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When Work Doesn't Pay: The Hidden Cost of Low-Wage Work

Laura Dresser
Center on Wisconsin Strategy

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The report and technical appendix are available on-line at www.cows.org:

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When Work Doesn't Pay

The Hidden Cost of Low-Wage Jobs in Wisconsin

Executive Summary

Wisconsin's economy is built on a strong foundation: strong employers that offer good jobs and benefits; a strong labor force with good skills and work ethic; and, importantly, a strong set of public programs to provide a safety net for those who need it. Unfortunately, increasing evidence suggests that our system is out of balance. Some employers may be increasingly taking advantage of Wisconsin's strong safety net—using publicly funded assistance programs as a *private* subsidy.

This report takes a closer look at the “hidden public costs” of low wage jobs. These costs are *both hidden and public* because the community directly and indirectly pays in order to fill in the gap between what work pays and what families need. We look specifically at the programs on which low-income working families most heavily rely: Medical Assistance (from BadgerCare, Medicaid, and State Child Health Insurance Program (S-CHIP)); Wisconsin Shares child care subsidies; Food Stamps; the Earned Income Tax Credit (EITC); and Temporary Assistance to Needy Families (TANF).

Findings

Using survey and administrative data, we construct a picture of the families in the state that are receiving support from the support programs mentioned above. These programs are significant in size and critical to families that participate in them: total state and federal costs of these six programs amount to nearly \$1.85 billion annually in Wisconsin, providing critical support to some 400,000 families in the state. Given this background, we look carefully at the families participating in these programs *with consistent commitment to work*. The disturbing facts:

Hard, consistent work does not always pay enough or provide health insurance for families.

Of the \$1.85 billion spent on programs, fully 45 percent of this money—\$837 million—goes to year-round working families. Despite these families' commitment to work, they must rely on the state to make ends meet. By far the most important and expensive support to year-round working families is medical assistance which accounts for 38 percent of this money. When workers cannot rely on employer provided health insurance, they turn when they can to the state for medical assistance. Employer provided health insurance is in decline, which means that the medical assistance costs of low-wage jobs will continue to grow.

Working Family Enrollment and Costs of the Public Support Programs

(annual averages, 2001–2004)

	Number of Enrolled Families	Percent	Total Cost Across the Five Programs (millions, 2004 dollars)	Percent	Average Cost per Enrolled Family (2004 dollars)
Year-round working families	178,134	44.7 %	\$ 837.23	45.3 %	\$ 4,700.00
Other families	220,302	55.3	1,010.88	54.7	4,588.65
All families	398,436	100.0	1,848.12	100.0	4,638.44

Public Support Programs Reviewed in this Document

1. Health Insurance (BadgerCare: Medicaid and S-CHIP)
2. State and Federal Earned Income Tax Credits (EITC)
3. Food Stamps (FoodShare Wisconsin)
4. Child Care Subsidies (Wisconsin Shares)
5. Temporary Assistance to Needy Families (TANF is the federal funding source for the state's program, Wisconsin Works)

Lower wage jobs mean higher costs for the public.

More than half of the year-round working families enrolled in these support programs earn \$10 per hour or less. In industries where wages are low, rates of employer-provided health insurance tend to be low as well. As a result, the share of workers enrolled in public support programs is high.

Jobs taking care of others generate high public costs.

The **health care sector** has the highest number of workers receiving public benefits. Of the \$837 million spent annually on public benefits for year-round working Wisconsin families, \$187 million, or 22 percent, is directed to workers in the health care industry. Health care is one of the largest industries in the state, accounting for 11 percent of all workers. Its very size helps to explain the high costs it generates.

Within health care, workers in the **nursing homes and residential care sub-sector** are clearly most reliant on public programs. These workers are three times more likely to receive public assistance than those in doctors' offices and clinics, and account for half of all public benefits spending of the health care industry. One in four residential care workers are enrolled in public support programs; more than half of all residential care workers do not receive health insurance through their jobs.

The **social service sector** (including child care services, services to the homeless, etc.) generates costs that are most out of scale with the size of the industry. While the sector accounts for only 2.1 percent of Wisconsin jobs, it accounts for 4.5 percent of working families that rely on public benefits.

The irony is as obvious as it is bitter: the very industries committed to taking care of others—hands on health care and social services—offer wages and benefits so low that their workers must often rely on public help to make ends meet.

The retail industry generates high public costs.

Given its large size and low wages, retail comes in as the industry generating the second highest public cost in the state. Benefits standards are eroding in the sector leaving more workers to rely on Medicaid or to simply do without any health insurance.

An Agenda for Stronger Jobs

These high public costs underscore the need for leaders across the state to continue to build a stronger, high wage, high job quality, high road economy. Job quality is enhanced by building upon the strengths of the economy. Importantly, job quality also requires ensuring that the floor under the labor market is strong. Wisconsin can do more to close off the low-road of economic competition which generates such high public costs.

Raise and strengthen the labor market floor

At the state level, a **strong minimum wage** is part of the solution. Wisconsin's recent increase to \$6.50 per hour is a good start, but inflation is already eroding its value. Already 10 states, including six that passed increases on the November ballot, index their minimum wage to inflation. Wisconsin should consider joining these states.

We should increase resources devoted to **enforcing wage and hour standards** across the state. Most employers operate well above reasonable and legal standards, but some bad actors routinely violate the law. When essential labor standards are overlooked or violated for any workers, labor standards are weakened for many workers. District Attorneys, community organizations, workers' centers and other local and state leaders can actively support job quality by devoting resources to enforcing standards.

Another way to strengthen our basic labor standards is to **make it easier to identify employers that chronically violate them**. The state should shine a spotlight on chronic violators by gathering publicly-available data on violations of occupational safety and health, wage and hour, and labor law. An on-line database could bring more attention to violators, providing important data for businesses, governments, or individuals, and providing extra incentive to keep worksites legal.

put job quality first in state and local economic development

At all levels of government, from local to the state, elected and administrative leaders should focus more strongly on building stronger job quality. For example, local political and community leaders should consider carefully job and benefits standards in **Tax Incremental Financing (TIF) and other economic development** schemes.

State grants, tax credits, and other supports should support the creation and viability of jobs which provide a decent standard of wages and benefits. State leaders should carefully consider wage and benefit quality when extending grants, loans, training or other supports. And the state should follow up to make sure that promised wage and benefit standards are being met.

Focus purchasing power on job quality

Public sector purchasing power should also enforce and support job quality in the state. As the public sector seeks competitive bids for the provision of services, We should pay careful attention to the job quality offered by prospective providers. A low bid from a provider who's workers are likely to end up on Medicaid may actually cost the state more than a higher bid from an employer offering better jobs. Further, the state should never contract with chronic violators of basic labor law.

At the local level, **living wage laws** require that government service contracts go only to firms which pay workers at a specific level. These policies prevent the use of taxpayer dollars to subsidize poverty jobs.

Level the playing field for firms that offer affordable health care

Probably the clearest conclusion from this report is that the state needs to continue to develop a plan for comprehensive health care reform. Too few low-wage workers get health insurance through employers and too many increasingly rely on medical assistance from the state, or go without health insurance, which can also prove costly.

But it is also obvious from this report that the state solution on health care must **affirm the contributions of employers that already work hard to provide insurance** and find ways to recoup costs generated by employers that do not do so. It should not be possible for companies to undercut their competitors in price simply because they do not provide adequate health insurance and thus externalize their health care costs. Comprehensive health care reform must take this dynamic into account.

Improve the quality of care work

Care work presents a clear economic and moral challenge in the state: the work of caring for our very old and very young often pays so little that those who do it must rely on the state for health insurance and other supports. This problem is not unique to the state, but it requires our attention. Leaders in the state should seek to **ensure decent wages and benefits for care providers**. This is good for the workers, but also good for their frail, young, or old clients.

At the local level, **non-profit community service funders should start the hard discussion** about the quality of jobs that their direct service providers offer. Local service providers should both document and begin to explore options for increasing wages and benefits for the hands-on care workers in our communities.

1

Introduction

Wisconsin's economy is built on a strong foundation: strong employers that offer good jobs and benefits; a strong labor force with good skills and work ethic; and, importantly, a strong set of public programs to provide a safety net for those who need it. These strengths can and should be mutually reinforcing. Employers can offer good jobs because of the skills workers bring to the job. The state can offer a strong safety net to support those few who need help to make ends meet. When the system is in balance, Wisconsin's economy grows stronger.

Unfortunately, increasing evidence suggests that our system is out of balance. Some employers may be increasingly taking advantage of Wisconsin's strong safety net—using publicly-funded assistance programs as a *private* subsidy. Some workers are increasingly relying on that safety net, in spite of consistent work. And that destabilizes the delicate balance and strengths of our system.

This report takes a closer look at what we call the “hidden public costs” of low-wage jobs. These costs are *both hidden and public* because the community directly and indirectly pays in order to fill in the gap between what work pays and what families need. Most obvious of the hidden costs are the myriad public programs—Food Stamps, EITC, child care subsidies, health insurance, etc.—on which many working families in the state rely. These are critical programs that are directly helping our state's neediest families. But their worthy policy purposes are subverted when our floor under wages and benefits is not sufficiently maintained. When profitable businesses elect to pay low wages and provide no health care to their employees, public benefit programs must step in to alleviate the lack of basic needs. This report provides some accounting for the sheer volume of dollars that we invest in these programs, the number of working families that rely on them, and the types of industries and jobs where they work.

Beyond these public programs, there are many other ways communities pay when work does not. Low-quality jobs increase workers' reliance on food pantries and free meals. Throughout the state, congregations and community service providers report increasing reliance by working people on their services. These systems, originally established to help those who could not work, are now called on to supplement a growing population for whom work does not pay enough. Community health clinics, hospitals, and our public health system all serve uninsured low-wage workers and often carry the costs of those services, or pass them on to other consumers. Across Wisconsin, communities work valiantly to meet these pressing needs, but resources too often fall short of demand.

Businesses that are doing the right thing, but are faced with fierce low-wage and low-benefit competition, often bear costs as well. Employers that, in effect, rely on these programs to push costs onto the public sector can maintain a competitive advantage. Too many businesses in the state are trying to do the right thing, but must compete against firms that do not. And that means that some of Wisconsin's best businesses suffer from this trend as well.

Declining Health Insurance from Employers: A Case Study in Slipping Standards

Health insurance provides a particularly striking example of the shifting quality of jobs and the ways those shifts work against employers who have traditionally done the right thing. Wisconsin employers have traditionally been highly committed to provision of health insurance; in fact, the most recent data available show that we have the seventh highest employer provided health insurance coverage rate in the nation.

Unfortunately, while we are still better than the rest of the country, employer-provided health insurance in the private sector is in serious decline (see graph, below). In the early 1980s, just over 73 percent of Wisconsin workers got health insurance through their employers. The share has fallen to 57 percent over the last 25 years.

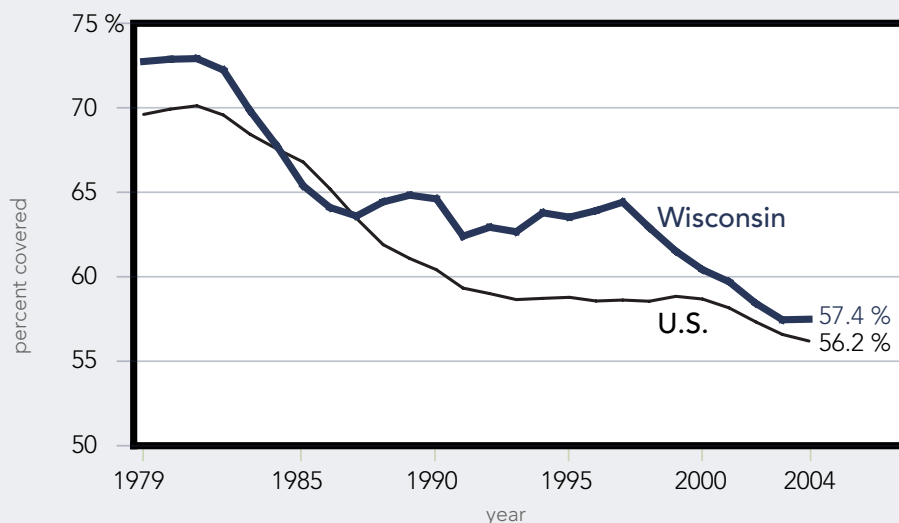
What is going on? In part, businesses are finding ways to compete in key sectors and provide jobs without the benefits that firms have traditionally offered. These players, carrying lower labor costs, can undercut prices of the other firms. Those providing insurance then have less incentive to do so, and may even need to shed insurance to stay competitive.

Some might say that this is simply the market at work: low costs are winning out. But the firms are not generating these costs savings through efficiency. Rather, they are generating the savings by externalizing the cost of health insurance; by not offering the benefit, they have found a way to pass the cost of health care back to the community. And the community, in fact, picks up this cost—through our Medicaid budget, through community and public health systems, and through food pantries and shelters.

Figure 1

Private Sector Employer-Provided Health Insurance Coverage, Wisconsin and U.S.

(three year moving averages, 1979–2004)



Source: *The State of Working Wisconsin 2006*, Center on Wisconsin Strategy.

Previous Related Reports on Costs of Low-Wage Jobs

This report combines public survey data with administrative data to create the most reliable possible estimates of the total public costs of low-wage jobs. These data do not allow us to look specifically at companies; rather they are best to get a rough sense of the overall public costs of low-wage jobs and general employer characteristics. This study augments previous work that has focused more attention on specific employers.

Using state Medicaid enrollment data, Wisconsin Citizen Action identified the companies with the largest numbers of employees on Medicaid in Wisconsin. As has been found in other states, Wal-Mart accounted for the most Medicaid enrollments (6,628). Following Wal-Mart were Aurora Health Care (1,661), McDonald's (1,477), the UW system (1,319) and Manpower (1,204).

This report helps draw a more complete picture around these results. Given the data we are using, we cannot focus attention on specific employers; rather, we can look more broadly. But our results allow us to look across the labor market, at industry and demographics, and to account for the costs of multiple programs.

The Balancing Act: Work Supports and Job Quality Need to Move Together

Safety net and work support programs are critical infrastructure in our state. Wisconsin's working families can and should have the support of the public in order to encourage and sustain their work. And some people simply cannot work or earn enough to make ends meet when they do. The fact that working families have been able to depend on these programs is a great tribute to Wisconsin's proud and progressive history, a history that stems all the way back to the New Deal era and local experimentation with programs that were subsequently adopted at the national level. This tradition—to ensure a basic standard of living for everyone—should always remain a hallmark of leadership for the state, and if anything, be strengthened in the years ahead.

But at the same time, we need to redouble our efforts to focus economic and community development discussion around the issue of job quality, not just job quantity. When economic development assistance is inattentive to issues of job quality—such as in cases where low-road employers receive public economic development subsidies—public policy and resources are actually undermining standards in our labor market. From an economic development standpoint, Wisconsin must align its job creation strategies to meet the objective of job quality. This implicates everything from TIF to job training to tax credits, at all levels of government. Across the country, the public is already intuitively grasping this issue, as more and more states identify specific employers who have large numbers of workers enrolled in Medicaid.

At the present, the erosion of job quality is stressing our safety net and work support programs, overburdening what is already strained fiscal capacity at the state and federal level. There is no easy response to this “responsibility shift,” in part because we are only starting to understand the true contours of it. How many workers and their families rely on public programs? Which programs? And what are the characteristics of the jobs that these workers are employed in?

This report is intended to help answer these questions.

Report Organization

In this report, we provide estimates of the public costs of low-wage jobs. In Section 2, we describe data sources and provide a brief overview of the analysis. Section 3 then describes the five public support programs that we focus on in our study: health insurance (BadgerCare: Medicaid and S-CHIP); state and federal Earned Income Tax Credits (EITC); Food Stamps; Temporary Assistance to Needy Families (TANF); and Wisconsin Shares, our state's child care subsidy program. Sections 4 through 6 present our key findings. We estimate the total number of working families enrolled in public support programs in Wisconsin, as well as the associated program costs. We document the wages these families earn, and how those wages compare to actual living costs. We analyze the characteristics of industries that have disproportionate numbers of workers enrolled in public support programs, and briefly examine the role of firm size. We then give a demographic overview of working poor families in the state. We conclude in Section 7 with a discussion of how to increasingly focus state efforts on improving job quality.

Local Economic Development: How TIF Can Generate Hidden Public Costs

As this report notes, low-wage industries impose a variety of costs on our community. Yet across the state, we continue to offer economic development subsidies for these industries to expand. Tax incremental financing (TIF) is one local economic development program that can contribute to the problem.

TIF is a common economic development subsidy administered throughout the state through local governments. TIF allows cities to finance some of the costs of development by borrowing on the future growth of property taxes stemming from the development. Most frequently, TIF dollars are used to install, upgrade, or rehabilitate public infrastructure such as roads, sewers, or street lighting, that are needed to service the new development.

Because TIF money is not an on-budget expenditure, TIF deals are often awarded to projects that carry hidden public costs, such as furthering urban sprawl and promoting low-road jobs. One such example is the tax incremental district (TID) in rural Southcentral Wisconsin.

The TID was created to cover the costs of turning a cornfield and old apple orchard along a highway into a commercial/industrial development. Project costs included construction of a detention basin and water tower, interior roads, water main connections and highway improvements along the property, at a cost of \$5,768,000. These improvements helped attract a brand new Wal-Mart Superstore (supermarket and discount department store), despite the fact that Wal-Mart already had one of their traditional stores elsewhere in the city.¹

By subsidizing the expansion of Wal-Mart in their community, the city added jobs which pay an average of \$14,000 a year—\$1,000 below the poverty line for a family of three.² These jobs can generate significant public costs, as the workers in them often must turn to public supports such as BadgerCare, Wisconsin Shares, Food Stamps and EITC. Further, TIF subsidies for retail giants can spur the degradation of Wisconsin's historic main streets, another hidden public cost of some low-wage industries. In fact, the losses caused by just one vacant main street store (with two floors of 2,000 square feet each) total almost \$250,000 a year, including losses in property taxes, wages, bank deposits and loans, rent, sales and profits.³

1. This information modified from "Wisconsin's Tax Incremental Finance Law: Lending a Hand to Blighted Areas of Turning Cornfields into Parking Lots?" 1000 Friends of Wisconsin. October 1999. Accessed online 04/12/06 at: www.1kfriends.org/Publications/Online_Documents/TIF.htm.

2. Average wage for a Wal-Mart sales associate, as quoted in the New York Review of Books, 12/16/04, and on the Wal-Mart Watch website. Accessed online 04/12/06 at: www.walmartwatch.com/img/downloads/workers.pdf.

3. According to Kennedy Smith, President of The National Trust for Historic Preservation's Main Street Center, as quoted in LeRoy, Greg. "Subsidizing Sprawl: How Economic Development Programs are Going Awry." *The Multinational Monitor*. (24, 10). October 2003.

2

Data & Methods Overview

Quick Overview of Data and Definitions used in this Report

Five public support programs analyzed in this report

1. Health Insurance (BadgerCare: Medicaid and S-CHIP)
2. State and Federal Earned Income Tax Credits (EITC)
3. Food Stamps (FoodShare Wisconsin)
4. Child Care Subsidies for Low-Income Families (Wisconsin Shares)
5. Temporary Assistance to Needy Families (Wisconsin Works, **cash payments only**)

Years analyzed

2001–2004 (data reported as annual averages across that time period).

Definition of “year-round working family”

A family with one or more members who worked at least 50 weeks in a given year (either part-time or full-time).

Definition of “year-round worker”

An individual who worked at least 50 weeks in a given year (either part-time or full-time).

“Enrolled” working family

Year-round working families who were enrolled in at least one of five public support programs.

“Enrolled” worker

Year-round workers whose families were enrolled in at least one of five public support programs.

Likely Underestimation of Total Costs

This report very likely underestimates the total cost of public program support going to working families in Wisconsin, because (1) we only include five programs in our analysis and (2) we use a very restrictive definition of working family.

Federal and State Costs are Combined

Funding of the public support programs analyzed in this report comes from a combination of federal and state allocations. For purposes of this report, we will refer to federal and state monies as “public” funding.

Note: For those who are not interested in methodological detail, please turn ahead to the results of our analysis, which can be found on page 15. For those who are interested in more complete methodological information, please see our detailed appendix on methodology www.cows.org/pdf/ap-lowwagejobs.pdf.

1. The Included Public Support Programs

For the purpose of this analysis, we focused on the following five programs: health insurance (BadgerCare: Medicaid and S-CHIP); Food Stamps (FoodShare Wisconsin); state and federal Earned Income Tax Credits (EITC); Temporary Assistance to Needy Families (Wisconsin Works); our subsidized child care program (Wisconsin Shares).

Why these Programs? Our Criteria are as Follows:

- The program had to be large, either in terms of the number of individuals and families enrolled, the total annual cost of benefits, or both.
- The program had to be means-tested, such that it was available to individuals or families specifically because they had low incomes.
- The program had to focus on families with at least one member in the labor force or potentially in the labor force. Thus, we excluded programs (or parts of programs) which focused exclusively on those who were retired or unable to work because of disability.
- The program had to focus on supplementing an individual's or family's income. Thus, we also excluded programs (or parts of programs) that only provided subsidies for training and education.
- Finally, we could only analyze programs for which we had both government administrative data and survey-based, individual-level data (data sources are discussed below). Local programs and health care programs for indigents are significant taxpayer-funded programs that we were unable to include because the necessary data were not available.

Each of these programs is described more fully in the next section. Because we are analyzing only the above five programs, our estimates of the cost of public program support going to working families in Wisconsin is conservative. Health insurance provided by the state of Wisconsin for uninsured, low-wage families and their children, known as BadgerCare, relies on financial inputs from both Medicaid and the State Child Health Insurance Program (S-CHIP). For purposes of this report, we have combined the totals of each support into one category.

2. Data Sources

This report relies on two data sources. The first data source is aggregate government administrative data for the five public support programs identified above. These data provide the most accurate information on annual enrollment and annual costs for each program (see Appendix for a full description). Note that we only include benefits disbursed in our measure of annual costs for each program; that is, we do not include costs associated with program administration.

The second data source is the March Supplement of the U.S. Bureau of Labor Statistics' Current Population Survey (CPS). This dataset provides individual-level demographic and employment information that is representative of the entire state's population.

When combined, these two data sources give us the information necessary to assess the cost of low-wage jobs in Wisconsin: accurate statewide program enrollment and cost data, and accurate individual-level demographic and employment data (the combination process is described below).

In order to reach a sufficient sample size for the CPS, and because program enrollment and costs naturally fluctuate from year to year, we base our analysis on pooled data from the last four years for which CPS data are available: 2001–2004. To match the CPS data, we collected administrative data for the five programs from 2000–2004.

3. Combining the Two Data Sources

Our logic in combining administrative program data with CPS data is as follows. On the one hand, government administrative data are the best source of accurate information on each program's annual enrollment and cost. However, since these data are aggregate and do not provide information on the individuals and families enrolled in each program, they do not allow, for example, a calculation of the percentage of enrolled families that are year-round working families. The CPS, on the other hand, does provide information on individuals and families, including how much they use public support programs, their labor force participation and characteristics of the jobs they hold.

We therefore use the CPS data to analyze individuals and families enrolled in public support programs, *but adjust the CPS dataset to ensure that it accurately reflects administrative figures for (1) total program enrollment and (2) cost of program benefits disbursed.* We only give a brief overview of these two adjustments here. A detailed explanation is given in Appendix A.

1. **Program Enrollment Data:** Ensuring that the CPS enrollment data accurately reflect the administrative enrollment data requires adjusting the weights assigned to each CPS observation. Therefore, for each of the five programs included in our analysis, we calculated a ratio by dividing total annual administrative enrollment by total annual CPS enrollment. We then multiplied the given CPS weight of enrolled families by this ratio, creating a program-specific weight that, when summed, equaled total administrative enrollment for that year. We then adjusted the given CPS weights of non-enrolled families so that the sum of the constructed weights is still equivalent to the total population.
2. **Benefits Payment Data:** Ensuring that the CPS benefits-received data accurately reflect the administrative benefits-disbursed data requires different adjustments, depending on whether or not benefits data were collected by the CPS. For programs where benefits data were collected by the CPS (TANF, EITC, Food Stamps, Medicaid), the adjustment process is similar to the enrollment adjustment described above. For each program, we calculated a ratio by dividing total annual administrative benefits-disbursed by total annual CPS benefits-received. We then multiplied reported CPS benefits for enrolled families by this ratio, creating a new benefits amount that, when summed, equals the total administrative benefits amount for that year. For programs where benefits data were not collected by the CPS (S-CHIP and subsidized child care), we simply divided the total annual administrative benefits amount by the total annual number of enrolled families, and then distributed benefits equally among CPS recipient families.

4. Defining “Year-Round Working Families” and “Year-Round Workers”

For much of this report, we focus on families as our primary unit of analysis. We define a “family” to include the following groups: (1) standard nuclear families of one or two parent(s) and children under 18; (2) married couples without children; and (3) single individuals without children. This definition is in keeping with definitions used to determine eligibility for most public assistance programs, for example, the “health insurance unit” used by Medicaid and the “taxpaying unit” used by the EITC. Extended family households that include adult siblings or other extended family members are considered to be multiple families.

A key goal in our analysis, of course, is to identify working families that are enrolled in public support programs. In this report we use a stringent definition of “working family” in order to ensure that at least one member has strong labor force attachment. *Specifically, we focus on “year-round working families” that have one or more members who worked at least 50 weeks in a given year.* In this way, we avoid including families whose need for public program support is driven by extended periods of time without a working member and therefore without earned income. Under this definition, working family members could hold either part-time or full-time jobs and could hold multiple jobs throughout a given year; all that we require is that they have worked a total of 50 weeks or more.

Finally, for several analyses we focus on individual workers who are members of year-round working families. These are “year-round workers” who worked at least 50 weeks in the year (again, either part-time or full-time).

Stepping back, our restrictive definition of a “year-round working family” means that we are underestimating the total cost of public program support going to working families in Wisconsin. For example, if a single mother with two children worked for a total of nine months, with several spells of intermittent unemployment, her family would not be considered a year-round working family in our analysis. Ideally, we would have been able to include this family in our definition, but data constraints prevent us from being able to identify both exactly which months were worked, and which public benefits supported the family during working months as opposed to non-working months.

5. Baseline Data on Total Program Enrollment and Cost

Table I shows our baseline data on annual program enrollment and costs, after implementing the adjustments and definitions described above. Between 2001 and 2004, health insurance (BadgerCare: Medicaid and S-CHIP) was the largest program in the state, with about 237,000 families enrolled every year and with an annual cost of about \$806 million (this total does not include expenditures for the elderly or disabled, see next section). EITC was not far behind, with 237,888 families receiving the benefits annually at a cost of about \$472 million. The remaining three programs are significantly smaller in size.

We should be clear that the enrollment and cost numbers in Table I may not perfectly match published government data. First, we combine federal, state and (where applicable) local costs, but exclude administrative costs. Second, in combining our two data sources we had to align administrative fiscal years with CPS survey years, which can result in some shifting of estimates (see Appendix A for more details). Third, we use a definition of “family” that matches definitions used by many public support programs, but that may not match more common definitions of families and households used in government datasets such as the Census. Fourth, the scope of our program coverage (described in more detail in the next section) may not always match the scope of official program reporting. Finally, we average enrollment and costs across four years (2001–2004). For these reasons, the caseloads and costs may differ from data in other sources. (For more detail on the effects of these definitions and adjustments, please see the www.cows.org/pdf/ap-lowwagejobs.pdf.)

Table 1

Enrollment and Costs of the Public Support Programs

(annual averages, 2001–2004)

	Number of Enrolled Families	Total Program Cost (millions, 2004 dollars)	Average Cost per Enrolled Family (2004 dollars)
BadgerCare (Medicaid and S-CHIP)	236,611	805.86	3,405.84
EITC	237,888	472.34	1,985.56
Food Stamps	163,845	204.09	1,245.62
Wisconsin Shares	49,821	265.27	5,324.38
TANF	32,596	100.57	3,085.22

Overview of Five Public Support Programs

3

In this section, we provide a quick overview of the public support programs that we will analyze later in the report.

EITC

State and Federal Income Tax Credits

What	Refundable tax credits for low-income families.
Who	Low-income families and individuals with earned income in the previous year.
Purpose	To reward work and increase income of the poorest families.
Benefit	A minimum wage worker with one child would receive a federal EITC of \$2,604. Two minimum wage workers with two children would receive \$1,987. State EITC is based upon a percentage of the federal credit. A Wisconsin minimum wage worker with one child would receive four percent of the federal credit and 14 percent of the federal credit with two children.
Cost	Federal —In 2002, 284,956 families were enrolled in the federal EITC program. They received a total of \$448.1 million. State —In 2004, 216,707 families were enrolled in the state EITC program. They received a total of \$73.5 million.

Detailed Information Available at: www.irs.gov/individuals/article/0,,id=96466,00.html and www.dor.state.wi.us/ra/06eitcty.pdf.

BadgerCare

Health Insurance Programs for Low-Wage Families and their Dependents (Medicaid and S-CHIP)

What	A public health insurance program for low-wage families and their dependents.
Who	Uninsured children and adults with limited income and resources.
Purpose	To provide the poorest families with access to basic health services.
Benefit	BadgerCare extends coverage to uninsured children and parents with incomes at or below 185 percent of the federal poverty level, with temporary exceptions made up to 200 percent of the poverty line. Medicaid extends coverage to low-income children and their parents.
Cost	MEDICAID —In 2003, 202,353 adults and 254,063 children filed for Medicaid coverage. They received \$451.9 million and \$346 million in benefits, respectively. S-CHIP —In 2003, 68,641 children were covered under S-CHIP. They received a total of \$33.4 million in benefits.
Note	Throughout the report, we use data from standardized reports to the federal government on Medicaid and S-CHIP spending. These reports include the coverage extended through BadgerCare.

Detailed Information Available at: dhfs.wisconsin.gov/badgercare/.

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Wisconsin Shares

Wisconsin's Child Care Subsidy Program

What	A program supporting access to child care for needy families.
Who	Families enrolled in the TANF program are guaranteed child care assistance if they have children under the age of thirteen. Families who are not enrolled in TANF qualify for child care assistance if they meet the income eligibility guidelines: 185 percent of the federal poverty level, with temporary exceptions made up to 200 percent.
Purpose	To deliver child care services to low-income families that depend on these benefits in order to work.
Benefit	Families in Wisconsin receive, on average, \$800 of child care assistance per month, with an average monthly co-pay of \$76.76.
Cost	In 2004, 49,980 families received assistance from Wisconsin Shares at a total cost of \$288.9 million.

Detailed Information Available at: www.dwd.state.wi.us/DWS/programs/childcare/wishares/default.htm.

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FoodShare Wisconsin

Food Stamp

What	Program enabling low-income families to buy food with vouchers and Electronic Benefits Transfer (EBT) cards.
Who	Low-income families are generally considered eligible for food stamps if their monthly income is below 130 percent of the federal poverty level. In addition, households must have no more than \$2,000 in resources (or \$3,000 if the household includes a member who is at least 60 years old or is disabled). Households in which all members are receiving TANF or Supplemental Security Income (SSI) are automatically eligible for Food Stamps.
Purpose	To provide the poorest families with the means to feed themselves.
Benefit	A minimum wage worker with one child would receive benefits of about \$182/month (FY 2005). Two minimum wage workers with two children would receive about \$80/month in benefits.
Cost	In 2004, 523,413 Wisconsinites filed for Food Stamps. They received a total of \$269.4 million in benefits.

Detailed Information Available at: www.dhfs.wisconsin.gov/FoodShare/index.htm.

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Wisconsin Works

Temporary Assistance to Needy Families (TANF)

What	A time-limited program providing work training and cash assistance to those individuals who have personal or family-related barriers to employment.
Who	Very low-income families pursuing work-related activities.
Purpose	To provide the temporary assistance needed for families to become self-sufficient.
Benefit	Available to very low-income families with children. Participants receive a monthly grant of \$628 for up to 28 hours per week of participation in work training or other employment-related activities.
Cost	In 2004, 22,180 families were enrolled in TANF. They received benefits in that year totaling \$135.7 million in cash payments to families. Throughout the report, we use cash payments totals, leaving out W2 administrative and other costs.

Detailed Information Available at: www.dwd.wisconsin.gov/dws/tanf/default.htm.

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Wisconsin Works

Given the heavy emphasis on work of the W2 program, Wisconsin Works generates only very small costs for working families. We have included the program to maintain comparability with other states doing similar where TANF programs do provide more subsidy to low-wage employers. The fact that the W2 program generates even these very small costs relates not to program design, but to the self reporting of work over the past year and current enrollment status of respondents.

Working Families and Public Support Programs

4

In this section, we begin with some simple questions about public support programs in Wisconsin from 2001 to 2004. What proportion of the families enrolled in these programs were year-round working families? How much did that support cost annually? Finally, how is that cost broken down by the specific programs under investigation—BadgerCare, EITC, Wisconsin Shares, Food Stamps, and TANF?

Table 2 shows that families with strong labor market connections account for 45 percent of the total families in these programs and 45 percent of the costs of these five programs. In the state, fully 178,000 families had at least one year-round worker in the household, but still relied on assistance from public support programs to make ends meet. In Wisconsin, year-round working families receive roughly the same value of benefits as do non-working families (\$4,700 for year-round compared to \$4,589 for other families).

Table 2

Working Family Enrollment and Costs of the Public Support Programs

(annual averages, 2001–2004)

	Number of Enrolled Families	Percent	Total Cost Across the Five Programs (millions, 2004 dollars)	Percent	Average Cost per Enrolled Family (2004 dollars)
Year-round working families	178,134	44.7 %	\$ 837.23	45.3 %	\$ 4,700.00
Other families	220,302	55.3	1,010.88	54.7	4,588.65
All families	398,436	100.0	1,848.12	100.0	4,638.44

Working Families Rely Heavily on Medical Assistance

Table 3 illustrates costs per annum for each of the five programs in Wisconsin between 2001 and 2004, disaggregated by family type. Year-round working family enrollment was concentrated in three programs—BadgerCare, EITC, and Wisconsin Shares. This makes sense, especially for EITC and Wisconsin Shares, as both are programs that are intended to directly support and reward work. The size of the health insurance expenditure is a noteworthy challenge, however. BadgerCare, Medicaid and S-CHIP together, is generating the biggest expense and this cost is being driven by many families with very strong labor force attachment. Clearly, year-round work is not sufficient to secure employer-provided health insurance and BadgerCare is becoming not only a safety net for the unemployed, but a key support for some year-round working families as well.

Table 3

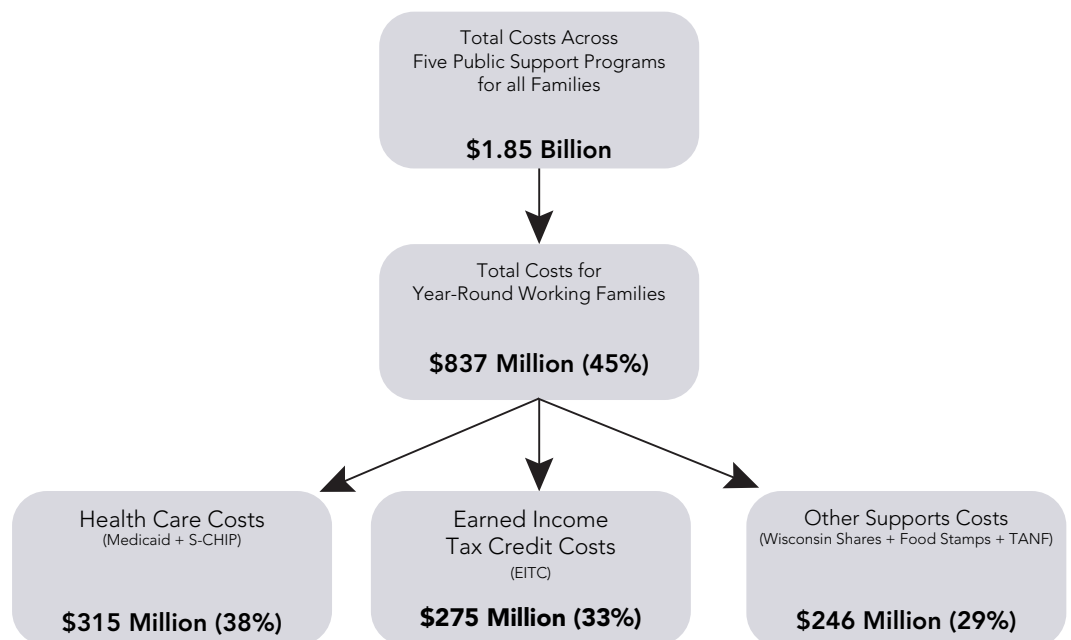
Individual Program Costs by Type of Enrolled Family

(annual averages, 2001–2004)

	Cost for Year-Round Working Families (millions, 2004 dollars)	Percent	Cost for All Families (millions, 2004 dollars)	Percent
BadgerCare (Medicaid and S-CHIP)	\$ 315.52	37.7 %	\$ 805.86	43.6 %
EITC	275.40	32.9	472.34	25.6
Wisconsin Shares	172.12	20.6	265.27	14.4
Food Stamps	51.46	6.1	204.09	11.0
TANF	22.73	2.7	100.57	5.4
Total	837.23	100	1,848.12	100

Figure 2

Medical Assistance Accounts for the Largest Share of Public Costs for Year Round Working Families



The Role of Low Wages, Industry, and Firm Size

5

In this section, we turn to data on the ways wages, industry and firm size interact with the costs documented above. The data show that low wages and the consequent lack of sufficient income are key reasons that working families in Wisconsin are enrolled in public support programs. We also find that there is a substantial disparity by industry and firm size.

In investigating these questions, we focus on workers, rather than families, as our main unit of analysis. Specifically, we look at year-round workers whose families were enrolled in one or more public support programs during 2001–2004 in Wisconsin, whom we refer to as “enrolled workers.”

1. Wages and Hours Worked

In order to qualify for these programs, families must demonstrate low income. Low income may be the result of low wages, underemployment, or a combination of the two. Here, we look at the wages and hours of enrolled families.

Table 4 illustrates the percentage and absolute number of year-round working families enrolled in public support programs. For families with more than one wage earner, we calculated the hourly wage as the average of the wages earned by all workers in the family, weighted by number of hours worked.

As Table 4 shows, low wages are clearly a big problem. Fully 40 percent of enrolled year-round working families earned \$8.00 per hour or less. A full-time, year-round worker cannot keep a family of four out of poverty at this wage and the wage is clearly insufficient to provide for a family. Another 19 percent earned between \$8.01 and \$10.00 an hour and 16 percent earned between \$10.01 and \$12.00 an hour. On the other end of the scale, 16 percent of families enrolled in the programs earned above \$14 per hour. Most of these families are enrolled in Wisconsin Shares, and BadgerCare programs that tend to have higher eligibility thresholds.

Table 4

Hourly Wages of Year-Round Working Families Enrolled in the Public Support Programs and Associated Costs

(annual averages, 2001–2004)

Hourly Wage (2004 dollars)	Number of Enrolled Year-Round Working Families	Percent	Total Cost Across the Five Programs (millions, 2004 dollars)	Percent
\$ 8.00 per hour or lower	83,951	40.3 %	\$ 314.51	45.1 %
\$ 8.01–\$ 10.00 per hour	38,791	18.6	161.07	23.1
\$ 10.01–\$ 12.00 per hour	32,386	15.5	77.64	11.1
\$ 12.01–\$ 14.00 per hour	19,962	9.6	64.49	9.2
\$ 14.01–\$ 16.00 per hour	9,037	4.3	18.70	2.7
\$ 16.01 per hour or higher	24,396	11.7	61.63	8.8

Table 4 also shows the breakdown of benefits to year-round working families by hourly wage level. The distribution shows a pattern similar to the results just presented. Families with an hourly wage of \$8.00 an hour or less accounted for 45 percent of benefits to working families, at a cost of about \$314 million annually. Overall, nearly 80 percent of the total benefits went to families making \$12.00 or less an hour.

Table 5 conducts a similar analysis, but instead looks at hours worked per week. Before analyzing this table, recall that in this report we are focusing on year-round working families—that is, families in which one or more members worked at least 50 weeks a year. So the question we are asking in this table, given that these family members are working all year round is, what percent are working part-time and what percent are working full-time? (Part-time is defined as working less than 34 hours per week.)

Here it is important to distinguish between families with one earner and families with two earners, since the total number of hours they can potentially work per week differs. For both single and dual-earner families, the overwhelming majority (about 79 percent) have full-time workers. The program costs for the full-time workers are slightly lower than those for the part-time working families, but a large majority of public support benefits went to families with full-time earners.

Taken as a whole, of the \$837 million in public support benefits that annually went to year-round working families in Wisconsin, \$580 million, or 69 percent, went to families with at least one full-time worker. For these 140,000 Wisconsin families, even full-time, year-round work does not provide sufficient income to make ends meet.

Table 5

Hours Worked Per Week by Year-Round Working Families Enrolled in the Public Support Programs and Associated Costs

(annual averages, 2001–2004)

Hous Worked Per Week	Number of Enrolled Year-Round Working Families	Percent	Total Cost Across the Five Programs (2004 dollars)	Percent
Single-earner families	157,083	100.0 %	\$ 764,366,261	100.0 %
Part-time	33,231	21.2	230,047,656	30.1
Full-time	123,852	78.8	534,318,605	69.9
Dual-earner families	21,050	100.0	72,865,966	100.0
One or more earners worked part-time	4,479	21.3	27,145,195	37.3
Both earners worked full-time	16,571	78.7	45,720,771	62.7
Both family types combined	178,133	100.0	837,232,227	100.0
Part-time	37,710	21.2	257,192,851	30.7
Full-time	140,423	78.8	580,039,376	69.3

1. Industries and Public Support Programs

Table 6 and Figure 3 show the industries that employed enrolled workers. In Table 6, the first column shows the overall number of year-round workers in that industry who are enrolled in at least one of the five studied programs. On the basis of the first column, health care, retail trade and durable manufacturing all stand out for the sheer numbers of workers who are enrolled in public support programs. Indeed, health services and retail trade together account for about 15 percent of the annual \$1.8 billion in public support to year-round working families.

Table 6

Industry Distribution of Year-Round Workers Enrolled in the Public Support Programs

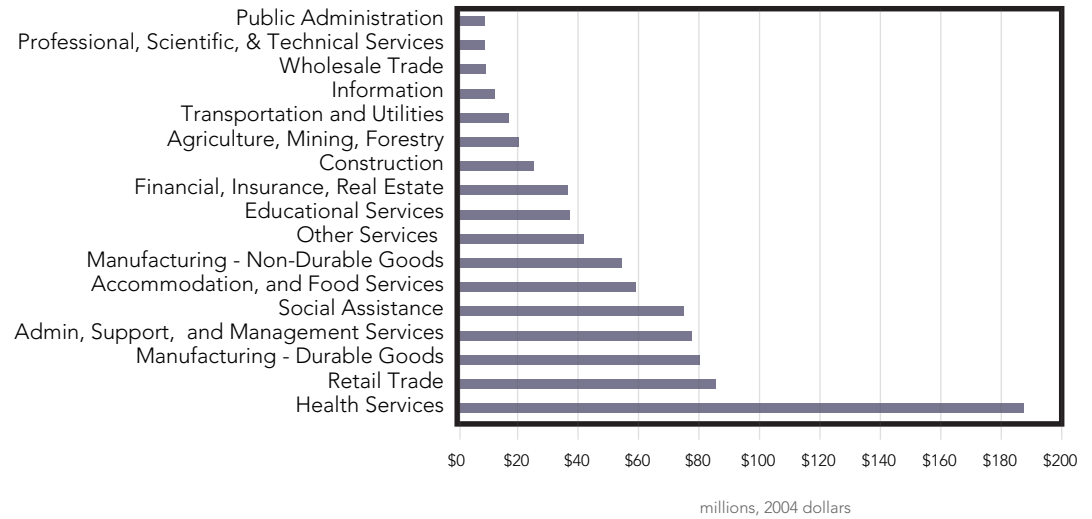
(annual averages, 2001–2004)

	Number of Recipient Year-Round Workers	Industry's Share of All Year-Round Enrolled Workers	Industry's Share of All Workers in the Labor Market
Health services, including hospitals, & nursing homes	30,731	15.4 %	11.1 %
Retail trade, including food stores	24,726	12.4	11.4
Arts & entertainment, hotels & restaurants	16,048	8.1	5.5
Other services, including repair, Laundry, & private household services	12,563	6.3	3.8
Construction	8,760	4.4	7.0
Financial, insurance, real estate, & rental services	10,146	5.1	7.1
Durable manufacturing	22,418	11.3	14.0
Transportation & utilities	4,602	2.3	4.1
Non-durable manufacturing	15,562	7.8	9.7
Educational services, including K–12, colleges, & training programs	7,937	4.0	6.1
Social services, child day care, homeless programs	8,925	4.5	2.1
Administrative & management services, including temp agencies & building services	10,240	5.1	2.3
Professional, scientific, & technical services	5,194	2.6	4.3
Public administration	2,602	1.3	3.6
Information, including media, telecommunications, & data processing	2,902	1.5	1.7
Wholesale trade	7,161	3.6	4.1
Agriculture, mining, & forestry	8,667	4.4	2.1

Figure 3

Annual Cost of Public Support Benefits by Industry

(annual averages, 2001–2004)



However, the second and third columns of Table 6 show important differences between those sectors. The health care and retail industries both account for more enrolled workers than their industry's share of the overall labor force would predict, while durable manufacturing has fewer enrolled workers. The health care industry employs just 11 percent of the labor force, yet accounts for 15 percent of enrolled workers. The retail industry hires 11 percent of the workforce but accounts for 12 percent of enrollees. Durable manufacturing, in contrast, accounts for 14 percent of the workforce but only 11 percent of the enrolled workforce.

The disparity between the second and third column is one way to measure the extent to which an industry is overrepresented in enrollment. While health care and retail account for large numbers of enrolled workers, industry overrepresentation is actually more pronounced in social and administrative services, where the enrolled workforce is more than twice what would be predicted given the industry distribution. Administrative and support service firms also are overrepresented in enrollment: these firms account for just two percent of the total year-round workforce, but they employ five percent of the year-round workforce enrolled in programs.

Such overrepresentation is generally true for traditionally low-wage industries, such as restaurants, movie theaters, child care centers, and domestic work. But some generally higher wage industries—such as management services, construction, and educational services are also producing costs. Many of these have a layer of good jobs at the top (some the result of strong unions), but also a substantial layer of low-wage jobs underneath in specific sub-sectors of the industry, such as security services or residential construction.

2. Sub-Sectors within Health and Retail Industries

We look next at health and retail services to obtain a broader understanding of the greater program participation rates of workers in these industries, since both are large and include significant deviation of job quality across their different segments sub-sectors.

The top panel of Table 7 provides details on the three major health service industry sub-sectors: residential care facilities (nursing homes are key in this sector); hospitals; and doctors' offices and clinics. The variation of use of public assistance in this sector is quite clear. Workers in residential care are three times more likely to be enrolled in public assistance programs than workers in clinics and doctors' offices. More than one in four workers (27 percent) in residential and long-term care relies on public assistance, while just eight percent of workers in doctors' offices and clinics do. Hospitals also appear to offer stronger jobs than residential care, as 11 percent of their workers rely on public programs. Note that health care sub-sectors are generating such high levels of reliance on public assistance because those who work in health care, who provide health care to others, often do not have health care coverage themselves. In fact, less than half of workers in residential and nursing facilities get insurance through their employer.

The bottom panel of Table 7 provides a similar breakdown for three segments of the retail industry. Here the industry disparities are slightly less pronounced, but important differences remain. Workers in food and beverage stores are twice as likely to receive public assistance as are workers in department stores. Interestingly, however, food and beverage workers are more likely than workers in other retail sub-sectors to get health insurance through their employer: 63 percent of this workforce gets health insurance through their employer. In the other sub-sectors, the share with health insurance is closer to half.

Table 7

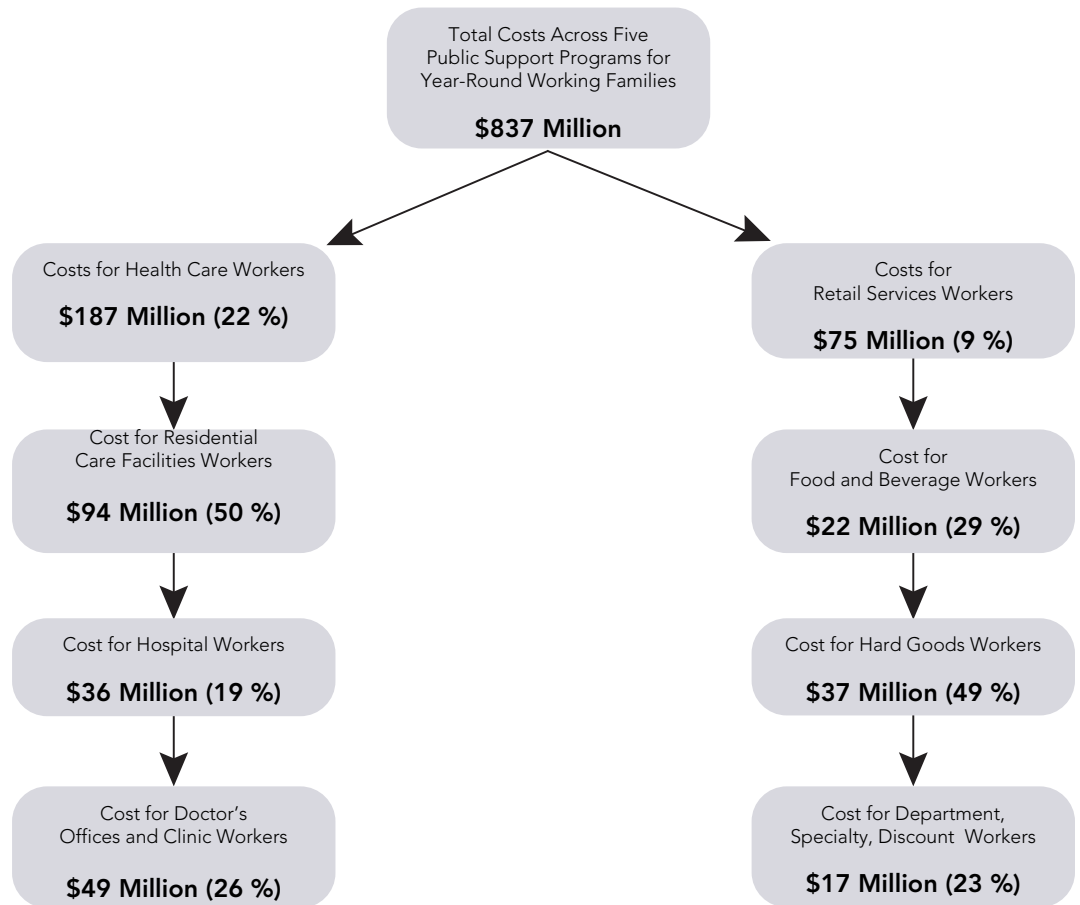
Retail and Health Service Industry Sub-Sector Details

(annual averages, 2001–2004)

	Enrollees	Workers	Percent of Workers Enrolled in Programs	Total Cost Across the Five Programs (2004 dollars)
Health Services				
Residential Care Facilities	12,557	46,128	27.2 %	\$ 93,998,783
Hospitals	9,124	82,761	11.0	36,140,030
MD Offices and Clinics	7,215	89,054	8.1	48,744,078
Retail Services				
Food and Beverage	5,536	35,149	15.8 %	\$ 21,501,316
Hard Goods	8,708	83,223	10.5	36,788,071
Department, Specialty, & Discount	7,525	96,338	7.8	17,298,659

Figure 4

Residential and Long Term Health Care Sub-Sector Generates Large Costs



2. The Effects of Industry Low Wages and Health Care Coverage

In Table 8, we divide the Wisconsin economy into two industry groups and show the relationship between enrollment in public support programs, wages, and rates of health care coverage. We put industries in the two groups based on three key variables: (a) median wage, (b) percentage of workers who received health insurance benefits through their employers, and (c) the percentage of year-round workers in the industry enrolled in at least one of the five public support programs.

Relationships among the three variables are quite clear. Lower wages correspond with lower provision of health insurance and with higher enrollment in public programs. Industries in Group 1 had a median wage of \$11.33 an hour, with slightly less than half of workers receiving health insurance benefits through their employers. On the other hand, Group 2 industries paid a median wage of \$15.87 an hour, with 72 percent of workers receiving health insurance through their employers.

Of central importance, however, is the observation that when an industry's wages and health care coverage are higher, the percentage of its workforce relying on the public safety net is lower. Almost 15 percent of year-round workers in Group 1 industries were enrolled in public support programs, compared to just seven percent of workers in Group 2 industries. Working families' dependence on public support programs is concentrated in industries that have both low median wages and low health care coverage rates (note that low coverage rates can result from either a lack of industries offering benefits, or from the fact that health coverage is simply too expensive for workers already struggling to get by).

Table 8

Industries Grouped by Job Characteristics and Percentage of Workers Enrolled in the Public Support Programs

(annual averages, 2001–2004)

Industries	Median Wages (2004 dollars)	Percent of Workers Receiving Health Insurance through Employer	Percent of Year-Round Workers Enrolled in Public Support Programs	Percent of Overall Employment
Total for Group 1 (for industries see right)	\$11.33	49.7 %	14.4 %	38.4 %
Total for Group 2 (for industries see right)	\$15.87	72.2	7.0	61.6

Group 1 Industries

- Agriculture, mining & forestry
- Arts & entertainment, hotels & restaurants
- Social services, child day care, homeless programs
- Administrative & management services, including temp agencies and building services
- Other services, including repair, laundry and private household services
- Retail trade, including food stores
- Health services, including hospitals and nursing homes

Group 2 Industries

- Durable manufacturing
- Transportation and utilities
- Construction
- Non-durable manufacturing
- Wholesale trade
- Educational services, including K–12, colleges and training programs
- Professional, scientific and technical services
- Financial, insurance, real estate and rental services
- Public administration
- Information, including media, telecommunications and data processing

4. A Comment About Firm Size

Table 9 links firm size to workers' dependence on public support programs. This analysis provides firm sizes as reported by workers—a method of data collection which is less than satisfactory, since workers are frequently not well enough informed to gauge correctly the size of their workplace, much less that of their entire company.

Table 9 displays the number of year-round workers enrolled in public support programs, broken down by the size of the firms which employed them. What is clear from Table 9 is that firms of all sizes are generating workers that rely on public programs. This is not simply a small firm problem. In fact, workers enrolled in public support programs were disproportionately employed by both very large (more than 1,000 employees) and very small (less than ten) firms.

Table 9

Firm Size Distribution of Year-Round Workers Enrolled in the Public Support Programs and Associated Costs

(annual averages, 2001–2004)

Firm Size	Number of Enrolled Year-Round Workers	Percent
Under 10	50,012	23.94 %
10–24	25,745	12.33
25–99	35,350	16.93
100–499	30,058	14.39
500–999	12,870	6.16
1,000+	54,827	26.25

Family Demographics

We turn now to examine some basic characteristics of year-round working families enrolled in public support programs during 2001–2004 in Wisconsin.

Table 10 describes the household structures of different types of families in the state. Notice, first of all, that regardless of their labor market status, families enrolled in public support programs were far more liable to have children in their household than were families in the state in general. For instance, although families with no children under 18 make up two-thirds (66 percent) of all Wisconsin families, just 33 percent of all families enrolled in public support programs and 20 percent of year-round working families on public support have no children under 18.

This pattern should not surprise, given that most of the programs examined in this report either require a child be present in the recipient household (BadgerCare and Wisconsin Shares) or greatly favor families with one or more children (EITC and TANF).

Table 10

Characteristics of Wisconsin Families, by Public Program Enrollment and Working Status

(annual averages, 2001–2004)

	Year-Round Working Families Enrolled in Public Support Programs	All Families Enrolled in Public Support Programs	All Families
Family Structure			
Families with children 18 and under, two parents	37 %	22 %	22 %
Families with children 18 and under, one parent	42	40	10
Families/individuals with no children 18 and under	20	33	66
Other types of families	0	6	3
Race/Ethnicity of Head of Household			
White	69 %	63 %	85 %
Black	13	19	6
American Indian/Alaska Native	2	3	1
Asian/Pacific Islander	3	3	2
Latino	11	10	5

Notice also that enrolled year-round working families had twice the likelihood of consisting of two adults with children—37 percent, compared to 22 percent of all enrolled families and 22 percent of all families in the state generally.

We see that Table 10 also illustrates how families enrolled in public support programs had a greater likelihood of having heads of household be black or Latino, compared with families in the state more generally—regardless of working status.

Table 11 examines educational attainment and program enrollment. Most enrolled adults have a high school degree only or have not completed high school.

It is also worth observing that almost a third of adults enrolled in public support programs had some college experience or a college degree. Also, more than three quarters had at least a high school diploma. These results hold true regardless of working status.

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Table 1

Characteristics of Wisconsin Adults, by Public Program Enrollment and Working Status

(annual averages, 2001–2004)

	Year-Round Enrolled Working Adults	Enrolled Adults	All Adults
Less than High School Degree	17 %	23 %	9 %
Finished High School	39	39	36
Some College/Associated Degree	35	29	31
Finished College and Beyond	9	9	24

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Toward Stronger Job Quality Wisconsin



An Agenda for Stronger Jobs

The problems documented here are not unique to Wisconsin. Indeed, community and political leaders across the nation are grappling with the issue of low-wage work. The key to progress is to focus on job quality as the core economic policy throughout the state. Job quality is secured with concentration on building upon the strengths of the economy, and the numerous efforts in the state to build a stronger economy are absolutely critical. But this report emphasizes also that Wisconsin must ensure that the floor under the labor market is strong and firmly enforced. Here, we focus our policy suggestions on the ways that Wisconsin can close off the low-road of economic competition which destroys our communities and generates such high public costs of low-wage work.

Raise and strengthen the wage floor

At the state level, **a strong minimum wage** is part of the solution. Wisconsin's recent increase to \$6.50 per hour is a definitely an important step. Our lowest wage earners now bring home more money and our economic growth remains strong. But inflation is constantly eroding the value of that wage. On the November ballot, six states—Arizona, Colorado, Ohio, Missouri, Montana and Nevada—all passed initiatives that not only increased their minimum wage, but also tied the wage to changes in the cost of living. These states join another four that already index their minimum wage to inflation to ensure that the minimum wage increases as prices do. Wisconsin should consider joining these states.

We should also increase resources and attention devoted to **enforcing wage and hour standards across the state**. The overwhelming majority of businesses comply and even exceed these basic standards. But some bad actors consistently ignore them. When basic labor standards are overlooked or violated for any workers, labor standards are weakened for many workers. To ensure that our basic labor standards are met, District Attorneys throughout the state need funding and support to go after employers who are breaking the law. State statute requires District Attorneys to prosecute violators, but too often limited resources and other priorities keep these cases on the back burner. Community organizations, workers' centers and other local and state leaders can actively support job quality by increasing awareness of rights and regulations among employers and workers, and by bringing more focus and resources for their enforcement.

Another way to strengthen our basic labor standards is to **make it easier to identify those who chronically violate them**. This would require compiling the publicly-available data on violations of occupational safety and health, wage and hour, and labor law in one place. Just as the Environmental Protection Agency provides information on the pollutants from different facilities in their toxic release inventory, this labor standards database would provide important data for businesses, governments, or individuals, as they make purchasing or investment decisions. And the prospect of showing up on an easily searched database would increase the incentive to obey the law.

Put job quality first in state and local economic development

At all levels of government, from local to the state, elected and administrative leaders should **focus more strongly on building stronger job quality**. For example, local political and community leaders should consider carefully job and benefits standards in TIF and other economic development schemes. Considering the broad public costs that retail developments often generate should force a more scrupulous look at such deals from local leaders. A stronger statewide framework for measuring and attending to job quality in TIF rules might also help improve the job quality focus in these deals.

State grants and supports from the Departments of Commerce and Workforce Development should likewise find ways to **ensure that their resources are supporting the creation and connection to good jobs**. When grants or loans are extended, the state should carefully consider the quality of jobs that will be generated. The state should also follow-up on investments to ensure that projections on job number and job quality are met. With training initiatives, the state should consistently seek to provide training for jobs that meet a minimum quality standard in terms of wage, work hours and accessibility to health care benefits. The state should also ensure that training and placement efforts are never directed toward chronic violators of basic labor law.

Focus purchasing power on job quality

Public sector purchasing power should also enforce and support job quality in the state. Providers of goods and services to the public sector should not be awarded contracts if they are undercutting competitors simply by externalizing health care costs. If workers go without employer-provided health care, then the community and state inevitably pay for care through Medicaid or charity care in hospitals. As the public sector looks for competitive bids for the provision of goods and services, we should pay careful attention to the job quality offered by prospective service providers. Further, public contracts should never be awarded to chronic violators of basic labor standards.

At the local level, **living-wage laws** are another way to require basic job quality standards from the entities that provide goods and services to governments. These laws, already on the books in a number of Wisconsin communities, require certain wage standards be met by any entity that gets a contract from a city. Such laws ensure that taxpayer dollars are funding decent jobs and help keep contractors focused on high-quality service.

Level the playing field for firms that offer affordable health care

Probably the clearest conclusion from this report is that the state needs to continue to develop a plan for **comprehensive health care reform**. Too few low-wage workers get health insurance through employers and too many increasingly rely on medical assistance from the state, or go without health insurance, which can also prove costly.

But it is also obvious from this report that the state solution on health care must affirm the contributions of employers that already work hard to provide insurance and **find ways to recoup costs generated by employers that do not do so**. It should not be possible for companies to undercut their competitors in price simply because they provide inadequate or inaccessible health insurance and thus externalize their health care costs. Comprehensive health care reform must take this dynamic into account.

Improve the quality of care work

This report makes clear the economic and moral challenge of care work in the state: some of the work of caring for our very old and very young pays so little that the workers must rely on the state for health insurance and other supports. This is a national problem, but one that state and local leaders should seek to take on. For example, as the state grapples with growing Medicaid costs, it should seek to ensure **decent wages and benefits for the care providers** in the system. Without such assurance, the care quality is poor, and further Medicaid costs are generated as poorly paid workers in the system themselves rely on the state for care.

Likewise, as state leaders continue to grapple with the rising costs of Wisconsin Shares which helps low-wage workers afford child care, we all should remember that many of those who are providing care to our children often do not have health care coverage. **Child care workers also need stronger wages and benefits**, both so that they can stay in the field and become more skilled and so that children in the state can get the quality of care they deserve.

At the local level, the **state's non-profit community service funders should start the hard discussion** about the quality of jobs that direct service providers offer. Local service providers should both document and begin to explore options for increasing wages for the hands-on care workers in our communities. This could spur a living-wage movement in the non-profit sector, where providers and funders work together to explore ways to increase wages and benefits in some of these critical jobs.

Conclusion

This report documents the hidden and indirect public costs of poor job quality in the state. As stated at the beginning of the report, we believe that these costs are too often overlooked as local and state leaders work to build the economy. The large costs documented here should remind leaders that not all jobs are equal and that both wages and benefits are critical to job quality. The solutions offered here are some key steps to take. More important than these steps, however, is the increasing public awareness of and dialogue about the problem in the state. From Main Streets across Wisconsin to the State Capitol, leaders from the private, public, and non-profit sectors need to engage in a stronger dialogue.