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Ranks of US working poor grow dramatically

By Kate Randall

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While the Obama administration and politicians of both big business parties tout signs of a recovery, the economic outlook for many American families is growing increasingly bleak. A new report by the Working Poor Families Project shows that the ranks of the working poor have grown dramatically in the wake of the Great Recession.

Based on new data from the US Census Bureau, “Low-Income Working Families: The Growing Economic Gap,” shows that the number of low-income working families in the US increased to 10.4 million in 2011, up from 10.2 million only the year before. The total number of people in low-income working families now stands at a staggering 47.5 million—accounting for nearly one-third of all working families, or about 15 percent of the entire US population.

As the number of working families rises, the chasm between the income of the richest families and that of the working poor continues to widen. Even as some workers who lost their jobs return to the workforce, they are often being forced to take jobs with lower wages and less security compared with those they held before the economic downturn. The income of the nation’s wealthiest households, meanwhile, is growing at record levels.

The study defines the working poor as those living below 200 percent of the official poverty threshold, or about \$45,600 a year for a family of four with two children. Between 2007 and

2011, the share of working families that are low-income rose from 28 percent to 32 percent nationally. About 11 percent of working families fell below the official poverty line in 2011, earning less than \$22,811 (for a family of four) despite having one or more adults in the family working at least 39 weeks out of the year.

Many low-income families include adults who are combining their work efforts to meet household expenses, with one or more of them often working multiple jobs, or involuntarily working part-time. Housing costs are often the greatest burden; 61 percent of low-income households had a high housing cost burden in 2011, defined as spending more than a third of their income on mortgage payments, rent, utilities, etc. Family budgets have also been hard-hit by increased transportation costs, as well as the rising cost of child care.

The service sector accounts for a large number of the jobs held by workers in low-income households. About one-fourth of all adults in low-income working families are employed in just eight occupations: as cashiers, cooks, health aides, janitors, maids, retail salespersons, food servers, or drivers. Nearly a million people in low-income working families are employed as cashiers.

The Working Poor Families Project report notes that new jobs being created in the wake of the downturn have been concentrated in the low-wage sector. Some of the fastest growing jobs include those in retail, food preparation, food service, health care, clerical work, and customer assistance, where low hourly wages are often inadequate to cover basic household expenses.

According to the Center for Budget and Policy Priorities, median income for working-age households declined dramatically from 2000 to 2011, sliding by 12.4 percent to \$55,640. During this same time period the US economy grew by more than 18 percent. Wages as a share of US gross domestic product have also fallen to a record low, dropping from 49 percent in 2001 to only 43.5 percent in 2011.

As wages stagnate, employers are extracting record levels of productivity from their workforces. According to the Economic Policy Institute, *productivity has risen by 23 percent since 2000*, while real hourly pay has essentially idled. Meanwhile, the share of wages going to the top 1 percent climbed to 12.9 percent in 2010, jumping 5.6 percentage points since 1979.

The growth of the working poor has been accompanied by a sharp rise in poverty, particularly among children. The proportion of children living in low-income working families rose from 33 percent in 2007 to 37 percent in 2011, when 23.5 million children were living in such households. Children living in single-parent families are more likely to be living in poverty.

Workers with a secondary or post-secondary education are less likely to live in low-income households. The mean annual earnings for those with a bachelor's degree or higher was \$69,387 in 2011, compared to \$20,936 among those without a high school diploma. However, rising

tuition costs and stagnating wages are making a college degree more and more out of reach for wide layers of the population.

The report notes that many people previously employed—such as carpenters, real estate brokers, painters, secretaries, or insurance workers—have seen these occupations dwindle, leaving them out of a job, but without other skills needed to find work that would provide a similar income.

Foreign-born and minority workers are more likely to head low-income working families. In 2011, 59 percent of low-income working families had one or more minority parents. Immigrants have been particularly hard-hit by the recession, with workers from Latin America particularly vulnerable to finding themselves among the working poor.

In three states—Arkansas, Mississippi and New Mexico—more than four in ten working families were low-income in 2011. In 10 states—Alaska, Arizona, California, Connecticut, Florida, Georgia, Illinois, Michigan, Nevada, and South Carolina—the share of low-income working families increased by more than 5 percentage points from 2007 to 2011.

Nevada saw the biggest jump in its working-poor population, which rose by 12 percent since 2007. The share of low-income working families declined in only two states—South Dakota and Vermont—and in Washington, DC.