

Appendix

What is a low wage job?

There is no standard definition of low income or a low wage. However, many people who study working families use the general benchmark of income or wages that are twice the federally defined poverty level. Others consider lower wage employees to be those employees who are paid the lowest 25th percentile of wages in a particular company.

What is the federal poverty level?

The federal poverty level is a dollar figure; families with income below the benchmark are considered to be in poverty, those above, are not. The dollar amounts are updated annually by the U.S. Census Bureau. For more information, see:

www.census.gov/hhes/www/poverty/threshld.html

Because the federal poverty benchmark formula was developed more than 50 years ago and does not accurately reflect today's costs of child care, transportation and housing, the use of twice the poverty level is believed to be more accurate assessment of what it takes to be economically self-sufficient in today's economy.²⁶

Who works in low-wage jobs?²⁷

There is a persistent misconception that workers employed in most low-wage jobs are primarily teenagers or single adults without children, and that for such workers the job is often transitional or short-term. While it is true that some of the most visible low-wage jobs, such as those in the fast-food industry, tend to attract many teenagers and college students, in fact a very large number of low-wage workers are adults with families to support.

According to the most recent data available, fully 10 percent of Michigan's working families with children can be classified as "working poor families" because their total household earnings are not enough to put them above the poverty threshold for their family size. (This figure includes not only the families of poverty-wage earners, but also those workers who earn an hourly wage above the poverty wage but who are not working enough hours to bring them above the poverty level.) The majority of these working poor families have a breadwinner who is employed at least 26 weeks out of the year, a large number of whom work full time year-round. The heads of these families diligently show up for work each day, arrange for the care of their children, budget their paychecks and pay taxes, yet their jobs do not pay enough to enable them to meet all of their family's needs or to bring them out of poverty.

The characteristics of many working poor families contradict commonly held notions about poor families: 65 percent of all working poor families in 2003 had a family head in his or her prime working years (age 25–44), less than half the working poor families were racial minorities, and nearly one-third of working poor families were headed by a married couple. It is widely recognized that a college degree increases a worker's chance of full-time employment with a good salary.²⁸ However, 41 percent of all Michigan's working poor families in 2003 had a primary wage earner who had some college education.

²⁶Miller, Jennifer; Grossman, Lisa; Molina, Frieda; and Golonka, Susan. *Building Bridges to Self-Sufficiency*. Washington D.C.: MDRC. March 2004.

²⁷This section appears in *Economic Self-Sufficiency in Michigan: A Benchmark for Ensuring Family Well-Being*. Michigan League for Human Services. March 2004.

²⁸For more information, see the Michigan League for Human Services, *Michigan's Weak Link: Unemployment, the Skills Gap, and the Declining Support for Adult Education*, April 2005.

Appendix

Michigan's Working Poor Families with Children, 2003

- There were 119,000 working poor families with children, comprising 10 percent of all Michigan working families with children. An additional 218,000 families with children are near-poor (between 100 percent and 200 percent of poverty).
- 250,000 children in Michigan lived in working poor families, comprising 10.1 percent of all children and 66.7 percent of all poor children in Michigan.
- 57 percent of individuals in working poor families are children.
- 78 percent of all poor families in Michigan had a parent who worked at some point during the year. (This does not include families in which each parent was out of the labor force due to disability or exceeding age 65.)
- Working poor families with children worked an average of 37 weeks, with more than two-thirds working at least 26 weeks.

Source: Center on Budget and Policy Priorities tabulations of U.S. Census Bureau American Community Survey data.

Appendix

Talking Money: Wage Classifications

According to the U.S. Census Bureau, in 2003, 11 percent of Michigan residents lived in poverty, totaling over one million people. 17 percent of children under age five lived in poverty.

What is a poverty threshold wage?

The “poverty threshold wage” is defined as the hourly wage that a full-time, year-round worker must earn to sustain a family at the federal poverty level.²⁹

**\$9.52 X 40 hours per week X 52 weeks a year
= \$19,806**

The poverty wage is a useful benchmark for discussing low-wage jobs. Be aware, however, that it is impossible to draw inferences about family poverty from wage data alone, given that many poverty-wage workers have spouses or partners who also bring earnings into the household. Also, some workers routinely work overtime or at second jobs to enhance their earnings. It is therefore possible that workers can earn poverty wages but their families may have more income than the federal poverty level.

What is the minimum wage?

The federal minimum wage is \$5.15. Working full time at the minimum wage does not generate enough earnings to pull a family above the federal poverty level.

**\$5.15 X 40 hours a week X 52 weeks a year =
\$10,712**

The new Michigan minimum wage is \$6.95 effective October 1, 2006.

**\$6.95 X 40 hours a week X 52 weeks a year
= \$14,456.**

What is a self-sufficiency wage?

Many families of low-wage earners have a total household income below the poverty level and are considered “working poor,” while many others earn too much to be considered poor yet cannot meet all of their needs without government or private help. The Michigan League for Human Services has calculated the wage a family needs to earn in order to meet all of its basic expenses without relying on government or nonprofit assistance.³⁰ This “economic self-sufficiency wage” is considerably higher than the poverty wage, and factors in such considerations as rent, child care costs, food, transportation, health costs, and taxes.

In 2004 the self-sufficiency wage level was:

- Single individual — \$8.28 per hour;
- Single-parent family with two children under six — \$16.58 per hour;
- Two-parent family with two children under six in which both parents work — \$9.23 per hour each;
- Two-parent family with two children under six in which one parent works — \$10.79 per hour.

Hourly Wages

\$5.15	federal minimum wage
\$6.95	Michigan state minimum wage
\$9.52	poverty threshold wage
\$10.79	self-sufficiency wage

\$10.79	gap between minimum wage and
- 6.95	self-sufficiency
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= 3.84	

²⁹The poverty level used to determine poverty wage, unless otherwise noted, is the Census Bureau's estimate of the weighted average poverty threshold for a family of four, divided by 40 hours per week and 52 weeks per year to equal an hourly wage.

³⁰For more information, see the Michigan League for Human Services, *Economic Self-Sufficiency in Michigan: A Benchmark for Ensuring Family Well-Being*, March 2004.

Appendix

For a single parent with two children:

\$15.13 and under = low-wage
\$31,470 annual salary, 2X federal poverty level

\$7.56 and under = poor/poverty wage
\$14,456 annual salary, before taxes

For reference
\$6.95 = Michigan minimum wage
\$14,456 annual salary, before taxes

In 2005, the poverty thresholds were:

\$10,160 for a single person with no children
=> \$847 a month

\$15,735 for a single parent with two children
=> \$1,311 a month

\$19,806 for a family of four => \$1,651
a month

