A study of the forgotten Texans who work hard yet remain in poverty
Working But Poor

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Executive Summary

Two popular myths endure about Texas's poor. One is that most poor people don't work and don't want to work. The second is that work will raise families out of poverty. As this report shows, these myths do not correspond with reality. Texas' changing economy presents a difficult challenge for many working families. Despite the presence of one or more working adults in their households, two million Texans live in poverty. Wages, not welfare, account for the bulk of income received by the vast majority of Texas' poor families.

Working, But Poor, in Texas examines who these working families are. The report outlines economic and policy changes contributing to the prevalence of poverty among working families. Finally, Working, But Poor presents a policy agenda that will ensure that work provides not only a job or a way off welfare, but also the means to support a family and secure a decent standard of living.

A Majority of Poor Families Work

One out of six Texans live below the poverty line. In the mid-1990's, 16.9 percent of all Texans lived in poverty. Children were even more likely to live in poverty; 24.2 percent of Texas' children were poor in the mid-1990's. Both these rates are significantly above the national averages: the overall national poverty rate during that time period was 13.6 percent; the child poverty rate was 20.4 percent.

The vast majority of all poor families in Texas include at least one adult who worked. More than 80 percent of poor families with children and 57.6 percent of poor families and individuals without children had one or more adults who worked at some point in the year. Almost one million children live in working poor families, along with nearly 700,000 parents. Another 250,000 individuals live in working poor families without children.

Two out of five working poor parents work full-time. Many of the working poor labor long hours, yet live in poverty. More than 37 percent of adults in poor families with children held a full-time job. In many families, both parents worked. But due to low wages, these families lived in poverty. Among families and individuals without children who were not disabled or retired, 57.6 percent had one or more persons who worked. Parents in working poor families with children worked an average of more than 44 weeks, or more than ten months, out of the year in the mid-1990s. Workers without children were employed 32.5 weeks, or nearly eight months, in each year in the mid-1990s.
Poor families get most of their income from work, not from welfare. More than 70 percent of poor families with children get a majority of their income from wages. Only 11.1 percent of poor families with children relied on welfare for a majority of their income. Nearly three-quarters — 71.3 percent — of poor families with children who received welfare benefits in a given year also had a parent who worked at least part of the year.

The Faces of the Working Poor

More than half of working poor families with children are headed by a married couple. Two-parent households account for 52.4 percent of working poor families with children; just 40 percent of working poor families with children are headed by a female.

Three out of five working poor families with children are Hispanic. More than 60 percent of working poor families with children are Hispanic. In contrast, Hispanics make up 31.8 percent of all the state’s working families. Black families account for 16.7 percent of working poor families with children, but only 12 percent of all working families.

The majority of working poor families with children are headed by someone who has not graduated from high school. More than half of all adults in working poor families with children lack a high school diploma or GED. In an economy increasingly dominated by wage growth in jobs demanding high skills and higher education, adults who have not graduated from high school are at a considerable disadvantage in supporting their families.

Most working poor families with children are headed by adults in their prime working years; a relatively small proportion of working poor families with children are headed by a young adult. Seven out of ten working poor families with children — 69 percent — are headed by someone aged 25 to 44.

The largest number of working parents with low hourly earnings are employed in the service sector of Texas’ economy. The largest share of working parents with low hourly earnings — 42.5 percent — are employed in the service sector. Low-earning parents are also heavily represented in retail trade jobs (24.8 percent). These two sectors, which offer the lowest average weekly pay of any sectors, are also among the fastest growing sectors in the state economy.

Most working poor parents lack health insurance coverage. Three-fifths of parents in Texas working poor families had no health insurance in the mid-1990s — among the highest in the nation. The percentage of children in Texas working poor
families lacking health insurance is lower (37 percent) because of the availability of Medicaid, but is also among the highest rates nationwide.

Nearly 650,000 Texas families with children have incomes just above the poverty line. More than 70 percent of these families with incomes between 100 and 200 percent of the federal poverty threshold have a full-time, year-round worker. Another 517,000 non-elderly families and individuals without children live near poverty. Nearly all of these families include someone who worked in the prior year; 58.3 percent include a full-time, year-round worker.

How is Texas Different From Other States?

Texas has a much higher percentage of poor working families with children. In the mid-1990s, 15.6 percent of Texas working families with children lived below the poverty line — one-third higher than the national rate of 11.5 percent.

More poor Texas families have a full-time, year-round worker than similar families in other states. These workers put in more hours per week than the national average. In Texas, full-time workers were found in 37.1 percent of poor families with children, more than one-and-one-half times the national average of 25.8 percent. The parents of working poor families with children in Texas worked an average combined total of 44.3 weeks a year, almost a month more per year than the national average for working poor parents.

The high percentage of household heads who have low hourly earnings may explain Texas’ high proportion of working poor families. Nearly three in ten Texas working parents have low hourly earnings, compared to a U.S. rate of 21.1 percent. Texas’ rate of low earnings among working parents has consistently been greater than the national average and is increasing faster than the national average.

Texas’ poor families are more likely to rely on earnings for a majority of their income, and less likely to rely on welfare, than similar families in the nation. More than in almost any other state, Texas’ poor families get a majority of their income through work. Earnings represent at least half of total family income for almost three quarters of poor families with children in Texas, a rate one-quarter higher than the national average. Only 11.1 percent of poor Texas families with children relied on welfare for most of their income, less than half the national average. Poor families with children in Texas are more likely to have a working parent than similar families in most other states.

Texas working poor families are more likely to be headed by someone with less than a high school education. Fewer than two out of five working poor families with children nationally were headed by someone with less than a high
school education. In contrast, more than half of family heads of Texas working families with children had less than a high school education.

In Texas, working poor families with children are more likely to be headed by a married couple and less likely to be headed by a single woman. More than half of working poor families with children in Texas are headed by a married couple, a rate one-fifth higher than the national average. Just 40 percent of Texas working families with children are headed by a single female. The national average is 48.6 percent.

Working poor families in Texas are much less likely to be covered by health insurance than similar families in other states. The proportion of children in Texas working poor families who had no health insurance is one-third higher than in the average state. More than one in three Texas children in working poor families lack health insurance, and nearly two-thirds of parents in Texas working poor families had no health insurance.

Texas workers are much less likely than workers in other states to receive unemployment insurance benefits. The percentage of unemployed Texas workers who received unemployment insurance benefits was two-thirds of the percentage of unemployed workers nationally who received benefits.

Factors Contributing to the Persistence of Poverty Despite Work

One out of five Texan parents working full-time had earnings that were too low to lift a family of four out of poverty. Nearly 3 million parents in families with children worked full-time, year-round in the mid-1990s. Nearly one-fifth of these working parents — 17.8 percent — had low earnings as defined by the Census Bureau, meaning they were unable to lift a family of four out of poverty despite full-time work.

Most low-earning Texan parents work in low-pay retail trade or services. Forty-two percent of working parents work in the services sector, which has an average weekly pay of $513. Another 24.8 percent work in retail trade, which pays an average of $295 per week.

Job seekers outstrip available jobs. While Texas will add a projected 220,000 jobs in 1999, more than 500,000 Texas remain officially unemployed, and many more are not officially in the labor force, but want to work. In addition, 195,000 working parents in poor families with children worked less than they would have liked because they were unable to find sufficient work. More than two of five working poor parents fell into this category.
Most jobs expected to be added to the Texas economy will offer below-average pay. Job growth is expected to be greatest in business and health services and restaurants, among the lowest paying sectors of the Texas economy.

A Job Alone Isn’t Enough

Working, But Poor, in Texas sets forth strategies to reduce poverty among the working poor that have been tested in other states and which could be implemented in Texas. Proposed legislative changes include:

Encourage education to boost earnings. Higher-paying, faster-growing occupations generally demand higher levels of skill and education than are held by many working poor Texans. Improving the education of the working poor and their children can help boost long-term earnings and break the cycle of poverty.

Increase the accessibility and availability of affordable child care. Working poor families are often unable to find affordable child care. Child care is particularly important for single-parent households. Efforts to expand the availability of subsidized care and make it more accessible to working poor families can help ensure that child care is not an impediment to earning a living wage.

Promote access to health care. Lack of access to health insurance is prevalent among poor working Texas families. Systemic reform is needed to assure that all Texans receive the health care they need to be effective students or productive workers.

Make the unemployment insurance system work for the working poor. When many of the working poor lose their jobs, they are ineligible for unemployment benefits because of low incomes and sporadic work history. Revising the formula used to determine eligibility can make the unemployment insurance system work for the working poor.

Reduce the regressivity of the state and local tax system. The Texas state and local tax system is among the most regressive in the nation — families with lower incomes pay a higher percentage of their income in taxes than do families with higher incomes. The sales tax could be improved by exempting items that take a relatively large share of a lower-income family’s money — such as over-the-counter medicine—and taxing services used primarily by higher-income families — such as accounting services. A “circuit-breaker” program that capped the percentage of a family’s income paying for property taxes would also improve the fairness of Texas’ tax system.

Bring the state minimum wage in line with the federal minimum wage. Texas workers in agriculture and domestic service are not covered by the recently
increased federal minimum wage of $5.15 per hour. They are instead subject to the state minimum wage, which is only $3.35 per hour — the equivalent of $6,700 per year for full-time, year-round work. Increasing the state minimum wage to the federal level would help allow a full-time worker to lift a family of two out of poverty.

**Promote Food Stamps as a supplement to work.** Many of the working poor qualify for Food Stamps that stretch limited incomes and help ensure adequate nutrition. Participation in the food stamp program is low among working families, many of whom are unaware that those who work can often qualify for assistance.
Two popular myths endure about Texas’ poor. One is that most poor people do not work or want to work. The second is that work will raise a family out of poverty. As this report shows, these myths do not correspond with reality. Texas’ changing economy presents a difficult challenge for working families. Over 2 million Texans live in poverty despite the presence of one or more working adults in their household (1.65 million in families with children, 333,000 in families and individuals without children). Wages, not welfare, account for the bulk of income received by the vast majority of Texas’ poor families.

Working, But Poor, in Texas examines the faces of Texas’ working poor; who they are, how they live, and what can be done to ensure that work provides a decent standard of living for Texas families. The persistence of poverty among families who work hard and play by the rules presents a challenge to Texas policymakers. Traditional approaches to reducing poverty have focused on those who do not work, yet most of Texas’ poor families already include a working adult. Despite widespread public support for the idea that work should provide a minimally adequate standard of living, the number of working families who live in poverty continues to grow.

Poverty among working families is generated by a convergence of economic and policy trends. Structural changes in the economy, led by the shift from manufacturing to lower-paying service industries, combined with weakness in minimum wage coverage and the erosion of employment-linked benefits have contributed to the growth in the number of Texas’ working poor.

Despite the wealth and vitality of the state’s economy, one out of six (16.9 percent) Texans lived in poverty in the mid-1990’s, compared to a national average of 13.6 percent. Texas’ rate of child poverty is even more troubling. Nearly one out of four (24.2 percent) of Texas children under the age of 18 lived below the poverty line in the mid-1990s, significantly more than the national average of 20.4 percent.

Living in poverty exacts a heavy toll on children. Poor children are more likely to have low birth weight as infants, a key risk factor in infant mortality. Their poverty is also linked to learning disabilities and poor math and reading achievement. For low-income children, a $10,000 increase in family income between birth and age 5 has been associated with nearly a full-year increase in completed schooling. Poor children also suffer more frequently than other children from emotional and

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1 This report defines working poor families as households with at least one adult between the ages of 25 and 64, a family income below the federal poverty level, and either the head of household or spouse working at least 520 hours over the course of a year. This is equivalent to about 15 weeks of full-time work in one year, 26 weeks of half-time (20 hours per week) work, or 52 weeks of 10 hours of work per week. Two-parent families in which both adults are ill or disabled and single-parent families where the head of household is ill or disabled were excluded from this analysis.

2 Throughout this report, the terms “poor” and “poverty” refer to individuals and families whose income is below the federal poverty threshold.
behavioral problems, including aggression and fighting, as well as withdrawal and depression.³

Welfare reform brings new urgency to the issue of poverty among working families. There is a current consensus that those who are capable of work should be compelled to work to support themselves and their families. Federal and state legislation has transformed the nation’s welfare system, eliminating the entitlement to benefits and prohibiting assistance for most families who do not obtain work after a limited period of aid. Work is widely seen as the answer to welfare. However, it is less certain that work is the answer to poverty. For many Texans, even full-time work cannot stave off a life of poverty. The prevalence of work participation among families living in poverty suggests that employment alone is not enough. In previous generations, economic growth could be relied upon to “lift all boats” — to improve the well-being of those at the bottom, as well as those at the top. This is no longer the case. Family income of those at the bottom of the income spectrum has stagnated for years. While the number of people living in extreme poverty (below half of the poverty level) has increased, the income of those at the top has grown dramatically. Improving family incomes and reducing poverty among working families now requires a policy agenda that will ensure that work provides not just a job or a way off welfare, but also the means with which to support a family and achieve a decent standard of living.

Data Used for this Report

This report uses data from the Current Population Survey (CPS), a monthly demographic and economic survey of households conducted by the U.S. Bureau of the Census. Each March the CPS includes questions on income and employment in the previous calendar year. This report is based on the averages of March CPS data covering the calendar years 1995 through 1997, the three most recent years for which CPS data are available. Combining data for three years provides a larger sample, offering more reliable findings.

The sample used in this report includes households with at least one adult in his or her prime working years — ages 25 to 64. The definition of family used in this report includes the head of house; a spouse, if present; other adults residing in the household; and any children in the household. This analysis excludes non-working families if both parents in a two-parent family or a single parent cites illness or disability as a reason for not working during the prior year.

Poor families are defined as those whose total income from all sources falls below the federal poverty threshold. (The CPS definition of income does not include the value of in-kind benefits, any food stamps or other non-cash assistance a family may receive.

It also ignores the effect of taxes, such as payroll taxes or the Earned Income Tax Credit, on family incomes. The poverty line varies by family size and is adjusted annually for inflation. In this report, each family's income in a given year is compared to the poverty threshold for that year for a family of that size. The poverty threshold for 1998 was $13,650 for a family of three and $16,450 for a family of four.

Official Definition of Poverty Undercounts the Number of Working Poor Families

This report uses the federally determined poverty threshold as a measure of poverty because it is the most commonly accepted definition of poverty status. The federal poverty line was first published in 1966; the basic formula for setting the poverty threshold has not been revised since then. Many analysts believe the methodology is outdated and should be revised.

One of the most commonly cited limitations in the poverty definition is that it does not reflect major changes in living patterns among low-income families over the past 30 years. For instance, the poverty standard was established when relatively few women with young children worked, so the cost of obtaining child care was not included among a family's basic needs. For poor working families with children, the cost of child care can present a significant burden. In the Dallas area, for example, full-time care for a preschooler in a licensed day care center can cost $4,525 per year⁴ — equivalent to 35 percent of the poverty level for a family of three. Other work-related expenses, such as transportation and clothing, add to the financial challenges for the working poor.

The federal poverty line is based on the standard for a two-parent family and does not reflect the additional burdens borne by single parents. Poverty measurements do not distinguish between families in which parents either pay or receive child support. Nor do they reflect the number of children or potential workers present in a household. A single mother with two children in need of child care would have less discretionary income than a two-parent family with one child, but the poverty line would be the same for both families. Another weakness of the federal standard is its failure to adjust for the rising cost of health care. This is particularly significant because of the large number of working poor without health insurance.

What Might a Better Measure of Poverty Show?

The National Academy of Sciences has recently recommended a new approach for determining poverty that would reflect the actual costs of shelter, food, and clothing.

including regional variations in the cost of housing. The measure would include the value of non-cash government benefits, as well as all cash income. Mandatory expenses that reduce available income would be deducted, including taxes, work expenses such as child care, out-of-pocket payments for medical care, and child support payments to other households. When all these adjustments are taken into account, the number of people considered to be poor would likely increase. Because child care and other work expenses would be deducted from countable family income, implementing the academy's recommendations would show more poverty among working families.

Another approach is to determine how much money a family of a given size and composition needs to be self-sufficient — to pay for their basic needs without public or private assistance in the form of cash or cash-like benefits. The Self-Sufficiency Standard, developed by Wider Opportunities for Women, defines what income would be high enough to meet basic needs (including paying taxes) in the regular marketplace without public subsidies (such as public housing, food stamps, Medicare, or child care) or private or informal subsidies (such as free baby-sitting by a relative or friend, food provided by churches or local food banks, or housing shared with relatives or friends). The standard is intended to reflect the changing needs of families resulting from the growth of single-parent families and the increased participation of mothers in the labor force. It also allows for changes in net income resulting from changes in tax policy, including credits available to families.

According to the Standard, the amount of income needed to be self-sufficient is considerably higher than the amount necessary to get out of poverty, as defined by the current poverty thresholds. The official poverty line is less than half of the amount needed for a family of one adult, one infant, and one preschool-age child to pay for all their needs without assistance, according to this calculation.

However, until a better measurement is widely accepted, policymakers and analysts must rely on the current statistics in spite of their shortcomings. It must be remembered that the impact of poverty, particularly on single-parent households and households with children, is likely to be even more severe than suggested by the analysis offered in this report.

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CHAPTER 1: 
The Majority of Texas’ Poor Families are Working Families

Many people believe that the poor live in poverty because they choose not to work or not to work full-time. Others believe that only those who rely on public assistance live in poverty and that work, in and of itself, insures a decent standard of living. In reality, the majority of poor families include at least one working adult. Many poor families rely exclusively on earnings from work and struggle to get by on low wages or part-time work. For these families, work provides inadequate wages or insufficient hours to lift a family out of poverty.

This report defines working families as households with one or more adults who worked at least 520 hours during the previous year — the equivalent of a half-time job for at least half the year. This definition was chosen in order to focus on those families with significant connection to the workforce. A person who works at least 35 hours per week for at least 50 weeks per year is considered to be working full-time. Only households with at least one adult between the ages of 25 and 64 are used in the analyses presented in this report.

Poverty is widespread in Texas, particularly among children.

- One out of six Texans lives below the poverty line. In the mid-1990s, 16.9 percent of all Texans lived in poverty. Almost 3.25 million of the 19.2 millionTexans had incomes below the federal poverty line.

- Children are even more likely to live in poverty; 24.2 percent of Texas’ children were poor in the mid-1990s. More than 1.35 million Texas children lived in poor families in the mid-1990s.
Many working families are poor.

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<tr>
<th>Families with Children</th>
<th>Single Parent Families with Children Under Age 6</th>
<th>Families without Children</th>
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<tr>
<td>15.6%</td>
<td>40.6%</td>
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A significant number of Texas families with a worker are still poor. In the mid-1990s, 15.6 percent of families with children who had at least one parent who worked during the year still lived below the poverty line.

- Work did not rescue many single-parent families with a child under the age of 6 from poverty. Over 40 percent of these families in Texas are poor, despite the presence of a working parent.
- Even among childless, non-elderly families with a worker, 8.7 percent were still poor.

Most poor families work.

- There were 523,000 poor families with children in Texas in which the parents were able to work (not ill, disabled, or retired) in the mid 1990s. Of these families, 423,000 — or 80.9 percent — had one or more parents who worked during the year. These working poor families contain 1.65 million individuals, including more than 950,000 children.

- Another 267,000 working poor families without children in Texas live in poverty.
The working poor work hard, but remain poor.

Texas parents in working poor families with children worked on average a combined total of 44.3 weeks, or more than ten months, out of the year in the mid-1990s.

- Nearly two of five parents in poor families with children worked full-time year-round. Nearly 200,000 poor Texas families with children had a full-time year-round worker in the mid 1990s — 37.1 percent of all poor families with children with an able-bodied parent.

Poor families receive most of their income from work, not from welfare.

- Almost three-quarters of poor Texas families with children rely on earnings for a majority of their income. Only 11.1 percent of poor Texas families with children rely on welfare for a majority of their income.

Many families cannot easily be categorized as either the working or non-working poor. Most poor families that receive public assistance have recent work experience. This group includes families who use public assistance as a temporary safety net when a job is lost due to a layoff, disruption in child care, family illness, or other crisis. Many of these families receive public assistance for relatively short periods.
Seven out of ten Texas families with children who received welfare benefits in a given year also had a parent who worked at least part of the year. This includes welfare families in which a parent subsequently found a job, families who received welfare after losing a job, and families who worked throughout the year but had such low earnings that they remained eligible for assistance.
**Who Are the Working Poor in Texas?**

Most poor children live in working families.

- 70.6% of poor children live in a family with one or more working parents.

- Children stand out as the poorest of Texas’ residents, with one-fourth living in poverty.

- Seven out of ten of children living in poverty live in working poor families — nearly one million Texas children.

- Most of Texas’ poor families with children rely on wages and salaries as their primary source of income.

Most working poor families are headed by a married couple.

- More than half of working poor families with children in Texas are headed by a married couple; nationally only 44 percent of similar families are headed by a married couple. Even the presence of two potential workers does not guarantee an escape from poverty.
poverty, particularly in Texas.

- About 40 percent of working poor families with children in Texas are headed by a woman, compared to a national average of 48.6 percent.

Working poor families in Texas are disproportionately Hispanic.

![Bar chart showing working poor families in Texas by ethnicity.](chart)

- More than 60 percent of working poor families with children in Texas are Hispanic, although Hispanics account for only 31.8 percent of the state's working families.

- Anglo (non-Hispanic white) families account for 20.6 percent of working poor families with children, while another 16.7 percent are non-Hispanic black families. Anglos make up about 53.4 percent of all Texans and non-Hispanic blacks account for 11.8 percent. (The remaining 2.9 percent are classified as “other.”)
Most Texas working poor families with children are headed by someone who has not graduated from high school.

![Pie chart showing educational attainment of working poor families in Texas vs nationwide.](chart.png)

- More than half (51.8 percent) of the working poor families with children in Texas in the mid-1990s were headed by someone with less than a high school education. This is a much higher proportion than nationwide, where only 37.5 percent of working poor families with children were headed by someone with less than a high school education.

- Another 33.7 percent of the state’s working poor families were headed by someone with a high school diploma but no college education.

- This suggests that, unlike in many other states, the limited educational achievement of many Texans offers a partial explanation for the problem of poverty despite work.
Nearly three-quarters of working poor families are headed by adults in their prime working years.

- The majority of working poor families with children in Texas — 69 percent — are headed by someone aged 25 to 44.
- Only 15.3 percent of working poor families were headed by someone younger than 25.
- It thus is unlikely that the low wages of parents in working poor families can be attributed primarily to young parents with limited job experience. Other factors are probably more important in limiting the earnings of parents of all ages and all levels of work experience.

Many Working Families Without Children Are Also Poor

More than 200,000 Texans without children are also working at least 520 hours per year, but are still poor. This group includes single individuals, married couples, and unrelated individuals living in the same household.
Working poor families without children are disproportionately Hispanic.

- About 45 percent of working poor families and individuals without children are Anglo, compared to the 53.4 percent of the state’s population that is Anglo.
- Nearly 37 percent are Hispanic, compared to 31.8 percent of the state’s population. Black families account for 14.2 percent of all working poor families without children, but only 11.8 percent of the state’s population.

Texas' working poor without children have less education than similar families nationwide.

- More than one-third (34.3 percent) of the working poor families without children in Texas in the mid-1990s were headed by someone with less than a high school education. This is a higher proportion than in the US as a whole, in which only 26.6 percent of working poor families without children were headed by someone with less than a high school education.
- Another 30.3 percent of the state’s working poor families without children were headed by someone with a high school diploma but no college education.

Working poor families without children are likely to be headed by persons under age 25 or over age 45.

- Working poor families and individuals without children are more likely to be under age 25 than the heads of working poor families with children (38.5 percent versus 15.3 percent).
- Working poor families and individuals without children also are more likely to be over age 45 than the heads of working poor families with children (32.7 percent versus 15.7 percent).

Working families without children lack year-round work.

- The low incomes of these households may be, in part, attributable to the lack of year-round work. Workers in families without children worked an average of 32.5 weeks out of the year.
- Only, one out of eight poor households without children had a full-time year-round worker in the mid-1990s.

Families Just Above the Poverty Level Also Struggle

The statistics presented in the above sections refer only to families and individuals with incomes below the official federal poverty line. This measure is used because it is the most commonly accepted measure of low-income status. However, the basic formula for determining the poverty threshold has not been changed since 1966 and fails to reflect the composition and work patterns of today’s families (see page 10). Updating the measure to match current realities would probably increase the number of Texas working families considered to be poor.
One way to address the absence of an up-to-date poverty measure is to identify the number of working families who have incomes modestly above the current federal poverty line. This report identifies “near-poor” families who have incomes between the poverty line and a level double the poverty line. When measured in 1998 dollars, this would include families of three with incomes between $13,650 and $27,300, and families of four with incomes ranging from $16,450 to $32,800.

- Nearly all of these families have a worker. Of the 663,000 Texas families with children and income between the poverty line and double the poverty line, 96.4 percent had a working parent.

- This parent frequently works full-time, year-round. Almost half a million near-poor Texas families with children — 70.8 percent of all such families — had a full-time year-round worker. This shows that full-time year-round work can still leave many families near poverty.

- Near-poor families and individuals without children show a similar pattern. Of the 539,000 such families in Texas, 95.9 percent have a member who works. In 52.9 percent of these families there is a full-time year-round worker.
CHAPTER 2  
HOW IS TEXAS DIFFERENT FROM OTHER STATES?

The problem of poverty despite work is common throughout the United States. In nearly every state, a majority of poor families in which the adults are not retired or disabled have one or more workers. Typically, these adults work a substantial number of weeks and hours in a given year. In fact, the primary source of income for a majority of poor workers nationally is earnings, while a much smaller proportion rely primarily on welfare assistance.

The working poor families of Texas are like those in most other states, but with several very important differences:

The percentage of working families with children who are poor is much higher in Texas than nationwide. Over the past ten years this percentage has increased more quickly in Texas than in the US.

- In the mid-1990s, 15.6 percent of Texas working families with children had an income below the federal poverty line. This is nearly one-third higher than the national rate of 11.5 percent.

- The rate of poverty among Texas working families with children has been greater than the national average in all three recent time periods in which the national economy has been at similar points in the business cycle and had similar unemployment rates. In 1977-79 the poverty rate among working families nationally was 7.9 percent; in Texas it was 10.8 percent. In 1987-89 the national rate was 10.2 percent; the Texas rate was 15.5 percent.
More poor Texas families have a full-time, year-round worker than similar families in other states. These workers put in more hours per week than the national average for similar workers.

- The percentage of poor families with children who had a full-time, year-round worker in the mid-1990s was much higher in Texas than nationwide. In Texas, full-time workers were found in 37.1 percent of poor families with children, close to one-and-one-half the national average of 25.8 percent.

- Texas working poor parents worked more weeks per year than did similar parents in other states. The parents of working poor families with children in Texas worked on average a combined total of 44.3 weeks, almost a month more per year than the national average for working poor parents.

- Full-time, year-round work was also more common among poor families and individuals without children in Texas than in other states. In Texas, 12.8 percent of poor families without children and individuals who were not disabled or retired had one or more full-time, year-round workers, compared to only 10.9 percent of similar families nationally.
One reason for Texas’ high proportion of working poor families is the high percentage of Texas households who have low hourly earnings.

- In the mid-1990s, 27 percent of Texas working parents had low hourly earnings. This is one-quarter higher than the national rate of 21.1 percent.

- Even among those Texas parents who worked full-time year-round, 17.8 percent had low earnings, a rate more than one-third higher than the national average of 12.8 percent.

- The rate of low earnings among Texas working families with children has been greater than the national average in all three recent time periods in which there were similar economic conditions. In 1977-79 the US proportion of working household heads in families with children who had low hourly earnings was 13.4 percent; in Texas it was 17.1 percent. In 1987-89 the national rate was 17.1 percent; the Texas rate was 22.4 percent.
Texas’ poor families with children are more likely to rely on earnings for a majority of income than similar families in other states. In a related measure, Texas poor families are less likely to rely on welfare for a majority of their income.

- More than in almost any other state, Texas’ poor families get a majority of their income through work. Earnings represent half or more of total family income for 72.2 percent of poor families with children in Texas, a rate one-quarter higher than the national average of 57 percent.

- A significantly smaller proportion of Texas poor families with children receive a majority of their income from welfare than similar families in other states. Only 11.1 percent of poor Texas families with children relied on welfare for most of their income in the mid-1990s, less than half the national average of 24.2 percent.

- Texas’ poor families with children are more likely to have one or more working parents than those in other states. Slightly more than 80 percent of these families in Texas in which the parents are not ill, disabled, or retired have working parents, compared to a national average of only 70.2 percent.

- Close to three-quarters (71.3 percent) of Texas families with children who received welfare benefits in a given year also had a parent who worked at least part of the year. Nationally only 62.6 percent of families with children who received public assistance also had a working parent.
In most states, the head of a working poor family with children has at least a high school education. In Texas, more than half of working poor families with children were headed by someone with less than a high school education. Limited educational achievement may be another contributor to the high rate of poverty despite work in Texas.

- Fewer than two out of five (37.5 percent) working poor families with children nationally were headed by someone with less than a high school education. In contrast, more than half (51.8 percent) of family heads of Texas working families with children had less than a high school education.

- One-third of family heads of Texas’ working families with children stopped their education with a high school degree. Nationally, 37.4 percent of family heads have a high school degree.

- The situation is similar among household heads in non-elderly working poor families without children. The proportion of household heads in these families in Texas without a high school education is 34.3 percent, one-quarter higher than the national average of 26.6 percent.
The poverty rates for a working family with children headed by someone with no more than a high school education is far greater in Texas than in the US overall.

- Nearly 40 percent of Texas working poor families with children headed by a parent with less than a high school education are poor. This rate is almost one-quarter higher than the national average for similar families (31.2 percent).

- More than one in six of Texas working poor families with children headed by a parent with only a high school degree are poor. This rate (17.3 percent) is more than one-quarter higher than the national average for similar families (13.2 percent).
Working poor families with children in Texas are more likely to be headed by a married couple, and less likely to be headed by a single woman, than similar families in other states.

- More than half—52.4 percent—of the working poor families with children in Texas are headed by a married couple, while only 44.2 percent of similar families nationwide are headed by a married couple.

- Two out of five—40.2 percent—of Texas working poor families with children are headed by a single woman. The national average is 48.6 percent.

Working poor families in Texas are much less likely to have health insurance than similar families in other states.

- The proportion of children in Texas working poor families who had no health insurance in the mid-1990s is one-third higher than in the average state. More than one in three (37 percent) Texas children in poor working families lack health insurance.
insurance, while only one in four (26.9 percent) children in similar families nationwide had no health insurance.

- Texas is even behind the national average in the share of parents in working poor families who do not have health insurance. More than three-fifths of Texas parents (63.1 percent) had no health insurance in the mid-1990s, while just less than half (46.1 percent) of working poor parents lacked insurance nationwide.

Texas workers are much less likely than workers in other states to receive unemployment insurance benefits.

- Less than one-quarter of unemployed Texas workers received unemployment insurance benefits, while 35 percent of all unemployed workers in the U.S. received benefits.

- Similarly, the percentage of Texas workers who lost their jobs and received unemployment insurance was about two-thirds of the percentage of job losers nationally who received unemployment benefits. Just over half (55 percent) of Texas workers who lost their jobs received unemployment benefits, while 78 percent of all job losers in the U.S. received benefits.
CHAPTER 3
ECONOMIC AND POLICY CHANGES
HAVE INCREASED THE RANKS OF THE WORKING POOR

The rise in the number of working poor families in Texas can be traced to both changes in the economy and to public policy choices. The majority of new jobs being created by the Texas economy are in sectors that pay low wages. The plight of low-income families is compounded by the increase in the number of families who lack health insurance and by a state and local tax system that places a disproportionate burden of taxation on families with the lowest incomes. While expansion of the federal Earned Income Tax Credit makes up part of the gap, Texas working poor are falling further behind.

This report examines the status of the working poor during 1995-97, during which the Texas economy created jobs at a rapid rate, even faster than the strong national average. Despite this economic strength, there are few indications that working families have benefited. Median income for a four-person Texas family is still $2,900 behind its 1979 peak and, while Texas families have recovered from the depths of the oil bust in 1989, they still haven’t regained the economic security many enjoyed some twenty years ago. In 1979, the hourly wage rate for a low-wage worker (at the 20th percentile of earnings) was $6.92 (in 1997 dollars). By 1997 the hourly earnings of low-wage workers had fallen to $6.12 in Texas.

Public policies, at both the state and federal level, have limited the benefits received by many of the working poor. Recent changes to the food stamp program enacted as part of the federal welfare reform, a woefully inadequate state minimum wage, and cuts in public assistance have reduced the ability of low-income Texas working families to provide for their families.

Economic Changes Contributing to Poverty Despite Work

The growth of poverty despite work can be traced to structural changes in the national economy that limit the number of well-paid jobs for workers with less formal education. The shift in the economy away from higher-paying manufacturing jobs toward lower-paying service jobs has diminished opportunities for many workers. A related trend is the division of the job market into two sectors — one for highly skilled, highly paid jobs and another for low-wage jobs with little room for advancement. The gap in earnings this trend causes between the well-educated and the not-so-well educated is steadily increasing.

Other factors that limit the availability of well-paid jobs for those without extensive education include technological developments that favor highly skilled employees,
the declining ability of unions to bargain for higher wages for workers with modest education, downsizing by corporations that increases reliance on part-time or temporary employees, competition from firms using unskilled workers in countries that are now entering into global markets, and an increased supply of low-skilled workers immigrating (legally or illegally) into this country.

Texas workers lost ground in comparison to the average worker in other states during the 1980s, then lagged behind during the current decade. In 1979 the median hourly wage of a Texas worker ($10.86 in 1997 dollars) was 6 percent below the national median wage ($11.46). By 1989 the median Texas worker had fallen further behind, earning 10 percent less per hour than the median U.S. worker ($10.13 versus $11.18). Texas workers have stayed behind; in 1997 the median hourly wage in Texas was $9.89 — almost 10 percent below the national median wage of $10.82 per hour.

The situation is similar for low-wage Texas workers. A Texas worker whose hourly wage was at the 20th percentile (20 percent of Texas workers had a lower wage; 80 percent a higher wage) earned 5 percent less in 1979 than the national average for low-wage workers ($7.33 in 1997 dollars, compared to $6.98). By 1989 a low-wage Texas worker was earning 10 percent less than the national average for a similar worker ($6.04 versus $6.71). Low-wage Texas workers are still behind; in 1997 a low-wage Texas worker earned $6.12 per hour — 9 percent less than the national average for similar workers of $6.74 per hour.

Most New Jobs Are in Low-Wage Sectors

The Texas economy added 1.4 million jobs over the five years from January 1992 to January 1998. More than half of these jobs were added in just five industries — business services, local government (of which nearly two-thirds were in public schools), health services, restaurants and bars, and construction.

All of these industries rank among the bottom half of Texas industries in average weekly wages. Health services ranked 36th of 66 industries, business services 40th, special trade construction 41st, and restaurants and bars were dead last in weekly wages. (Local government wages were unavailable.) The forecast is more of the same: business services, health services, and restaurants and bars rank 1, 2, and 3 in projected industry growth to the year 2000, while special trade construction is ranked 7th.

Another way to look at the effect of sector job growth on wages is to examine the difference in wages paid by the 15 industries with the greatest recent increase in employment and those paid by the 15 industries of low employment gains (or even job losses). Between the first quarter of 1993 and the first quarter of 1996 the 15 fastest growing industries paid an average weekly wage of $515.18. The 15 slowest-
growing industries (led by such sectors as oil and gas extraction, petroleum refining, and chemical products manufacture) paid an average of $831.40 a week.

The Gap Between Rich and Poor Continues to Grow

Inequality has been increasing in Texas for nearly two decades. By the mid-1990s, the richest 20 percent of families with children had average incomes more than 13 times as large as the poorest 20 percent of families. Even compared to the income of the middle 20 percent of families with children, the income of the richest 20 percent of families was 3.1 times larger.

Since the late 1970s, income inequality has increased in Texas. The long-term economic growth of the past two decades was not shared evenly among the poor, the rich, and the middle class. Instead, the top one-fifth of families fared substantially better than other income groups.

The inflation-adjusted average income of the poorest fifth of families fell by $1,660 between the late 1970s and the mid-1990s, from $10,300 to $8,640 — a drop of 16 percent. The average income of the richest fifth of families, in contrast, increased by more than $19,120, from $94,030 to $113,150 — a jump of more than 20 percent.

The gap between the top fifth of families and the bottom fifth of families also increased between the mid-1980s and the mid-1990s. The average income of the poorest fifth of families sank slightly over the ten-year period, while the income of the richest fifth of families grew by more than 10 percent.

The Working Poor Often Lack Health Insurance

Nearly one in four Texans lacks health insurance. The most recent (September 1997) Census Bureau survey found that 24.4 percent of Texans have no medical insurance, putting Texas last among the 50 states. Nationally, 15.6 percent of Americans lack health insurance.

Among the factors contributing to the decline in health insurance coverage, particularly among lower paid workers, are the growth in part-time work and in retail and service employment, which are less likely to provide health insurance benefits. Even if insurance is provided by an employer, medical-care costs can be significant. An employee may still be responsible for a share of insurance premiums and additional out-of-cost expenses, including co-payments, uncovered expenses (such as costs for dental care and prescriptions), and insurance deductibles. These costs average more than $200 per month for a single parent with two children, and nearly
$250 per month for a two-adult family with one child, eating up more than 20 percent of the income of a family of three living at the poverty line.

Government Policies Contribute to Poverty Among Working Families

By modifying existing state policy and extending current services, the lives of the working poor can be improved significantly, with the hopeful result of moving them out of poverty and onto lasting self-support. The following recommendations approach the problem holistically, addressing the manifold challenges Texas’ working poor families face each day.

Wages

**Inadequate state minimum wage:** The recent increase in the federal minimum wage to $5.15 represents a significant step in the right direction for many working families. However, there are still many Texas workers who are not covered by the federal law. Certain agricultural workers; workers employed in homes, such as babysitters and personal-care givers; and students are covered only by the state minimum wage, which has been $3.35 per hour since 1989. Workers in positions that receive tips, such as waitresses, are guaranteed a state minimum wage of only $1.68 per hour, as long as their total compensation reaches the statutory minimum.

Even with the recent increase, the federal minimum wage is still worth less than it was during most of the 1960s and 1970s. Full-time year-round work at the new federal minimum wage is still not enough to lift a family of three above the poverty line. Those workers covered only by the state minimum wage cannot support a family without additional assistance.

**Recommendation:**
**Raise the state minimum wage.** A minimum first step would be to raise the state minimum wage to the current federal minimum of $5.15 per hour. Texas is one of only nine states with a state minimum wage that is below the federal rate.

Texas is one of the states that link their rates to the federal law, so that changes in the federal statute are automatically reflected in the state rate. Other states have explicitly adopted $5.15 per hour as the state minimum wage.

Taxes

**State taxes hit the poor the hardest:** The Texas state and local tax system is among the most regressive in the nation — families with lower incomes pay a higher percentage of their income in state and local taxes than do families with higher incomes. Citizens for Tax Justice, a national tax research organization, recently
calculated that the one-fifth of Texas families with the lowest income paid 13.8 percent of their income in state and local taxes. In contrast, families in the middle of the income distribution paid 8.6 percent and those in the top 1 percent paid only 4.4 percent in taxes.

Texas families with the lowest incomes paid more than three times as much of their income in taxes as did the wealthiest families — the seventh highest ratio of any state. Families in the middle of the income distribution paid nearly twice as much as the richest, again ranking Texas seventh among the states. Texas had the sixth highest tax rate on the poor, but the ninth lowest tax rate on the wealthy.

A fair tax system distributes the burden of paying taxes according to the ability of each taxpayer to bear that burden. Families with low incomes generally spend most of their income (and sometimes more, by borrowing) just to provide necessities such as clothing, shelter, and transportation. Upper-income families usually can afford not just these necessities, but luxuries too, with additional money left over for savings and investment. Most people agree that it is fair to charge more to those who can afford to pay more.

Texas’ tax system is so regressive primarily because it relies heavily on the sales tax, which takes a larger proportion of income from a low-income person than from a higher-income person. The sales tax accounts for more than one-third of all state and local taxes paid by Texas. The state imposes a tax of 6½ percent on purchases of most goods and many services. Cities, counties, transit authorities, and some special districts may impose an additional local sales tax of up to 2 percent. The state also levies a 6½ percent sales tax on the sale of motor vehicles, plus excise taxes on gasoline, alcohol, and tobacco. (Excise taxes resemble sales taxes, but are computed on the amount of an item sold, rather than on the sales price.)

Both sales and excise taxes are considered “consumption taxes,” since the amount an individual pays is linked to the amount that individual consumes. Consumption taxes, including the state sales tax, motor vehicle sales tax, and all excise taxes, account for more than 80 percent of all tax revenue collected by Texas state government. Consumption taxes are especially important in states that do not tax personal income. Texas is one of only three of the 15 most populous states that do not tax personal income. Sales and excise taxes make up more than three-quarters of state tax collections in each of these three states, while no other large state derives much more than one-half of its tax revenue from sales and excise taxes.

Most states rely on a personal income tax to balance their tax systems and counteract the regressivity of sales taxes. An income tax can be designed to ease the burden on low- and moderate-income families by exempting all persons below a certain level of income or applying a lower tax rate to persons with lower incomes.

Recommendations:

Improve the sales tax. The sales tax could be improved by taxing many services that are not currently subject to the tax. For instance, services provided by lawyers,
accountants, stock brokers, real estate agents, architects, and advertisers are excluded from the sales tax. Taxing all business and professional services would diminish the regressivity of the tax system, since these services are used disproportionately by people with above-average incomes. This expansion also could raise $1.5 billion a year for the state, plus additional revenue for local governments, which could be used to provide vitally needed services to low-income working families and others.

**Improve property taxes.** The property tax could similarly be improved by eliminating many of the exemptions and abatements that allow some property owners to pay less than their fair share of the tax. Obscure provisions like tax increment financing, “freeport” exemptions, pollution control exemptions, and tax abatements allow certain property owners to avoid paying their fair share of property taxes. The tax rate imposed on other property owners must be increased to make up for the revenue lost to these special-interest benefits. These provisions reduce the revenue received by school districts by more than $200 million a year. Other jurisdictions that rely on the property tax, including cities and counties, lose a proportionate amount.

**Establish a "circuit-breaker” program.** Some states help ease property taxes on families who can least afford to pay them through “circuit-breakers.” These programs provide rebate checks or income tax credits that return to low-income households a portion of property taxes they pay that exceed a certain percentage of family income. A similar renter’s credit provides relief to renters, based on a calculation of the proportion of rent that goes to cover property taxes. Circuit-breaker programs are offered by 35 states and the District of Columbia; 28 programs cover renters as well as homeowners. A state does not have to have a personal income tax to implement a circuit-breaker/renter’s credit program. Five states that, like Texas, do not levy a broad-based income tax offer property tax relief based on income (Nevada, South Dakota, Tennessee, Washington, and Wyoming). Many other states that do have an income tax operate their program by rebating property taxes paid, rather than through income tax credits.

**Consider a personal income tax.** Most states rely on a personal income tax to fund a substantial portion of state programs. Income taxes are directly related to taxpayers’ ability to pay, as measured by their annual income. An income tax can be designed to ease the burden on low- and moderate income families by exempting all persons below a certain level of income and applying a low tax rate to lower incomes. In contrast, the sales tax is paid by all consumers, regardless of income, and the property tax is paid either directly by homeowners or indirectly by renters. An income tax also is better able to grow with the state’s economy than other taxes, and can better provide enough money to meet the needs of low-income families and other Texans.
Unemployment Insurance

The incomes of many workers are often reduced over the course of a year because they experience a spell of unemployment. The unemployment insurance (UI) system is designed to help prevent such spells. Unemployment insurance helps workers who lose their jobs by replacing a portion of their former earnings while they are looking for new jobs or waiting to be called back to their old jobs, frequently preventing the unemployed from falling into poverty or from needing to rely on welfare.

Unemployment insurance has been less effective in maintaining income of workers in Texas than in other states. In Texas, just 22.3 percent of unemployed workers received benefits in 1997, compared to a national average of 35 percent. Texas ranks 8th lowest among the 50 states in the percentage of unemployed workers receiving benefits. Since annual state recipiency rates first became available in 1976, Texas has never ranked better than 8th lowest among the 50 states. In the average month, some 425,000 unemployed Texans had to support themselves and their families without the assistance of the unemployment insurance system.

There are a number of options for modifying state rules governing unemployment insurance that would expand coverage among low-wage workers:

Recommendations:

Base unemployment insurance eligibility on hours of work rather than total earnings. Although monetary eligibility requirements are not particularly stringent for full-time workers and those with hourly earnings close to the statewide average, they are more stringent for those who work fewer weekly hours or are paid low hourly wages.

The earnings requirement helps measure a worker’s “labor force attachment.” Looking at the number of hours and weeks worked on the job within the base period more accurately measures the “attachment” of a part-time or low-wage worker.

Offer an alternative base period that includes some or all recent earnings. Texas does not recognize recent earnings — from the quarter when the UI claim is filed and from the full preceding calendar quarter — in determining monetary eligibility. This often makes qualifying difficult for low-wage workers who are paid on an hourly basis and who work intermittently.

A movable base period which recognized most recent earnings, would greatly increase access to UI benefits by low-wage workers and others with sporadic work histories. Several states, including Michigan, Ohio, and North Carolina have already adopted this reform.

Recognize individual circumstances as “good cause” reasons for leaving employment. UI regulations disqualify individuals who “voluntarily” leave their
The disqualification penalty usually lasts for the entire spell of unemployment, plus a short time interval at the subsequent job while the person “requalifies.”

Texas does not consider child-care problems, domestic violence, marital obligations, health issues (including pregnancy), or transportation problems as “good cause” for leaving employment. Specific exemptions for family and health reasons should be created.

Allow those seeking part-time work to be eligible if they previously worked part-time. Individuals may have valid personal reasons to work part-time, such as child care responsibilities or educational commitments. A person seeking a part-time job to replace a similar lost job is exercising a reasonable job-search strategy that should be recognized as being “available for work” and therefore eligible for UI coverage.

Implement a weighted wage-replacement structure. Benefit amounts are insufficient for low-wage workers, who spend a greater percentage of wages on necessities. A weighted wage-replacement structure would replace a higher percentage of wages for those with lower earnings. A system of supplemental benefits should also be established for those with dependents.

Health Care

Recommendations:

Offer Medicaid coverage to poor working parents. Due to recent changes in federal Medicaid law, Texas could offer Medicaid coverage to all working families with children at or below poverty. A Texas family of three is ineligible for Medicaid if the parent earns the equivalent of working at minimum wage for more than 16 hours per week. While federal law currently requires states to offer 12 months of “transitional” Medicaid coverage to most families whose earned incomes increase enough that they lose TANF cash assistance benefits, recent research shows that many adults in those families are uninsured both during and after the end of that 12-month Medicaid coverage. Under the new provisions of federal Medicaid law, Texas could opt to “disregard” a portion of the earned income of poor families with children, making the parents eligible for Medicaid. Maine, Rhode Island, Pennsylvania, and the District of Columbia are already using this option to cover families from 50 to 200 percent of the federal poverty threshold.

Simplify Medicaid eligibility for the entire family. Children in poverty are already eligible for Medicaid in Texas. Still, 37 percent of Texas children in poor working families are uninsured. Texas Medicaid eligibility policies that discourage some families and disqualify others are the primary cause of this seeming contradiction. Texas continues to count not only a poor family’s income but also its assets in determining Medicaid eligibility. This means that a family trying to keep a
savings account for emergencies or college can be disqualified from Medicaid, even though its earnings are below the poverty threshold. Texas also requires families applying for Medicaid to attend a face-to-face interview at a Department of Human Services office, and the family must return every six months to re-establish eligibility. Neither policy is required by federal law, and most states have already dropped these barriers to eligibility for children. Under the new Medicaid laws described above (which make coverage of poor parents possible), Texas can now drop the “assets test” as well as the face-to-face interview requirement, allowing families to apply based solely on their earnings, using mail-in, telephone, and even Internet applications.

**Implement CHIP for children in families up to twice the poverty threshold.** Nearly half a million Texas children in families between the poverty line and 200 percent of that threshold lack health insurance. The Children’s Health Insurance Program could make low-cost health insurance available to children in those low-income working families. As of January 1999, 29 states and the District of Columbia cover children up to 200 percent of the federal poverty threshold or higher, using Medicaid and CHIP.

**Food Stamps**

**Recommendations:**

**Implement a Food Stamp outreach program.** Many working families do not realize that they are eligible for Food Stamps. In 1993 the legislature authorized the state to develop and implement a Food Stamp outreach and nutrition education program, but never funded the program. By funding Food Stamp outreach, Texas would be taking an important step to reverse the rapid decline in Food Stamp participation and ensure that working poor families are getting the nutrition assistance they need to move out of poverty. Outreach funds may be used for activities that inform low-income households of the eligibility requirements, application procedures, and benefits of the Food Stamp program, as well as for training for human service providers on program regulations. Seven states have implemented Food Stamp outreach programs, with much success. New York, a state with a poverty rate and Food Stamp caseload similar to Texas, invested $900,000 in outreach in 1997 and increased participation in the program by 5,600 families.

**Ensure that welfare recipients moving into the workforce continue to receive Food Stamp benefits.** The dramatic decline in Food Stamp enrollment over the last few years suggests that aggressive diversion efforts by TDHS to discourage people from applying for TANF cash assistance, or other program requirements, may be turning away applicants from the food benefits they need to make the transition from welfare to the workforce. It is also possible that when former TANF recipients leave the cash assistance rolls due to increased earnings, they may not realize they are still eligible for Food Stamps. There are several steps TDHS can take to ensure that working poor
families receive the support they need to become self-sufficient. First, the state must ensure that eligibility staff are aware of the federal laws governing clients’ rights to Food Stamp benefits and send a clear message that efforts to discourage applicants from getting cash assistance should not be used. Second, eligibility workers should make every effort to clarify for clients the difference between the application procedures for Food Stamps and TANF. Third, TDHS should develop clear outreach materials to ensure that clients leaving the cash assistance rolls due to time limits or increased earnings understand that they may still be eligible for Food Stamps.

Reduce barriers to Food Stamp participation by families with earned income. Many working poor families are eligible for Food Stamps but not enrolled because of administrative and procedural barriers that make it harder for families with earned income to participate in the program, or discourage them from participating. Many of these barriers are a result of efforts by the federal government and states to improve payment error rates in the Food Stamp program. Advocates for the working poor at the national level are currently working with the U.S. Department of Agriculture to simplify these requirements, while maintaining program integrity. In the meantime, Texas can lessen the burden these requirements place on working families by lengthening the recertification period for Food Stamp households with earned income. Currently, TDHS requires working families to recertify for Food Stamps in person every three months. This is because their earnings are subject to change, and the case is considered more error-prone. However, Texas has the option under federal law to require families to appear in person for recertification only once every six months, and recertify by mail between face-to-face recertification appointments. Under this option, although working families would be required to update their information every three months, they would only have to make the trip to the eligibility office twice a year.

Off of welfare, into work, out of poverty?

The challenges facing low-wage workers in Texas are exacerbated by programs and policies that do not provide adequate supports and opportunities for moving into more stable, higher-wage work. These shortcomings are occurring at the same time that employers are complaining of a lack of adequately educated and trained workers. Many of the industries with the best paying jobs are those facing the most significant shortages. While the Texas workforce development system is undergoing a massive reorganization with the goal of meeting business demands and developing tomorrow’s skilled workforce, it has stumbled in its early stages and still treats subsets of workers very differently. The poorest Texans often find themselves offered little more than job placement assistance with limited access to the educational and skill development programs that could lead to living wage employment. What is needed is a continuum of services that properly assesses those seeking employment and then ensures that
they are provided with services designed to help them find a job with which they can support their families above poverty. The following are some recommendations which could help ease the transition from welfare to work, lessen the burdens on those working and living in poverty, and provide a path to true self-support.

**Employment and Training**

The Texas Workforce Commission should improve its up-front assessment of clients by moving beyond the use of its basic screening tools to a comprehensive employability plan that seeks not just immediate employment but eventual self-support above poverty. Issues to consider include: the identification not only of client competencies but career desires or affinities, and the exploration of employment opportunities paying adequate wages. Combinations of part-time work and education or training leading to a career path need to be reintegrated into the current employment service design. A plan for post-employment assistance and access to ongoing training with specific wage targets should be developed before job placement.

Two training funds at the Texas Workforce Commission deserve to be expanded to provide more access to training for high wage employment. The Skills Development Fund links training to actual jobs and requires educators and job trainers to design curricula to meet the needs of employers. The average wage attained by graduates of training funded under this program was $10.50 per hour in fiscal year 1998-99 with an 80 percent job retention rate. The Self-Sufficiency Fund is modeled after the Skills Development Fund but uses federal TANF funds and targets welfare recipients seeking work. Both of these funds have more demand than they can currently meet and should be increased significantly for the coming biennium.

Additionally, TANF funds should be used to create an incentive or bonus for local workforce development boards who train and place TANF recipients in jobs paying above poverty-level wages. Federal welfare-to-work grants are targeted to those who have already been placed in work to provide post-employment follow-up and additional education and training opportunities to upgrade their skills and move to jobs at higher wages.

**Child Care**

Child care assistance is one of the most critical employment supports for low-income workers. Texas has traditionally lagged behind most other large states in its level of investment in child care. Surplus TANF funds provide a great opportunity to dramatically increase both the availability and the quality of child care in Texas.
Texas should transfer the maximum allowable amount of TANF funds into the Child Care and Development Fund. Taking full advantage of this transfer ability does two things: first, it will allow the state to eliminate the current waiting lists for child care for working poor families; and second, it will enable the state to provide a reimbursement rate increase based on current market rate analyses for the first time since 1992. Improved reimbursement rates can be one part of an essential focus on improving not just the availability of child care but its quality as well. In years past there has always been a difficult trade-off between serving more children and increasing rates and quality. The current TANF surplus provides a unique and fleeting opportunity to address both of these critical issues.

Transitional Supports

The transition from welfare to work can be difficult for many families. Increased costs and the immediate loss or reduction of public assistance can hinder the move to self-support. Expanding current transitional assistance would help ensure more initial employment stability and could help lead to better jobs.

Texas should implement an improved earnings disregard which would allow TANF clients to retain some of their benefits as they begin to earn income. Currently, Texas ranks last in the country in its treatment of the earnings of TANF recipients. A part-time job at minimum wage makes TANF recipients in Texas ineligible for assistance or for continued employment services. A 100 percent earnings disregard for six months can support the transition from welfare to work and fill a significant gap in our welfare reform efforts.

While housing costs are among the largest drains on the resources of low-income families, state support is grossly inadequate to meet the need. Historically, only 20 percent of TANF recipients have received any public housing support. More recently, a TDHS survey of clients who had left the TANF rolls showed that only 15 percent were helped by public housing programs. As clients struggle to move from welfare to work, the cost and inaccessibility of adequate housing can be a significant barrier to becoming self-sufficient. TANF funds can now be used to provide temporary housing vouchers, and Texas should use part of the TANF surplus as New Mexico has, to provide TANF recipients who need assistance a housing voucher of between $50 and $100 per month for 12 months.