive larger tax credits. They are also more likely to receive food stamps (36 versus

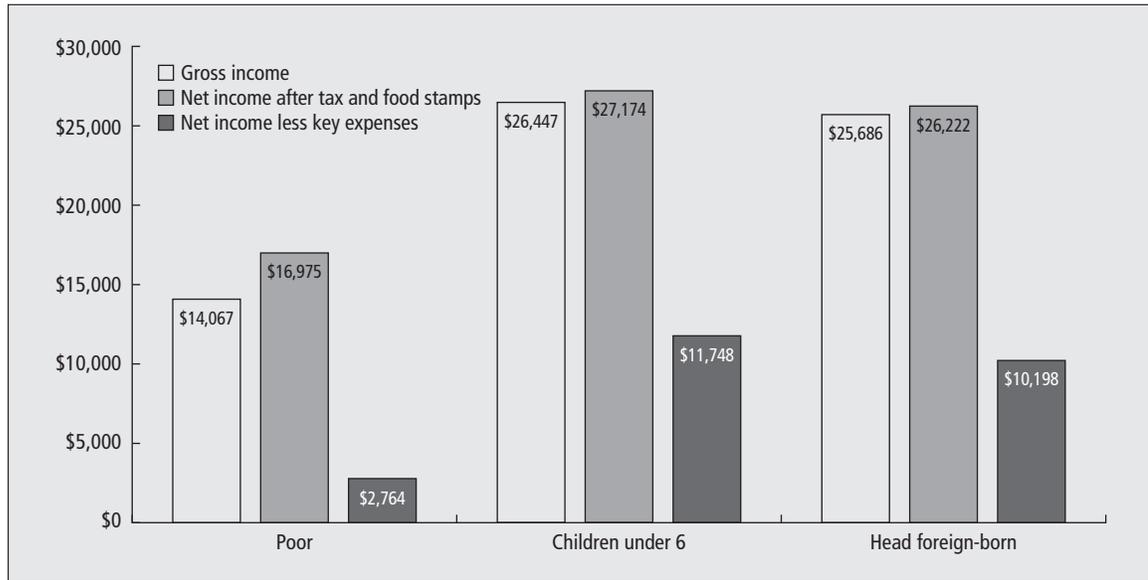
TABLE 10. Income and Expenses of High-Work, Low-Income Families with Children, by Family Type

	Poor	Children under 6	Head foreign-born	All
Mean gross income	\$14,067***	\$26,447**	\$25,686	\$25,861
Mean gross income to needs	69%***	134%	128%***	135%
Mean earnings	\$12,444***	\$24,049***	\$23,790**	\$23,096
Mean federal income tax	-\$2,879***	-\$2,037*	-\$2,019	-\$1,989
Mean payroll tax	\$869***	\$1,699***	\$1,743***	\$1,640
Mean net taxes paid	-\$2,010***	-\$338	-\$277	-\$349
Mean food stamps	\$897***	\$390	\$260***	\$384
Percent with food stamps	36%***	22%***	12%***	19%
Mean positive food stamps	\$2,522***	\$1,799**	\$2,116	\$1,972
Mean income after tax and food stamps	\$16,975***	\$27,174***	\$26,222	\$26,593
Mean housing expenses	\$6,221***	\$6,995**	\$8,067***	\$6,736
Percent with housing expenses	91%	94%***	96%***	91%
Mean positive housing expenses	\$6,822***	\$7,476	\$8,439***	\$7,433
Percent with housing assistance	15%***	9%	7%***	9%
Mean health expenses	\$676**	\$815	\$562***	\$902
Percent with health expenses	73%***	82%	76%***	83%
Mean positive health expenses	\$928	\$997	\$740***	\$1,088
Mean child care expenses	\$533***	\$951***	\$621	\$708
Percent with child care expenses	19%*	28%***	21%*	23%
Mean positive child care expenses	\$2,747*	\$3,364**	\$3,025	\$3,135
Mean imputed food expenses	\$6,781***	\$6,665***	\$6,774***	\$6,465
Mean net income after key expenses	\$2,764***	\$11,748	\$10,198***	\$11,783

Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work, income, and family type categories. Significance tests in each column test the null that the difference between families in the specified category and all other low-income, high-work families (the complement) is zero. * = significant at the 90% level; ** = significant at the 95% level; *** = significant at the 99% level.

FIGURE 11. Gross and Net Income of High-Work, Low-Income Families, by Family Type



Source: 2002 National Survey of America's Families.

Notes: See text for definitions of work, income, and family type categories. For each category, differences from other low-income families for each measure of income are significant at the 99% level.

19 percent) and to receive higher amounts of food stamps. Nevertheless, the income of high-work, poor families after taxes and food stamps is 64 percent of the income of all high-work, low-income families.

On the expense side, high-work poor families are just as likely to have housing expenses and slightly less likely to have health care and child care expenses than high-work, near-poor families. Their average spending on these items is somewhat lower, but their expenditures represent a much larger portion of their incomes. And their food expenses are slightly higher because they have slightly larger families. As a result, the after-expense income of high-work, poor families is only one-quarter that of all high-work low-income families. Clearly, this subgroup of high-work, low-income families is not coming close to making ends meet despite having at least one full-time, full-year worker. These families are no better off than even the average low-work, low-income families.

Next, consider families with children under age 6. Like all low-income families, about three in five low-income families with young children are high-work families. These families merit special attention because they are more likely to need child care in order to go to work.

The gross income of high-work, low-income families with children under age 6 is slightly higher than the average gross income for all high-work, low-income families (\$26,447 versus \$25,861). The differences in net tax liability and food stamp benefits between these two groups are small although sometimes statistically significant. Overall, the income of high-work, low-income families with young children after taxes and food stamps is slightly higher than average: \$27,174 versus \$26,593.

Compared with all high-work, low-income families, those with young children have similar housing expenses but slightly lower health care expenses. As expected, a higher proportion of families with young children incur child care expenses, and their expenses are higher than the average high-work, low-income family. But it is striking to note that only 28 percent of high-work, low-income families with children under age 6 actually pay for child care. Again, this likely reflects the fact that many of these families are married-couple or other multiple-adult households in which one adult works full-time, full-year and other adults stay home with the children.

Taking these known expenses into account, table 10 shows that the after-expense income available to high-work, low-income families with young children is virtually identical to the after-expense income available to the average high-work, low-income family (\$11,748 versus \$11,783). Again, this money must go toward clothing, transportation, and other items. Nevertheless, low-income families with young children and at least one full-time, full-year worker have incomes roughly in line with their expenses.

Finally, consider families in which the head is an immigrant. Nearly two-thirds of low-income immigrant families are high-work. These families may have a harder time making ends meet than the average high-work, low-income family because language barriers may relegate them to lower-paying jobs and they may be less likely to qualify for or take up public benefits.

The average gross income of high-work, low-income immigrant families is virtually identical to that of the average high-work, low-income family (\$25,686 versus \$25,861) but this income has to meet the needs of slightly larger families. As such the income relative to needs of immigrant families is lower than the income to needs of the average high-work, low-income family (1.28 versus 1.35).

The net tax liability of high-work, low-income families with foreign-born heads is similar to that of the average high-work, low-income family, but they are less likely to receive food stamps (12 versus 19 percent). Nevertheless, differences in income after taxes and food stamps between the two groups are modest, with immigrant families having \$26,222 while the average high-work, low-income family has \$26,593.

In terms of their expenses, immigrant high-work, low-income families are more likely to pay for their housing and to pay more for their housing than the average high-work, low-income family. This could reflect the facts that families with foreign-born heads may be less likely to have extended family resources in the United States than families with U.S.-born heads and that immigrant families may cluster in higher-cost urban areas. Interestingly, immigrant-headed families are less likely to have out-of-pocket expenses for health care than the average high-work, low-income family; even those with spending spend less. The incidence and level of child care expenses are similar across the two groups.

Thus, on net, the after-expense income available to immigrant high work, low-income families is about 87 percent of the after-expense income available to the average high-work, low-income family (\$10,198 versus \$11,783). On average, immigrant-headed families that have low incomes despite having a full-time, full-year worker live closer to the economic edge than the average high-work, low-income family but their incomes likely come close to meeting their basic expenses.

This analysis of high-work, low-income families in three key population subgroups (poor families, families with young children, and families headed by immigrants) clearly shows that the poorest low-income families are in dire straits despite having a full-time, full-year worker. High-work, low-

income families headed by immigrants have slightly lower after-expense incomes than the average high-work, low-income family but their expenses do not appear out of line with their resources. Finally, despite being more likely to incur child care expenses, high-work, low-income families with young children have after-expense incomes very similar to those for the average high-work, low-income family and thus have incomes roughly in line with expenses in any given year, at least on average.

Conclusion

Most Americans would agree that if you work, you shouldn't be poor. In the strictest sense, America has come close to achieving this goal. Only one in twenty families with children and at least one full-time, full-year worker has pre-tax, pre-transfer income that falls below the federal poverty level. The share drops even further when the cash value of income support programs like the Earned Income Tax Credit are added. Even though the vast majority of high-work families are not poor, a significant share—more than one in four—has incomes below twice the federal poverty level and experiences economic hardships such as food and housing insecurity at much higher rates than families with only slightly higher incomes. Because of the higher incidence of hardship as well as the fact that working families may need more income than non-working families because they must meet work-related expenses, these high-work, low-income families are sometimes referred to as the “working poor.”

This paper uses data from the 2002 round of the NSAF to carefully examine the incomes and certain expenses of high-work, low-income families to see if these families are making ends meet and how much better off low-income families with a full-time, full-year worker are than families with lower levels of work effort. We find that, on average, expenses are in line with income for these families in a single year. After subtracting known expenses for housing, health care, and child care as well as inferred expenses for food, clothing, and transportation, factoring in federal income and payroll taxes, and accounting for the cash value of food stamps, we find that high-work, low-income families have about \$8,000 a year left over to spend on other items such as utilities, purchase and repair of appliances and household furnishings, health insurance premiums, children's needs (including educational expenses), and personal care products.

It is important to note that while the average high-work, low-income family has income to cover its expenses, many do not. For example, the poor high-work families have incomes that are not sufficiently high to cover all their essential expenses. Indeed, the poor high-work, low-income families are in no better economic positions than the average low-work, low-income families. Other subgroups of high-work, low-income families such as those with young children, on average, have incomes that are in line with their typical expenses, and high-work, low-income families headed by immigrants are only slightly worse off.

Policymakers interested in supporting the “working poor” can draw several important lessons from this analysis. First, the financial circumstances of high-work, low-income families are, on average, much better than those of moderate- and low-work, low-income families. A key element of any strategy for the working poor is to focus on the barriers to full-time work (including both labor market barriers, such as the design of low-wage jobs as temporary or part-time, and family barriers, such as the difficulty of combining full-time work with care for young children) and to design policies that will reduce these barriers and/or improve support of part-time work for at least some period in a family's life cycle.

Second, the struggles of high-work, low-income families are, if not acute, very real, and they will not go away on their own over time. These families are not young families whose heads will enjoy wage growth as they gain experience. Indeed, three-quarters of high-work, low-income families are headed by individuals over age 30. What distinguishes them from their middle-income counterparts is their wage rates. On average the head of a high-work, low-income family makes less than \$10 an hour, compared with over \$15 an hour for the head of a high-work, middle-income family.

Raising wage rates is a particularly intransigent problem. Direct attempts to raise low-income workers' wages through minimum wage and living wage proposals are unlikely to be particularly helpful for two reasons. First, their wages are already well above the minimum wage, and it is unclear how far a minimum wage increase might "ripple up" the wage distribution. Second, and perhaps more important, most of these workers have earnings that put them in the phaseout range of the Earned Income Tax Credit. If their hourly wages go up by a dollar, they would lose 40 cents through a diminished EITC.²⁴ In short, raising their wage rates by a dollar or two is not a very efficient way to raise their net incomes.²⁵

Other methods to increase the wage rates of high-work, low-income families are fraught with challenges. Clearly, the heads of high-work, low-income families have less formal education than their middle-income counterparts. They are also more likely to be Hispanic and noncitizen immigrants. This suggests that education, training, and language programs could improve the skills and subsequently the wages of these families.

Again there are two challenges. First, education and training programs historically have been more successful at raising employment than wages, and these families already have a full-time worker. Second, these programs take time out of the day, and the heads of these families are already putting in a full work week and have children at home. Indeed, such efforts may better serve the 42 percent of low-income families that are moderate- and low-work families.

In short, it may be extremely difficult for the government to help most of these workers raise their wages by meaningful amounts. Rather than trying to raise their wages, the government can continue to supplement their incomes in a way that rewards work. The federal Earned Income Tax Credit is of particular importance to these families—on average, these families receive about \$2,000 a year in federal income tax credits, which more than offset the income they must use to pay their payroll taxes. The EITC provides a tremendous income boost to these families. It merits continued support, and we should consider expanding the phaseout range. Another alternative may be direct wage subsidies to low-wage workers.

It is also important to recognize that once a family has a full-time worker, in general, it may not need much more help than the EITC to make ends meet at any given point in time. The looming problems for high-work, low-income families stem not from their current hardships but from future uncertainties. Their economic position is precarious—they can meet their current expenses, but they have trouble saving and they may not be able to insure against ill health or job loss. When something bad happens, when they get sick, incur a huge medical bill, or even need to repair their cars, they simply lack the financial resources to address the problem. To help protect these high-work, low-income families from the ill effects of such income and expenditure shocks, policymakers should continue efforts to make health care coverage more available and affordable, shore up the unemployment insurance system so it provides more coverage to more workers, and pursue policies that encourage and reward savings and the development of assets.

High-work, low-income families are “playing by the rules,” as Bill Clinton and Al Gore characterized full-time work in *Putting People First* (1992). They may never win the game and move firmly into the middle class, but they have at least played it to a draw. They have worked to make ends meet. This achievement could be ephemeral in the event of any increased need or drop in income, however. Future research needs to examine the stability of high-work, low-income families’ economic positions and to more fully assess the consequences of a job loss, illness, or other unfortunate event for their long-term economic and material well-being.

NOTES

1. Clinton (1991).
2. Authors' computation based on 2003 federal and payroll tax rules. The computation assumes the family has earned income of \$12,000, no other sources of income, and incurs no child care expenses. State taxes are ignored.
3. The official federal poverty level was adopted in 1969 and is based on research by Mollie Orshansky. In a series of studies for the Social Security Administration, Orshansky took a set of minimally adequate food budgets for families of different sizes and multiplied these budgets by three because survey research indicated that the average family spent about one-third of its income on food (Ruggles 1990).
4. There is considerable debate about how well poverty is measured. Some argue that the official poverty level is too low; others that it is too high. There is also debate over what should count as income. For more information, see Ruggles (1990) and National Research Council (1995).
5. For single-adult families, it is unclear which researchers have the more stringent work threshold. A single adult working 25 or fewer hours a week for 39 weeks would be considered working by the Waldron group but not by the Acs group. In contrast, if the adult worked full-time for 26 weeks but then left the labor market, the Acs group would consider her working while the Waldron group would not.
6. Each of these concepts is related, in the sense that choosing a particular definition for one affects the implications of definitions for the others. For example, a definition of family that excludes unrelated household members (such as a mother's cohabiting boyfriend) results in fewer prospective workers in a family, potentially altering the family's categorization of "working." Excluding unrelated household members also produces a lower poverty threshold for the family (due to smaller family size) and less potential money coming into the family, altering any definition of "low" income. Cash payments from an unrelated household member to a family member could also count as income, instead of intra-family transfers that would presumably not count as income under a broader definition of family.
7. The NSAF "social family" is more inclusive than the CPS "family." The social family includes not only married partners and their children, but also unmarried partners, all their children, and members of the extended family (anyone related by blood, marriage, or adoption to the adult answering questions about children, his or her spouse or partner, or their children).
8. The NSAF data are representative when weighted. For this study, the weight given to each family is the person weight of the most knowledgeable adult (MKA), the adult selected to answer questions about a randomly selected child. The

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- MKA is typically the biological parent, and often the mother. Using the person weight of another adult in the social family produces no appreciable changes in the pattern of estimates.
9. Gross income refers throughout to the sum of all money income received in the preceding calendar year. Sources of income include money wages or salary; net income from self-employment; Social Security; Supplemental Security Income; public assistance or welfare payments; interest and dividends, income from estates or trusts, net rental income, veterans payments, unemployment insurance benefits, or worker's compensation; pensions; alimony or child support; regular contributions from persons not living in the household; and other periodic income. Amounts that are reported from the receipt of vouchers or coupons from the welfare office to pay for special expenses and food stamps are not included in the calculation of gross income.
 10. Family income refers to the sum of all money income received in the preceding calendar year by each person in the sampled family who is at least 15 years old.
 11. Note that the category of low-income encompasses all those designated as poor, and covers twice the range of income covered by the middle-income category.
 12. A family is food insecure if it reported cutting or skipping meals due to lack of money, it worried food would run out before it got money to buy more, or the food bought just didn't last and it didn't have money to get any more, at any point in the prior 12 months. A family is housing insecure when the MKA reported there was a time in the prior 12 months when he or she was unable to pay the mortgage, rent, or utility bill in full because of lack of money, not including occasional cases where the respondent forgot to pay the mortgage, rent, or utility bills, and not including late payments that were paid in full within the usual 10- to 15-day grace period. A family is uninsured if the MKA has no health insurance at the time of the survey (not defined as any period of uninsurance in the prior year, nor as any lack of insurance looking across multiple individuals). A family put off needed care if anyone in the family postponed medical care last year for lack of health insurance or money.
 13. For more detailed information on public benefits and low-income working families, see Zedlewski et al. (2005).
 14. Taxes are computed based on family composition, income, and earnings using applicable payroll and federal income tax laws for 2001. Calculation of income tax liability relies on Feenberg and Coutts (1993).
 15. According to tabulations on published data from the American Housing Survey, 7.6 percent of all residents of renter-occupied units with annual incomes under \$35,000 report paying no cash rent (AHS 2003, table 4.21).
 16. As noted earlier, the expenses reported on the NSAF are net of government assistance—that is, if a family is receiving help paying for rent, the amount reported will be the lower amount after the government subsidy. So this analysis reflects the amount families spend *after* public help is taken into account.
 17. The CEX housing measure includes the cost of utilities, furnishings, and upkeep. On average, the shelter component represents about 60 percent of total housing expenditures (authors' tabulations on CEX data reported in BLS 2004).
Although the shares are similar, the income and shelter housing expenditures reported in the CEX are lower than those reported in the NSAF. Mean income in the bottom two quintiles of families in the CEX is only \$14,739 and housing expenditures for shelter are only \$4,526 (BLS 2004).
 18. Measures of out-of-pocket health care spending exclude any contributions toward health insurance premiums.
 19. Data from the CEX indicate that the average family spent \$2,350 on health care in 2002 (BLS 2004). Families in the bottom two income quintiles (roughly equivalent to low-income families) spent a bit less, \$1,792. Health care spending in the NSAF is about half the amount reported in the CEX, in part because NSAF spending does not include insurance premiums.
 20. As with housing assistance, families that receive public subsidies for child care will report expenditures on the NSAF net of these subsidies: they will report no expenditures if the subsidy covers their expenses or lower expenditures if they have partial help (for example, a copayment). So the findings reported here are *after* families get help.
 21. Giannarelli and Barsimantov (2000) report that 40 percent of low-earning working families with children under age 12 paid for child care in 1997. Here we consider all families with children under age 17; thus, we expect to find a lower share of families paying for child care than do Giannarelli and Barsimantov (2000). Nonetheless, our findings are broadly consistent with theirs.
 22. Again, these findings are broadly consistent with Giannarelli and Barsimantov (2000), who report that low-earning families with children under age 12 spent about \$2,600 dollars or 16 percent of their earnings on child care in 1997. The findings are also consistent with information in the SIPP (Smith 2002).
Keep in mind that the child care expenses reported here are net of any subsidies received and include payments for part-time care, such as after-school programs for older children.
 23. Approximately 16 percent of families in our sample are single-parent families, 54 percent are married-couple families, and the remaining 30 percent are classified as multiple-adult families. Among low-income families, the sample is nearly equally divided: 31 percent single-parent, 37 percent married-couple, 33 percent multiple-adult.
 24. Their take-home pay would also be reduced by payroll and potentially state and local taxes.
 25. Although it likely would not be much help to high-work, low-income families, raising the minimum wage may encourage moderate- and low-work families to work more hours—if they are in the phase-in range of the EITC, their incomes may grow by even more than their wage increases.

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