



The Challenge of Measuring "Working Poverty" in America

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Poverty is commonly explained as a matter of joblessness, while work for wages is viewed as a pathway out of poverty and toward upward mobility. Indeed, since the end of open-ended welfare benefits in 1996, U.S. public assistance presumes that creating incentives for poor adults, including mothers, to enter the paid labor force is the best way to reduce poverty and dependence on government. Yet many citizens do not understand that most poor adults already work. In fact, by some accounts the so-called working poor outnumber the non-working poor in the U.S. Effectively reducing poverty therefore requires addressing the problems of those who work yet remain poor.

In principle, most Americans support the idea that everyone who "plays by the rules" – and works hard – should be able to escape poverty along with his or her family. But what exactly is "working poverty" and how many people, from what kinds of backgrounds, fit the definition? The existing scholarly literature is not very clear, and our work aims to sort out the various criteria that lead to different national estimates of the working poor and disparate understandings of how such people can be supported.

Conceptual Issues

Any definition of the working poor rests on answers to a set of key questions. Which members of society or members of families should be held responsible for working to support children, the elderly, and others not expected to work? One parent? Both parents? How many hours per week, and how many weeks per year, must an adult earn wages to be classified as a worker? Should poverty be defined in terms of inadequate wages or insufficient annual earnings? Should income and poverty be measured for individuals or for families – and where should the thresholds dividing poor from non-poor be set? All of these issues bedevil studies of working poverty, and the problems are not merely technical, because definitions reflect normative ideas about who is deserving of public help.

To make sense of why analysts have arrived at very different estimates, our study identifies six key parameters and calculates what varied choices mean for calculating the size and composition of America's working poor.

- **Who are "workers"?** To pinpoint those eligible to be defined as workers, analysts can choose to include all adults aged 18 to 64 years old, or all heads of primary families, or all family members who can work.
- **How many weeks worked?** Analysts must settle the number of weeks of worked required to call people workers. Is the bar set at year-round work (50 or more weeks per year), at work for at least half the year, or at work for at least one week in any given year?
- **Hours worked?** Definitions can be based on usual number of hours worked per week in the previous year. Workers can be defined as those who worked full-time (35 or more hours per week), part-time or more (17 or more hours per week), or even just worked one or more hours per week.
- **What income makes workers "poor"?** This can be determined based on unadjusted annual income or according to earnings adjusted as equivalent to full-time, year-round work.
- **Setting a poverty threshold.** The level of income used to divide the poor from the non-poor can be set at official U.S. poverty thresholds or at 125% of the official thresholds. Or poverty can be defined as less than 50% of typical U.S. family or individual incomes.
- **What is the social unit for which poverty status is determined?** The focus can be on individuals or families. The former approach evaluates whether work provides sufficient income from earnings to lift a single person out of poverty, while the latter measures whether earnings from work lift families out of

poverty.

Estimating America's Working Poor

Varying these parameters and using data from the 2013 *Current Population Survey*, we developed 126 measures of working poverty. Here is what we learned as a result of this exercise:

- Depending on which definition is used, estimates of the U.S. working poor range from 2% to nearly 19% of the working population.
- Using a statistical technique called “factor analysis” leads us to conclude that the most convincing conception starts by defining “workers” as any family head working at least half-time, for 27 or more weeks per year or for 17 or more hours per week. The best approach then defines poor working family heads as those earning less than 125% of the official U.S. poverty threshold.
- According to this definition, between 9.3% and 11.0% of America's working family heads are poor. In absolute terms, this represents 6.4 to 8.0 million working family heads in poverty, and between 20 and 24 million persons living in poor families headed by those working.
- There are important racial and ethnic disparities. Between 6.0% and 7.2% of non-Hispanic white workers and between 6.8% and 7.5% of Asian workers are poor. But the levels of poverty for non-Hispanic Black workers fall between 16.2% and 19.7%, and the levels of poverty fall between 19.9% and 22.1% for Hispanic workers.

The Bottom Line

Once estimates are devised to pinpoint who working-poor Americans are and where they live, efforts to reduce working poverty depend on marshalling citizen support with ethical as well as economic arguments. Most Americans do, however, believe that people who work should be able to lift their families out of poverty, so prospects may be good for higher minimum wages, labor protections, subsidized child care and other supports for working parents, and additional measures that could, in fact, ensure that all families headed by workers escape poverty.

Read more in Brian C. Thiede, Daniel T. Lichter, and Scott R. Sanders, “America's Working Poor: Conceptualization, Measurement, and New Estimates.” *Work and Occupations* (online-first article, April 2015).