



TEXAS IN BOOM: DID THE GROWTH HELP WORKING FAMILIES GET AHEAD?

Despite strong growth in indicators related to GDP, population, employment and exports in one of the state's largest boom times,¹ the overall conditions for low-income working families saw little improvement since 2004. Working families in Texas are an integral economic force for the state's economy and the overall stability of our communities. Lower wages and limited economic mobility affect working families and their ability to build a safety net for long-term financial security. To ensure continuing prosperity in the state, Texas must enhance economic policies to increase work opportunities, resources and supports for working families. Texas has a higher rate of poverty than the national average with 3.7 million or 15.8 percent living below the poverty line, compared to 13.2 percent nationally.² With 1.05 million, or 36.3 percent, of Texas working families living below 200 of the federal poverty level (FPL), Texas stands to gain by investing in reforms to help low-income workers advance into higher-skill and higher-paying jobs and to build long-term financial security.³ This report updates how Texas' working families fared during a period of economic growth and proposes policy solutions to ensure that the state invests in work force and skill development for working Texans.

By the Numbers: Texas Families, Work and Poverty

Number of Texans living below the poverty line:
3,748,995 – 15.8 percent

Number of Texas families living below the poverty line:
727,657 – 12.4 percent

Number of Texas families that are low-income (below 200 percent FPL):
2,076,000 – 33.5 percent

Number of Texas working families that are low-income:
1,048,350 – 36.3 percent

Labor participation of Texas' working poor families:
75 percent of families living in poverty have at least one or more workers in the family

Source: U.S. Census Bureau, 2008 American Community Survey 1-Year Estimates and Population Reference Bureau, analysis of 2007 American Community Survey

Economic Conditions Facing Working Families

Characteristics of Texas' Working Poor Families: 2004 - 2007

Texas families continue to face tough working conditions, consistently trailing the national average on measures related to income, poverty status and work supports for families. Between 2004 and 2007, the number of working families living below 200 percent of the FPL increased by 0.83 percent, representing nearly 60,000 additional working families into low-income status in the state. As a result, Texas' national ranking in the share of low-income working families rose from eighth in 2004 to fourth in 2007 with 36.3 percent of families being low-income (1.05 million) compared to 28 percent nationally.

During the same period, the number of working poor families – those living below 100 percent of the FPL – also increased by 0.6 percentage points, representing an increase of just over 39,000 families for a total of 353,485 working families below the poverty line.

Snapshot of Texas' Working Poor and Low-income Families 2004 - 2007

	2004	2007
Poor families with one minority parent	17% 264,621	17.6% 303,725
Low-Income families with one minority parent	50% 761,248	49.1% 847,350
Poor families that spent more than one-third of their income on housing	74% 222,932	77.2% 261,450
Low-income families that spent more than one-third of their income on housing	50% 483,302	54.7% 555,120
Poor families with at least one parent without health insurance	69% 250,745	71.6% 242,380
Low-income working families with at least one parent without health insurance	56% 626,846	58.8% 621,083

Source: Population Reference Bureau, analysis of data from Current Population Survey Annual Social and Economic Supplement, March 2006-2008 & 2003-2005; Population Reference Bureau, analysis of 2006 American Community Survey; and 2004 American Community Survey Microdata

Educational Attainment of Parents in Poor and Low-Income Texas Families 2004 - 2007

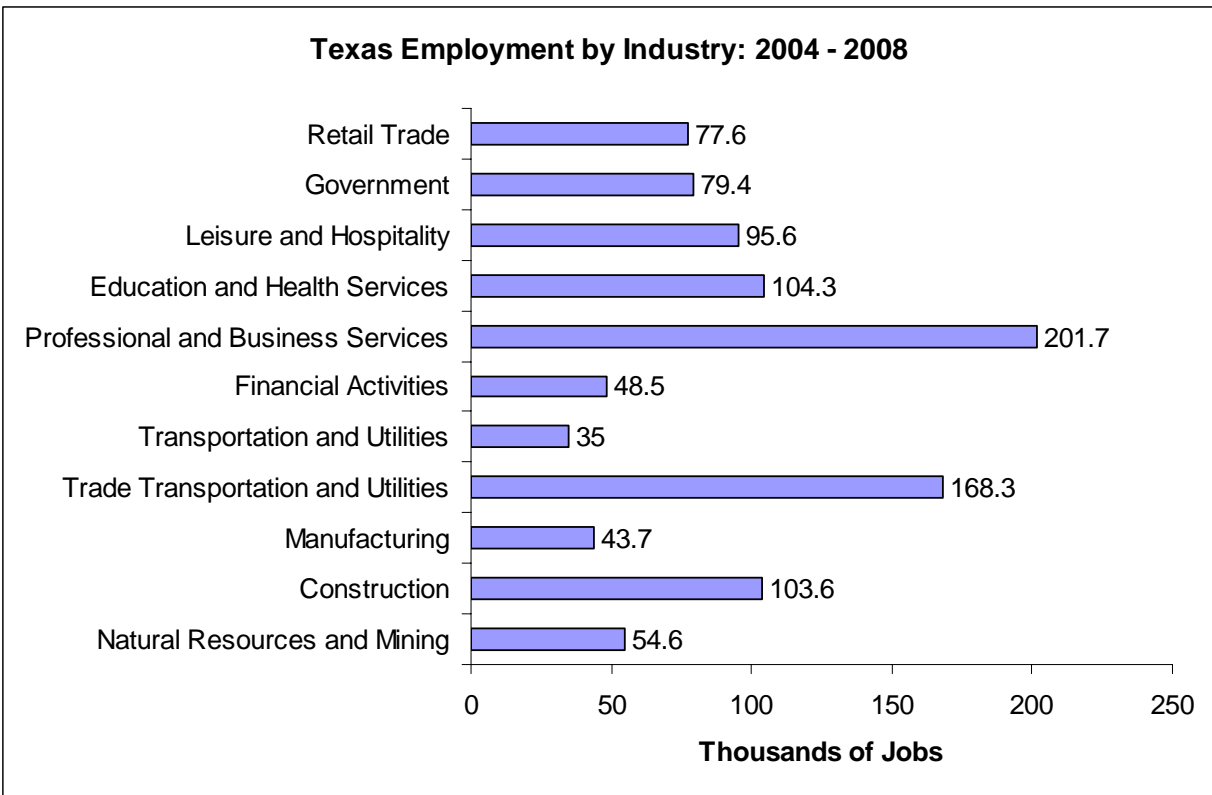
Families with one parents without a high school degree		
	Poor Families	Low-income Families
2007	54.9% ,193,920	46.6%, 488,675
2004	56%, 174,860	46%, 452,671
Families with parents with no post secondary education		
	Poor Families	Low-income Families
2007	74.3%, 262,475	65.6%, 687,395
2004	73%, 230,116	64%, 630,897

Source: Population Reference Bureau, analysis of 2007 American Community Survey and 2004 American Community Survey Microdata

Working poor families struggle to attain financial security as low wage work is on the rise, even as affordable health care and child care becomes harder to find. Low educational attainment of working poor families also can narrow opportunities for higher paying jobs and career advancement.

Financial factors for working poor families include essential costs of food, housing, medical care, clothing, child care, and transportation. In Texas, between 2.5 and 3.3 million metro-area families lack necessary income, based on the *Family Budget Estimator (FBE)*, to meet basic needs.

According to the FBE, a two-parent, two-child family earning Texas' median wage of \$13 per hour would need substantial work supports to meet their basic needs.⁴



Source: CPPP Analysis of Economic Policy Institute analysis of Current Employment Statistics survey data

Occupations and Wages

Minimum Wage: For more than a decade the U.S. minimum wage stagnated at \$5.15 an hour. As of 2007, the federal minimum wage began gradual increases over a 3- year period. The maximum of \$7.25 an hour went into effect July 24, 2009. At the time of the last increase, approximately 885,000 or 8.3 percent of the Texas workforce earned less than \$7.25.⁵

It remains to be seen if the minimum wage increase will benefit the most marginalized of the working poor. With the Bureau of Labor Statistics projecting increases in the availability of jobs in low wage occupations, a higher minimum wage alone—without additional work supports such as child care and health care coverage—will do little to bring the working poor and near-poor out of poverty.⁶

Texans Affected by Federal Minimum Wage Increase

Number of Texans earning between \$6.15 - \$7.25 directly affected	Number of Texans indirectly affected
632,000	353,000

Source: Economic Policy Institute, July 2009.
 Note: Workers considered indirectly affected are those earning between \$7.25 and \$7.95 who would see their wages rise in response to the increases for those earning less than \$7.25.

Low-Wage Occupations: Texas employment grew between 2004 and 2007 with a 9.5 percent increase or 898,000 jobs added in total nonfarm employment.⁷ The availability of low-wage jobs also jumped with gains in the Retail Trade and Leisure & Hospitality sectors, which added more than 77,000 and 95,000 jobs respectively.⁸

Projected employment growth in selected low-wage occupations, 2006-2016

Occupation	Percent Increase	Number of Jobs Added	Wage
Customer Service	30.6%	65,600	\$13.18
Retail Salespersons	23.6%	78,600	\$9.34
Waiters and Waitresses	30.8%	53,650	\$7.19
Medical Assistants	53.7%	18,700	\$12.40

Source: Bureau of Labor Statistics, 2009.

Texas employment projections for low-wage jobs indicate significant growth in occupations such as home health aides, waiters and waitresses, and retail sales.⁹ For example, jobs as home health aids - earning \$8.03 per hour or \$16,711 annually, well below Texas' median wage of \$13 per hour - are expected to increase by 42.7 percent, a total of 22,000 jobs through 2016.¹⁰ Waiters and waitresses earn \$7.19 and that occupational sector is projected to add 30.8 percent or over 53,600 additional jobs through the same time period.¹¹

As the prevalence of low wage jobs increases, Texas families need additional resources such as health care, child care, labor protections, and sick leave are needed to reduce the barriers families face in achieving financial stability. This also presents a formidable challenge in fostering economic mobility through smarter investments in adult literacy, postsecondary education, and overall skills development.

Work supports

Health Insurance: The working poor experienced a worsening of conditions and increasing inequality since 2000 regarding work benefits such as employer-based health insurance. In 2008, wage earners in the top quintile were twice as likely as workers in the lowest wage quintile to have employer based health insurance and pensions.¹²

State Family Leave Insurance Program

One potential solution for addressing needs of working poor families is through a Family Leave Insurance Program (FLI). FLI is an insurance program which allows employees to pay into a program that supports a partial wage replacement when a parent must miss work to care for a sick child, care for an immediate relative or to cover maternity leave.

A FLI program allows a parent to take time off without having to forgo a paycheck while assuming their care giving responsibilities.

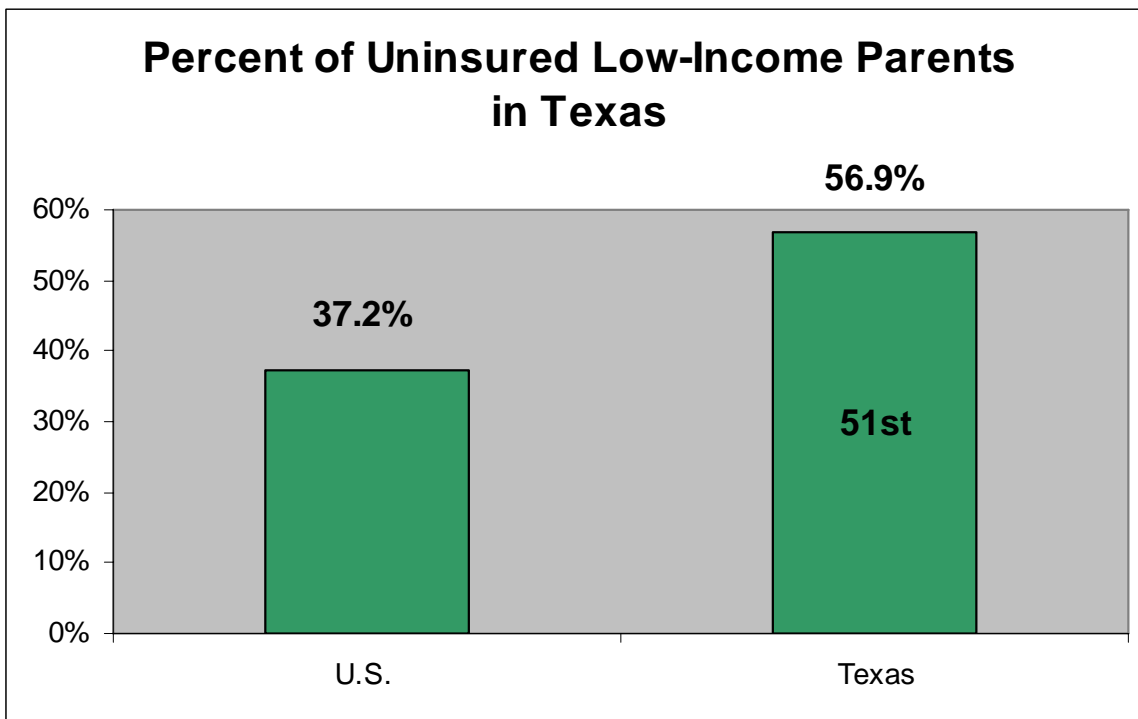
A study of the Family and Medical Leave Act found that 77.6 percent of employees who needed to take time off for family leave didn't take it stating they could not afford to take time off. Of those who did take leave without pay, 58.2 percent indicated that they found it somewhat or very difficult "to make ends meet" while they were on leave.

Source: Karen White and Eileen Appelbaum, *Working Poor Families Project, Spring 2009, Policy Brief, "Economics and Politics of Work-Family Policy: The Case for a State Family Leave Insurance Program;* and Department of Labor, *Monthly Labor Review, September 2001, Family and Medical Leave: Evidence from the 2000 Surveys, September 2001.*

Since 2000, this imbalance has widened even more, as low-wage workers continue to employer-sponsored insurance at a faster rate.

Texas leads all other states in the percentages of both low-income and poor working families with at least one parent without health insurance. Approximately 58.8 percent of low-income working families and 71.6 percent of poor working families have at least one parent without health insurance. Just under half of all Texas employers offer health insurance to workers, while 55.8 percent of employers offer health insurance across the country.

With health care costs rising during an economic downturn, providing health care subsidies for low-income working families is essential. Chronic illness alone can impair the financial stability of a family or individual. Providing low-wage workers with health insurance through



*Source: CPPP Analysis,
CFED Asset & Opportunity Scorecard Data, 2009-2010*

their employer would protect the working poor from financial losses that come from the high costs of medical care. National health reform proposals in Congress will help shore up access to employer-sponsored insurance for the working poor by making generous tax credits available to small businesses that provide coverage and have low- and moderate-income employees.

Low skilled workers, who are more likely to be hit hardest from an economic downturn with a rise in unemployment due to layoffs and job cuts, also need access to portable, subsidized insurance not tied to a job. National health reform proposals create a Health Insurance Exchange where people without access to employer-sponsored insurance can buy comprehensive coverage on a sliding scale.

Paid Sick Leave: Across the country and in Texas, working poor families struggle to balance work and family, especially when a child falls ill.

The increasing transition of two-married-parent households to single-parent headed households has put new pressures on families and policymakers to determine the best way to address the needs of families with fewer supports. Women's increased labor force participation also presents new challenges for families to meet their child care responsibilities. Paid sick leave and child care policies can address the needs of families struggling to fill the void of a care giver in the home.

Texas workers have no guarantee of work protection if they miss work to care for a child or if they become ill. Texas law does not require employers to provide vacation, sick and/or parental leave. Should an employer provide leave, either paid or unpaid, the Texas Payday Law enforces the written policies of the company.¹³

Child Care: Finding affordable child care is also a barrier for low-income workers who must balance work and child care responsibilities. In Texas, low-income families struggle to find subsidized child care with 219,028 receiving at least one day of subsidized child care in 2008, while 33,312 children were on the waiting list.¹⁴ The average number of children receiving subsidized care was much lower, 115,319 during fiscal 2008.¹⁵ Texas' low-income families also have less access to early childhood education, with only 13.9 percent coverage for Texas Head Start Programs.

Education and Skills Training

Did the Texas Workforce Make Educational Gains?

Today's workforce has not kept pace with the changing demands of industries for higher skilled jobs. Since 2004, working poor families in Texas made no large advances in education and skills development. Overall, Texans enter the workforce with fewer skills and lower levels of education compared to the national average. With the exception of the percent of adults with some post-secondary education, Texas ranks sub-par in educational attainment. Fewer adults aged 18-64 in Texas graduate from high school (ranked 50th) or obtain associates degrees or higher (ranked 39th) compared to the national average.

Percent of Texas adults 18-64 without a high school degree/GED	
2004	2007
19.9%	19.1%
50 th	50 th

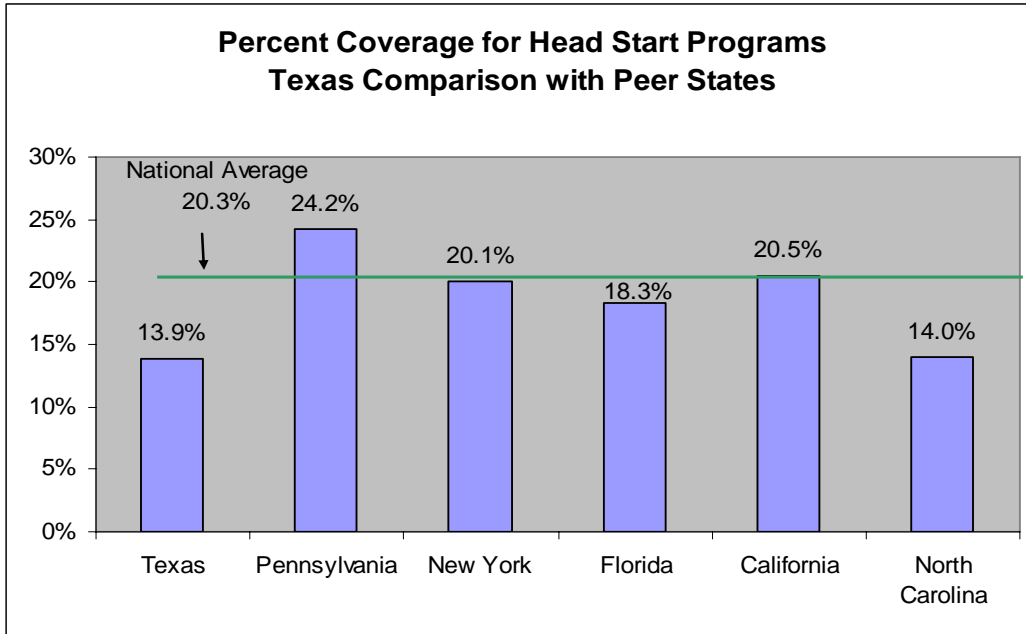
Texas has the largest share – one in five working-age adults – without a high school degree. Racial disparities also exist in college attainment levels with whites completing college at a rate of 36.4 percent compared to 17.1 percent for minorities. Furthermore, Texas ranks 2nd in the highest percentage of adults who speak English less than very well at 16.3 percent compared to the national average of 9.8 percent.

To prepare the Texas workforce for jobs for the future, the state must invest meaningful education and training opportunities for adults with a focus on developing skills in high-demand industries. With Texas employers experiencing a shortage of qualified workers and working families struggling to get by on low-wage jobs, the state must promote strong workforce development programs to connect workers with family-supporting careers.

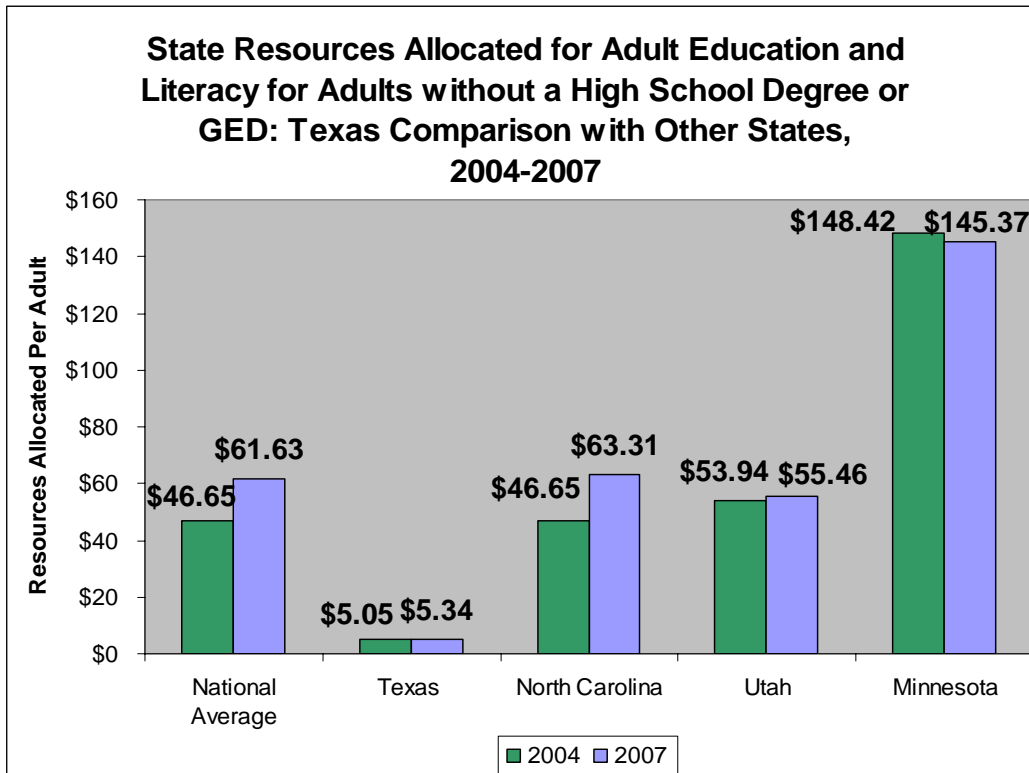
With Texas ranked 50th in allocation of funding for adult education and literacy, Texans with lower levels of education did not see improvement between 2004 and 2007. Texas allocated 5.7 percent more per adult for education and literacy training compared to a 32.1 percent increase nationally. During the same period, Texas' literacy rate of 51 percent--Texans having literacy levels that are below basic and basic--remained unchanged despite a slight overall increase in adult education funding.¹⁶

Changes in Texas Adult Education and Training Enrollment, 2004 – 2007/2008				
	2004		2007/2008	
	Percent	Rank	Percent	Rank
Adults enrolled in post secondary education	28%	43 rd	30%	42 nd
First-year community college students returning for their second year	45%	47 th	50%	32 nd
TANF participants enrolled in education/training programs	3.69%	31 st	4.2%	42 nd

Source: National Center for Public Policy and Higher Education, Measuring Up 2008; Department of Health and Human Services, 2004 and 2006.



*Source: CPPP Analysis,
CFED Asset & Opportunity Scorecard Data, 2009-2010*



*Source: CPPP Analysis, U.S. Department of Education, 2005 for dollars, and
American Community Survey, 2006 for adults without HS/GED from PRB*

Sizing Up Economic Opportunity in Texas: Are There Enough Pathways to Financial Stability?

Household savings and assets play large roles in families' outcomes in terms of children's academic achievement, breaking intergenerational poverty and creating long-term supports for working families to afford college, purchase a home, weather an economic crisis and to build a nest egg for retirement.¹⁷

Texas' working poor families are at a disadvantage as the state has failed to make asset building products and opportunities available to all income groups. One in three Texas households is asset poor, while 14 percent of Texans live in extreme asset poverty.¹⁸ Although Texas has shown improvements in its bankruptcy rate, net worth by race or income and affordability of homes, the state still lags the remainder of the country in the number of low-wage jobs, homeownership rate, educational attainment and health insurance coverage.¹⁹

Key Indicators

Texas families experience greater barriers to advancement as fewer resources are available in the state. In Texas, 33.1 percent of Texans are unbanked, compared to the national average of 26.8 percent.²⁰ California, a big state with similar demographics, has a lower rate than the national average at 25.8 percent.²¹

In the workplace, Texans are less likely to participate in their retirement plans with only 41 percent enrollment, ranking Texas third-worst in the country. Texas has a low homeownership rate of 66.9 percent with disparities in the homeownership rate by income at 90.4 percent for those in the top quintile, while those in the lowest quintile have a rate of 33.4 percent. Although Texans have a lower

Jobs and Education for Texans Program (JET)

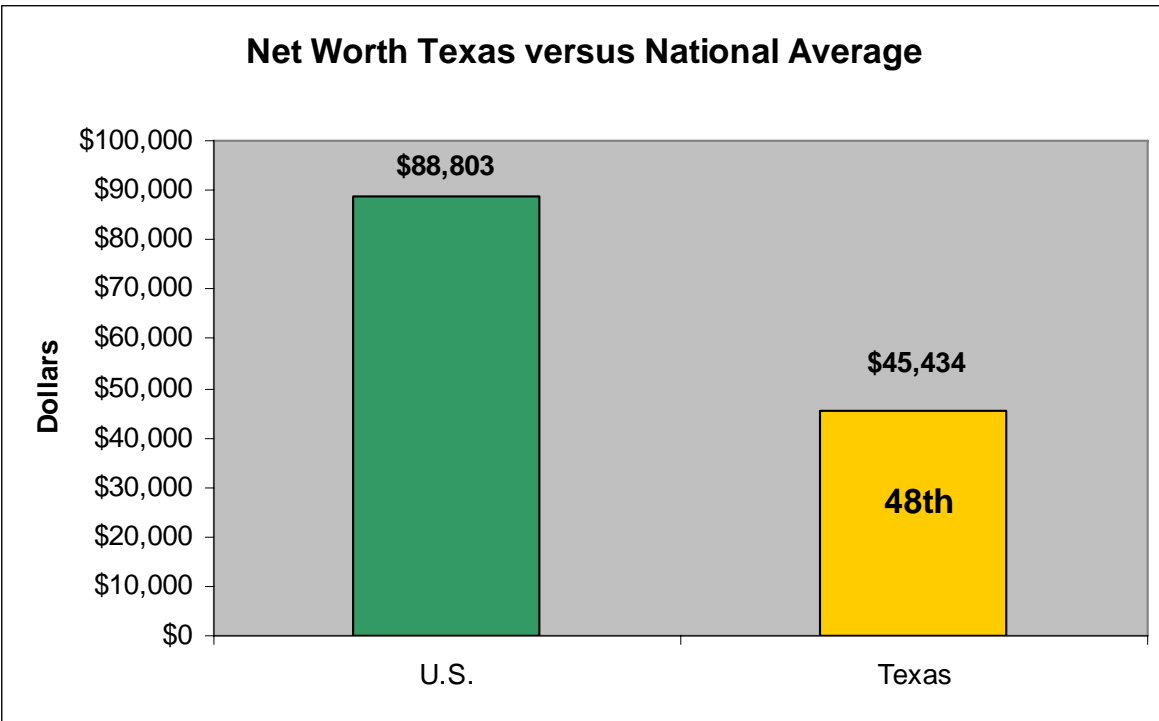
The JET program provides additional support for postsecondary work force preparation and training. The program, created by the 2009 Texas Legislature, provides funds to develop training programs for Texans with the goal of ensuring a skilled work force.

The Texas Comptroller will administer \$25 million in funds over the next two years through the through the Every Chance Funds. The following programs will provide community colleges, technical colleges and nonprofit programs with funds for occupational and special skills training:

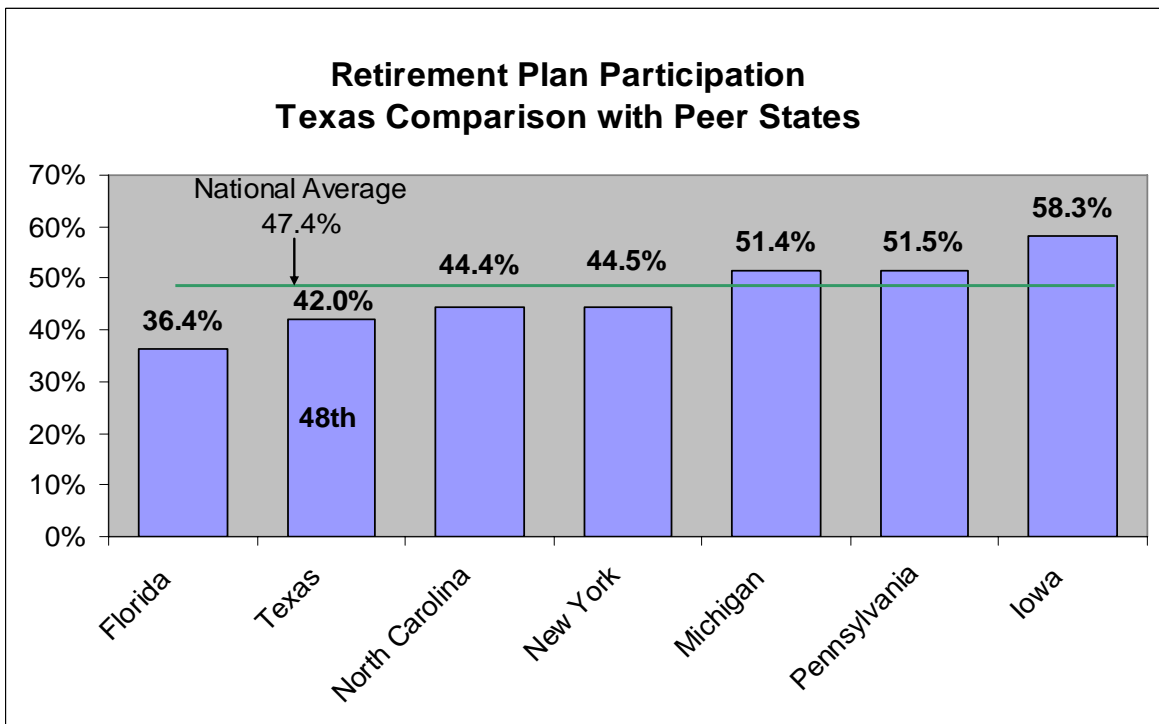
- **The Launchpad Fund:** \$5 million for nonprofit programs to prepare workers in high-demand technical fields.
- **The Job Building Fund:** \$10 million in startup funds for community colleges and technical schools to create training programs in high-demand careers.
- **The Career and Technical Scholarship Fund:** \$5 million for tuition grants for eligible students enrolled in training programs for high-demand occupations.

Source: Texas Comptroller of Public Accounts

foreclosure rate of 1.43 percent in 2008, the recession arrived late causing concern that foreclosures could rise in the state. Indicators that foreclosures could be on the rise in Texas include the high rate of mortgage debt as a percent of home value – 94.7 percent in Texas compared to the national average of 76.9 percent.



*Source: CPPP Analysis,
CFED Asset & Opportunity Scorecard Data, 2009-2010*



*Source: CPPP Analysis,
CFED Asset & Opportunity Scorecard Data, 2009-2010*

Texas should advance asset-building policies and products for low-income working families to provide a better foundation to prepare for the next generation of workers and ensure that Texans can compete in emerging industries and fields. Products that promote financial stability include Children's Savings Account, matched education savings accounts; and Individual Development Accounts (IDAs) to build savings for a home, higher education or other major asset purchase.

Conclusion

Despite the boom in Texas' economy between 2004 and 2007, Texas' working poor families experienced limited gains. More families fell into low-income and poverty status and continued to struggle with fewer resources including health care, access to affordable child care and education and training compared to the rest of the nation.

Texas can improve conditions for working poor families by investing in additional work supports, increasing access to education and training, and growing the base of asset building products to help families achieve greater financial stability.

Asset-Building Products

Individual Development Accounts (IDA)

IDAs are matched savings accounts that low- and moderate-income Texans can open to save for retirement, buying a home or financing a child's education. Each account provides a match for each dollar invested. Funding for IDAs comes from state, local and private sources. Texas has approximately 1,360 active IDAs, with over \$987,000 in savings. Cumulatively, Texas IDA participants have saved \$4.9 million, with approximately \$8.3 million in matched funds. A total of \$12.2 million has been applied to asset purchases.

Source: RAISE Texas

CPPP Intern Leslie Helmcamp contributed to this report.

¹ CPPP, "State of Working Texas 2008." Web. <http://www.cppp.org/files/2/SoWT2008.pdf>, 8 December 2009.

² U.S. Census Bureau, American Community Survey, 2008.

³ Ibid.

⁴ Center for Public Policy Priorities, "The Family Budget Estimator: What It Really Takes to Get By in Texas," 2007. Web. http://www.cppp.org/fbe/cppp_fbe_report.pdf, 8 December 2009.

⁵ Economic Policy Institute, July 2009. Web. http://epi.3cdn.net/9f5a60ccc02393cbe4_a4m6b5r1v.pdf, 17 November 2009

⁶ Bernstein, Jared, "The Low-Wage Labor Market: Trends and Policy Implications," Work-Family Challenges for Low-Income Parents and Their Children, editors, Crouter, Ann C. and Booth, Alan, 12.

⁷ Economic Policy Institute analysis of Current Employment Statistics survey data.

⁸ Ibid.

⁹ CPPP analysis, Bureau of Labor Statistics, 2009.

¹⁰ BLS, 2009, Web. <http://www.tracer2.com/cgi/dataanalysis/oesWageReport.asp?menuchoice=OESWAGE>, 17 November 2009.

¹¹ Ibid.

¹² Elise Gould, "Employer-Sponsored Health Insurance Erosion Continues," Economic Policy Institute, October 27, 2009, Web. http://epi.3cdn.net/6356d48ae59f625af6_xxm6bnyn2.pdf, 17 November 2009.

¹³ Texas Workforce Commission and Texas Labor Code, Section 61.001(7)(B).

¹⁴ Texas Workforce Commission, SFY 2008 non-cumulative waiting list counts.

¹⁵ Texas Workforce Commission, "Evaluation of Effectiveness of Subsidized Child Care: Report to the 81st Legislature." January 15, 2009. Web. http://www.twc.state.tx.us/svcs/childcare/cceffectivenessrpt_81leg.pdf, 24 November 2009.

¹⁶ National Institute of Literacy, 1993.

¹⁷ Namy, Y & Huang, J. "Changing Roles of Parental Educational Resources in Children's Educational Attainment," Center for Social Development, Washington University, St. Louis, 2008. Web. <http://csd.wustl.edu/Publications/Documents/WP08-20.pdf>, 12 November 2009.

¹⁸ U.S. Census Bureau, 2000.

¹⁹ CFED 2009-2010 Assets & Opportunity Scorecard, September 2009. Web. http://scorecard.cfed.org/state_data/texas.php, 20 October 2009.

²⁰ Ibid.

²¹ Ibid.