RUNNING IN PLACE
A REPORT ON POVERTY IN MASSACHUSETTS

THE MASSACHUSETTS COMMUNITY ACTION PROGRAM
DIRECTORS' ASSOCIATION

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Below is a list of the members of MASSCAP:

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| Berkshire Community Action Council, Inc. Pittsfield |
| Cambridge Economic Opportunity Council, Inc. Cambridge |
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Here is the challenge to our democracy: In this nation I see tens of millions of its citizens—a substantial part of its whole population—who at this very moment are denied the greater part of what the very lowest standards of today call the necessities of life.

It is not in despair that I paint you that picture. I paint it for you in hope—because the Nation, seeing and understanding the injustice in it, proposes to paint it out. We are determined to make every American citizen the subject of his country's interest and concern; and we will never regard any faithful law-abiding group within our borders as superfluous. The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.

Franklin D. Roosevelt
Second Inaugural Address
Wednesday, January 20, 1937

Spoken over sixty years ago, these words by FDR ring true today. While the style of the rhetoric is perhaps unfamiliar to us, the point is powerful: millions of working families, despite their hard work, are poor and live as if "the pall of family disaster hangs over them day by day". Running in Place: A Report on Poverty in Massachusetts focuses on the state of poverty in Massachusetts and, in particular, working poor families on the brink of "family disaster."

It is part of the mission of the community action agencies (CAAs) in Massachusetts as represented by MASSCAP, the Massachusetts Community Action Program Directors' Association, to chronicle the state of poverty in the Commonwealth. Running in Place is a follow up to a similar report we made in the early 1980's; it is also a jumping-off point for an approach to combating poverty.

Community action agencies were created in the 1960's by Congress to combat poverty and to help low-income people achieve self-sufficiency. In Massachusetts, 25 CAAs provide basic support services, education and training services, and advocacy services to low-income people living in virtually every city and town in the Commonwealth. Together, these agencies are represented by MASSCAP.

As a group, we believe that low-income people should be treated with dignity and supported in their efforts to become self-sufficient. We believe in empowering people to take control of their own lives and communities in spite of individual and societal barriers to this end. It is our role to speak out and to support the low-income community's efforts to integrate more effectively into all aspects of society. We believe in the strength of collaboration, both internally and externally, to enable us to adapt to the changes in society and the emerging needs of the low-income community. Above all, we believe that helping people avoid poverty is as important as helping them when they become poor.
Since FDR spoke the words quoted above, responsibility for helping low-income people has shifted or devolved from the federal to state governments. They are operating in an environment colored by the "Contract With America", mandated federal deficit reduction, welfare reform, and, despite an apparently healthy economy, an ever widening gap between the rich and poor.

State governments and CAAs work as partners in helping low-income people. This is the case in Massachusetts and CAAs are uniquely qualified for this role. We have over 30 years of experience helping poor people become self-sufficiency through programs such as: Fuel assistance, weatherization assistance programs, GED and ESL Education, job training, head start and day care, homelessness prevention services, senior services, temporary food assistance programs, affordable housing creation and renovation, micro-enterprise and small business creation.

Unlike other non-profits, we are mandated under federal law to represent the communities we serve. We are anchored in those communities by a board of directors made up in equal parts by low-income people, members of the business community, and local public officials including: teachers, mayors, city councillors, selectmen, medical professionals, state elected and appointed officials, low-income people, business owners, community leaders, lawyers, veterans, manufacturers, students, clergy, union members, homemakers, CPA's, bankers, insurers, local merchants, human service professionals.

CAAs are also economic engines, providing communities with an annual infusion of over $250 million in total resources. CAAs generate twice that amount by helping clients become self-sufficient and productive. CAAs in Massachusetts serve over 250,000 families and over 600,000 individuals, employ over 4,000 people, work with over 3,500 volunteers, and grants over 6,000 contracts with local vendors totaling more than $50 million.

We stand ready to work with state and federal elected and appointed officials on the recommendations we make in this report.

Alan C. Sax

President
MASSCAP
I. Executive Summary

"As long as the poor can scrape by with two or three jobs, it will be hard for people to realize how serious this issue is. Instead, we will slowly become a nation where the police have to protect the rich from the poor.... And that will threaten our democracy. But until you get to that point, America won't see it."

Richard Freman
Harvard University Economist

Despite having the third highest per capita income in the nation, poverty remains a persistent problem in Massachusetts. This report examines Census Bureau data from the early 1990s to help understand the parameters and "face" of poverty in Massachusetts. Beyond recognizing that the poverty rate in Massachusetts during the early 1990s averaged 10.4 percent — that is, with more than one resident in ten living below the poverty line — the report looks at the prevalence of poverty from a number of perspectives including race, family structure, age, education, and residential patterns.

Of particular importance is the emphasis placed on poverty among working families. While much of the debate over welfare reform seems to assume that poor people are unwilling to work, the Census Bureau data reveal that nearly half of all poor families — 48 percent — have at least one adult working in the household.

Highlights from the report include the following:

- Nearly two-thirds of poor people in Massachusetts are non-Hispanic whites.

- Nearly a quarter million children in Massachusetts are poor, with a poverty rate at 16 percent that is nearly double the rate for adults.

- While most poor children are white, the poverty rates for children of color is far higher than that for whites. Specifically, 10 percent of white

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Children are poor, while 46 percent of black children and 61 percent of Hispanic children are poor.

- Young children are particularly poor, with nearly one in five children below the age of six living in poverty.
- Over one-third of poor families are headed by a parent with some post-high school education.

The prevalence of child poverty despite the work efforts of parents is particularly troubling. Among poor families with children, 45 percent have an adult worker in the home, usually with significant work efforts.

- On average, these working poor families with children work 38 weeks per year, or nine months out of the year.
- Nearly one in five of these families — 18 percent — work at least 50 weeks a year, and one in ten works full time, year round.
- The prevalence of working poor families cannot be explained merely by citing single parents; nearly half of all working poor families with children are headed by a married couple.
- High-school drop-outs cannot explain working poverty either; three-quarters of working poor families with children have at least a high school diploma.
- Finally, poverty despite work is not merely a factor of young parents. Only 10 percent of household heads in working poor families with children are under 25, while half are over 35.

The proponents of the welfare reform bill that passed Congress last year believed that eliminating entitlements to public assistance would force adults into the job market and, presumably, reduce poverty. This report shows that those receiving cash assistance already are in the work force.

- While 45 percent of poor families with children have an adult worker, over half of poor individuals and families without children have a worker in the household.
- Working poor families receive the largest share of their income from earnings, not cash assistance. Specifically, 43 percent of their income comes from earnings, while just 34 percent comes from cash assistance.
The official poverty line used to differentiate those who are "poor" from other low-income families is both an historic accident and an anachronism that understates what a reasonable person would consider to be "poor." A mother with two children in Boston earning $13,000 a year would have a very hard time paying rent, shopping for groceries, and buying school clothes, yet she would not be technically "poor." While there have been dramatic changes in the economy since the methodology for establishing an official poverty line was established in the early 1960s, the poverty measure itself reflects only the effect of inflation. Changes such as the increased need for child care, increases in federal payroll taxes to pay for social security, and the number of single parents are not reflected in what is described as poor.

As a result, it may be more reasonable to consider poverty to start at a level well above the official poverty line. Using a level 50 percent above the poverty line to determine families with "very low incomes" — a level that is still less than half the median income in the state — gives a more complete picture of those who are effectively, if not technically, poor. Census Bureau data suggest the following characteristics of families with very low incomes:

- Over one million people accounting for 17 percent of the population have incomes below 150 percent of the poverty line.

- While whites make up a large majority of those with very low incomes, one in seven whites, four in 10 blacks, and nearly six in 10 Hispanics have very low incomes.

- There are over 331,000 children in families with very low incomes. This includes 62 percent of black children and 71 percent of Hispanic children.

- The elderly fall heavily in this region of the not-quite-poor. While the official poverty rate for seniors is 13 percent, a third of all seniors have incomes below 150 percent of the poverty line.

- Six out of seven families with incomes between the poverty line and 50 percent above the poverty line — who could be called the near-poor — have an adult worker in the household.

- While only eight percent of white families with a worker present have very low incomes, over a quarter of black families with a worker and over a third of Hispanic families with a worker are poor.

Finally, it is worth emphasizing that a large number of children live in working families that have very low incomes. While 14 percent of all children fit into this category, nearly half of all black and Hispanic children live in families where one or more
parents work and yet their income is less than half the Massachusetts median. This experience of poverty or near-poverty despite work efforts must send a disturbing message about the value of work — and the way workers are valued — to minority youths.

Many of the problems that lead to low incomes and poverty despite work efforts — such as low skill levels, geographic separation between potential workers and jobs, and the loss of public benefits that often accompany entrance into the labor force — are likely to get worse as a result of welfare reform. While the wage levels for unskilled workers have deteriorated in recent decades, any substantial increase in the number of poorly-educated and low-skilled individuals into the work force will likely drive wages for this group lower still. Recent studies suggest that even in a growing job market, there could well be 50 percent more people looking for low-skill jobs than there are new jobs opening. In short, there are likely to be far too many low-skilled people chasing too few jobs under current labor market conditions.

Finally, this report ends with a series of modest policy recommendations that would increase the likelihood that working parents and their children would no longer be poor, or at least reduce the impact of poverty on their lives. While each these recommendations alone would not necessarily reduce the levels of poverty in Massachusetts dramatically, they could — together — improve the conditions of working adults and help ensure that, in Massachusetts at least, work still pays.

- Index the Minimum Wage for Inflation — In recent decades and in spite of periodic legislative increases, the value of the minimum wage has eroded due to inflation. Twice in the last decade — in 1989 and again in 1996 — the federal minimum wage, after adjusting for inflation, reached its lowest level since 1955. While Massachusetts recently raised its minimum wage to $5.25 and the federal minimum wage will rise to $5.15 on July 1, 1997, the state minimum wage will still leave a single parent who works full time and is raising two children nearly $2,000 below the poverty line. Moreover, this gap will again grow larger as inflation takes its toll. Policy makers should follow the example set in the social security program — the most effective anti-poverty program ever — and index the minimum wage for inflation. That way, automatic increases would prevent steady erosion in the minimum wage’s value.

- Establish a State-Funded Property Tax Circuit Breaker — Housing costs are a major share of the cost of living for poor families, particularly here in Massachusetts. One appropriate way to reduce the cost of housing is to provide property tax relief to those with high housing costs relative to their income. For low-income homeowners, a property tax circuit breaker would rebate any property tax in excess of 10 percent of a family’s income. Renters — who pay property taxes indirectly through their rent
— would also benefit from a well-designed property tax circuit breaker. State legislation that deemed a certain share of rent to be property tax — 25 percent is typical in states that provide similar tax relief — would allow renters to make the same calculation as homeowners. If the share of rent deemed to be indirect property tax payments exceeded 10 percent of income, the state would rebate the excess property tax payment in the form of a tax refund. Thus at modest cost and in a targeted fashion, the state could thus reduce the impact taxes have on poor families.

* Protect the Revenue Base — Effective programs to reduce poverty and to mitigate the effects of poverty require that government funds be available to finance these programs. There is ample evidence that when state funds run short, programs for low-income families are typically the first to be cut — long before corporate welfare programs face the budget scalpel. Given this tendency to balance the state budget on the backs of the poor, it is essential that the state reject the massive tax cuts benefitting primarily high-income households and businesses that have been proposed in recent months. In particular, proposals to cut $1.2 billion in state revenue by reducing the personal income tax rate and to cut another $260 million in taxes paid mostly by wealthy investors should be rejected by the legislature.

* Improve Child Care Access — Few concerns arise more quickly for low-income working parents than the cost of child care. The high cost of child care can be a serious impediment for parents attempting to leave public assistance and enter the workforce. An important first step would be to fully fund the child care subsidy for low-income parents. There are estimated to be between 6,000 and 10,000 poor parents eligible for child care subsidies who have been placed on a waiting list due to inadequate funds. The state should also increase the earnings limit for this subsidy up to 85 percent of the median income.

* Reform the Poverty Definition — Members of the state’s congressional delegation should support efforts to revise the official poverty definition. In particular, a new definition would take into account the differences in cost of living among the various states, it should take into account the increased costs of working today compared to 40 years ago, and consideration should be given to establishing a relative measure of poverty tied to median incomes.

* Increase the State Earned Income Credit (EIC) — Taken as a share of the broadly popular federal EIC, a state EIC rewards parents who work while raising children. While the legislature has recently adopted a state EIC
that will go into effect for those who file their taxes next year, the state credit is only 10 percent of the federal EIC, one of the lowest rates in the country. Increasing that to 15 percent or 20 percent of the federal credit would cost a modest $15 million to $30 million, while providing up to $360 in additional assistance to low-income working parents — a far better use of any funds available for tax cuts than most of those enacted in recent years.

- **Establish a Job Training Credit for Low-Skilled Workers** — While some employers do a reasonably good job of providing training and skill-enhancement for their workers, too often these benefits are aimed at staff with higher skills. From the employers perspective, training for low-skill workers may not be seen as a good investment, since these workers tend to move in and out of jobs more often than others. By providing a tax subsidy for employers that are expanding their workforce and providing training to low-skilled workers, the state can both encourage this sort of good corporate citizenship and improve the earning potential of its most vulnerable workers.

- **Protect Low-Income Families During Energy Deregulation** — As a result of federal laws, technical demands, and a changing economy, the energy industry will be largely deregulated during the coming years. To date, far too little attention has been given to the effect these changes will have on low-income families. Every effort should be made to ensure that low-income households receive real and substantial savings from this deregulation. In addition to a guaranteed rate cut of 15 percent that all households should receive, low-income families should be guaranteed a 60 percent discount and community-based non-profit organizations should be encouraged to act on behalf of low-income people to help them organize into buying groups to ensure competitive rates.

- **Improve Access to Quality Health Care** — Since 1987, Massachusetts has fallen from first in the nation in terms of health insurance coverage to 21st, a trend that shows no sign of abating. New data recently released shows that in 1996, while 60,000 new jobs were created in the state, the number of people without health insurance grew by 95,000. To respond to this continuing crisis, Medicaid eligibility should be expanded to include children through age 18 and pregnant women whose family income is up to 200 percent of the poverty line and the benefit package for children served by the Children’s Medical Security Plan should be expanded to include more comprehensive health services. Finally, a significant share of any revenue Massachusetts may receive as a result of a
national tobacco settlement should be earmarked to expand health care access among low-income working families.

- **Expand Education and Training Programs** — With new demographic data showing substantial increases in the school-age population and with looming time limits that will push more people off existing welfare rolls, Massachusetts should continue to expand the resources available to education and training programs. In particular, worker retraining programs and school buildings themselves must receive a new emphasis from state policy makers.

- **Reform Welfare Reform** — The federal and state changes enacted in welfare policies in recent years are likely to have a damaging impact on large numbers of Massachusetts families, particularly if and when the economy slows down. To reduce the unnecessarily punishing impact of these changes, Massachusetts should consider several changes in its welfare laws. In particular, the state should begin to consider education and training as fulfilling the work requirements of the new welfare law, it should provide an exemption from work requirements for women who have been subject to domestic violence, and the state should enact a pilot job readiness preparation program for those receiving public assistance to foster the sort of skills and habits necessary to find and keep a job.
II. Introduction

While Massachusetts is a comparatively wealthy state, with the third highest per capita income in the nation, poverty remains widespread across the state. Using the most current data from the U.S. Census Bureau, this report analyzes the prevalence and face of poverty in the Commonwealth. The picture that is drawn will be familiar in many respects, but is counter to the stereotypes of poverty held by many people. In particular, poor people in Massachusetts are often well-educated, are primarily white, often live in the suburbs, and are often engaged in the work force in significant ways. Moreover, another large number of families is above the official poverty line but still very close to poverty; their lives are little different from those in poverty, except that they often have less access to government assistance. Understanding and addressing the problems of the poor and near poor in Massachusetts should be a high priority for policy makers.

Nothing in a report of this sort can capture the difficulties and challenges that poor people actually face in their day-to-day lives, nor is this report intended to be a comprehensive survey of the many challenges poor people face. A series of brief sketches of poor and low-income families included here — representing real people in Massachusetts, but whose names have been changed to protect their privacy — gives only the briefest of glimpses into the lives of people who are otherwise described in statistical averages. The report can, however, cast light on the broad characteristics of poverty in Massachusetts, lending hard data to help understand just who the poor really are. This is particularly important as massive changes in state and federal programs for the poor are underway.

The federal welfare reform law enacted in 1996, while intended by its authors to address the problems of non-working welfare recipients, will instead likely further impoverish poor families, both those who work and those who, for a variety of reasons, are unable to work. Unfortunately, the plight of the working poor — a major emphasis of this report — is largely ignored and as a result exacerbated by these reforms. The final section of this report makes several recommendations that could manifestly improve the lives of those who have been left behind during the recent decades of economic growth.
In the current debates over welfare reform and other proposed reductions in safety net programs, many critics of government aid have claimed that such programs actually create poverty, rather than reduce it. They generally cite as evidence the fact the federal government has spent billions of dollars on anti-poverty programs since the days of the New Deal, yet poverty remains high. This criticism is not new. In his 1988 State of the Union Address, President Ronald Reagan said, "My friends, some years ago, the Federal Government declared war on poverty, and poverty won."

Reagan's critics countered that the federal government did not lose the war on poverty, it simply retreated from the battlefield. In their recent book, The War on the Poor, economists Randy Albelda and Nancy Folbre document the steady reduction in the percentage of people living in poverty after new Great Society programs were enacted in 1964.2 Despite the fall in poverty rates, however, the U.S. still lags behind many industrialized countries that spend more on low-income families and have lower poverty rates. Comparing the U.S. to other countries, they find:

- The U.S. devotes a small percentage of its Gross Domestic Product to social expenditures than Sweden, France or the U.K. Poverty rates in those countries would have been higher than in the U.S. absent government intervention. With government intervention, the poverty rates in the mid-1980s were 4.3 percent in Sweden, 4.5 percent in France, 5.2 percent in England, and 13.3 percent in the U.S.

- The countries of northwestern Europe also provide much more support for parents than the U.S. does in the form of family allowances, publicly subsidized child care, and paid family leaves from work.

The Center on Budget and Policy Priorities, a national research organization that analyzes the impact of public policies on the poor, has joined the debate with a new study showing that federal and state anti-poverty programs have lifted millions of children, disabled, and elderly out of poverty, and have reduced the level of poverty among those who remain poor.3 This study also shows that poverty increases when federal spending on the poor declines and decreases when federal spending rises. The findings seem intuitive; their significance is that the report contradicts the contention that cutting government spending causes, rather than alleviates, poverty. Highlights from the study include the following:

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• In 1995, without government programs, 57.6 million people would have been poor. When government benefits are counted — including food stamps, housing assistance, school lunch programs, and the earned income tax credit — the number of poor people drops by 27 million to 30.3 million.

• Census data show that the stronger the safety net, the more people are lifted out of poverty. When the safety net is weakened, the poverty rate increases.

• The Social Security program has been remarkably successful in shrinking poverty among the elderly. Nearly one out of two elderly people would have been poor in 1995 if they had not received government benefits; fewer than one in 10 were poor after calculating the value of their government benefits.

• Between 1983 and 1995 the number of children removed from poverty by government benefits programs nearly doubled; of particular importance in this regard is the federal earned income tax credit, available almost exclusively to working parents raising children. Federal expenditures for children increased 50 percent on a real per capita basis during that period.

The results of this study led the CBPP to conclude that the new welfare reform law, which cuts federal safety net expenditures by $54 billion over the next six years and allows states to withdraw an additional $40 billion in state funds from the programs, will likely lead to a significant increase in poverty in the coming years. With that backdrop, this report looks at poverty in Massachusetts as it existed in the early 1990s in order to recommend new state policies that will begin to end poverty — not just welfare — as we know it.
III. Poverty Data for Massachusetts

What are the facts about poverty in Massachusetts in the early 1990s? The official poverty line — actually, because the official definition of poverty varies by family size, one should more accurately speak of poverty lines — is adjusted each year based on inflation. As discussed in Chapter V, except for inflation adjustments the official poverty line has changed little over three decades, raising a number of concerns as to the validity of the measure. Still, it remains the official standard of poverty and the best measure currently available. The estimated 1997 poverty thresholds for a family of three is $12,886 and for a family of four is $16,501.4

More than one of every ten residents of the Commonwealth were poor during the period studied — 10.4 percent, to be precise. This figure hides significant differences in the prevalence of poverty among racial groups. Some of the demographic characteristics of poor people include the following:5

- As shown in Figure 1, most poor people — nearly two-thirds, in fact — are non-Hispanic whites. Whites make up 65.3 percent of all poor people, while Hispanics make up 18.1 percent and blacks make up 13.6 percent. The remaining three percent of poor people are Asians, American Indians, and other races.6

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4 These figures reflect the official 1995 Census Bureau poverty thresholds adjusted to reflect inflation.

5 Unless otherwise indicated, all poverty data in this report are from a special tabulation of data from the U.S. Census Bureau's March Current Population Survey, a national survey of over 50,000 households that includes questions on income and employment. Data from Massachusetts respondents from 1993 to 1995, reflecting their economic status from 1992 to 1994, are pooled to ensure adequate sample sizes; these remain the most current years for which detailed data are available. It should be noted that preliminary data on poverty in 1995 released in 1996 suggest a decline in poverty nationally, the only statistically significant findings to show a reduction in poverty were in the Midwest. Detailed state-by-state findings from the 1996 survey are not yet available for analysis.

6 "Hispanic," of course, is an ethnic category, not a race; Hispanics can be of any race. Throughout this report, families that identify themselves to the Census Bureau as Hispanic are not also included in the categories of black or white. For simplicity sake, the technically accurate phrases "non-Hispanic white" and "non-Hispanic black" has usually been shortened to simply "white" and "black" respectively.
• Still, the poverty rates for minorities are dramatically higher than for whites. Figure 2 shows that while only 7.6 percent of whites in Massachusetts have incomes below the poverty line, 30.6 percent of blacks are poor and 47.9 percent of Hispanics are poor. Thus, blacks are four times more likely than whites to be poor, and Hispanics are six times more likely.

Figure 2
A particularly troubling aspect of poverty in Massachusetts is the frequency of poverty among children. Research shows that poor children may face permanent damage from early poverty: they evidence diminished intellectual capacity even when other variables such as the age, marital status, and education of their parents are factored in. In spite of this evidence that shows long-term consequences from childhood poverty, children are more likely to be poor than others in Massachusetts.\(^7\) (See Box below for a profile of one family where poverty may be having a serious effect on one very young child.)

- As shown in Figure 3, the poverty rate for children in Massachusetts was 16.2 percent. This translated into about 229,000 poor children in the early 1990s.
- Among adults in Massachusetts, the poverty rate in the early 1990s was about 8.6 percent. Thus the child poverty rate was nearly double the rate for adults.
- Combined, the poverty rate for all people in Massachusetts in the early 1990s was 10.4 percent.

Figure 3

![Poverty by Age Group](image)

\(^7\) National data also suggest that although the poverty rate for children is growing, the poverty rate for the elderly, in particular, has dropped dramatically in the last quarter century.
Pedro and Maritza Sanchez

Pedro and Maritza Sanchez, along with their nine month old daughter, arrived in Framingham from their native Puerto Rico in October 1996. Pedro is 24 years old, and Maritza is 23. They left Puerto Rico because Maritza was being stalked by her ex-husband, and they feared for her life. Pedro was working as a supervisor in the state penitentiary earning $1100 per month, but felt that he could not continue working there and help look out for Maritza’s safety.

Pedro and Maritza chose Framingham because they knew that a number of Puerto Ricans lived there, and neither speaks English. With little money, they quickly contacted the Department of Transitional Assistance. Because they needed temporary shelter they were sent to Holyoke, nearly 60 miles from Framingham. They plan to move back to Framingham once they leave the shelter system. Pedro intends to learn English, and hopes to pursue his career in the corrections field in Massachusetts.

There were also significant differences in poverty rates among different types of households in Massachusetts. Again, families with children present are more likely to be poor than other households.

- For non-elderly households without children, the poverty rate is 11.6 percent.

- For households where the head of household is over 65 (and where no children are present), the poverty rate is 12.6 percent.

- For families with children present, the poverty rate is 14.0 percent.

For single-parent families, the poverty rate is far higher than for two-parent families. This should not be surprising, since the single parent must fill the role of both breadwinner and caretaker, roles that too often are in conflict. It may often be the case that single parents are forced to take relatively lower-paid jobs that offer more structured work hours, since they often do not have the flexibility to work extra hours. As shown in Figure 4, the difference in poverty rates between male-headed single parent families and female-headed single parent families is striking, however, even though both perform the same breadwinner and caretaker roles.

- For married couples with children, the poverty rate is just 4.3 percent.
• For the fairly small number of male-headed single parent families (just 13 percent of the number of female-headed single parent families), the poverty rate is three times higher than for married couples, or 13.0 percent.

• For single mothers, the poverty rate is fully 41.9 percent, nearly 10 times the rate for married couples and over three times the rate for male-headed single parents.

• Single-parent families headed by women account for 22.7 percent of families with children and 72.7 percent of poor families.

Figure 4

As a result of the higher poverty rate among families with children, children are more likely to be poor than other age groups, and children from minority families are particularly likely to be poor.

• Children under the age of 18 make up 37.3 percent of poor people.

• Of these poor children, slightly over half — 53.8 percent — are white. Blacks make up 18.9 percent of poor children, and Hispanics consist of another 25.1 percent.

• The differences in poverty rates among children of different races are vast. As seen in Figure 5, while 10.3 percent of white children are poor, 45.6 percent of black children are poor and 60.8 percent of Hispanic
children are poor. Again, black children are four times more likely to be poor than white children and Hispanic children are nearly six times as likely.

- Children under the age of six have even higher poverty rates. Nearly one in five children under the age of six — 18 percent, or 94,000 Massachusetts kids — live below the poverty line.

**Figure 5**

![Child Poverty by Race](image_url)

**Educational Attainment of Poor People**

Poor people generally have received less formal education than the non-poor; nearly two-thirds of poor household heads have received at best a high school diploma. It is not the case, however, that low-income people are entirely uneducated; one-third have some post-high school education and the household head in nearly one poor family in six has at least a bachelor's degree (see Box below). Figure 6 compares the educational levels of the poor to the population at large.

- Among the population at large, 10.9 percent have not received a high school diploma or equivalency certificate; 29.6 percent have no more than a high school diploma or GED; 23.5 percent have some education beyond high school, but less than a college degree; and 36.1 percent have at least a four-year college degree.
• Among the poor, 32.1 percent have not received a high school diploma or equivalency certificate; another 32.1 percent have no more than a high school diploma or GED; 20.3 percent have some education beyond high school, but less than a college degree; and 15.6 percent have at least a four-year college degree.

Figure 6

![Educational Attainment in MA](image)

Communities in Which Poor People Live

Not surprisingly, poor people in Massachusetts reside disproportionately in cities. However, while the share of poor people who live in cities is greater than among the population at large, most poor families live outside cities, either in suburbs or outside metropolitan areas altogether. Figure 7 compares the geographic dispersion of the poor to the population at large.

• Among the population as a whole, half of all citizens — 50.6 percent — live in the suburbs, while just under one-quarter live in cities and just over one-quarter live in non-metropolitan areas.

• Among the poor, 36.6 percent live in the suburbs, another 36.6 percent live in cities, and 26.8 percent live in non-metropolitan areas. Thus while a greater share of the poor than the non-poor live in cities, fully 63.4 percent, or nearly two out of three, live outside the central cities.
Debbie O'Connor

Debbie O'Connor is a 27 year old single mother of three children living in Lowell. The children, a girl age 10 and two boys ages six and three; only one of the boys has any continuing contact with his father. After several years on AFDC, Debbie has been working full-time and attending school over the past three years. Her efforts to make use of transitional assistance such as food stamps and medical coverage when she began work were frustrated by the unwillingness of the Department of Transitional Assistance office to schedule appointments around her new work schedule.

Debbie has earned $288 per week over the past several months as a nursing assistant. She has nearly completed an associate's degree, and hopes to eventually get certified as a special needs teacher. She receives subsidized child care, including before and after school care for her school-aged children in order to meet her work and school schedule. Debbie utilizes food assistance from the food pantry at her church. Although she has no medical insurance for herself, her children are covered under Mass. Health. Debbie uses emergency room services for herself when she needs medical care, including surgery that was necessary.

Figure 7

Metro Status of MA Households

<table>
<thead>
<tr>
<th>Share of Total</th>
<th>City</th>
<th>Suburban</th>
<th>Non-Metro</th>
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</tbody>
</table>

[Legend: □ Poor Households □ All Households]
IV. Poverty Despite Work

Contrary to many stereotypes of poor people being unwilling to work, nearly half of all poor families — 47.7 percent — have at least one adult worker in the household. While most of the emphasis of the ongoing debate over welfare reform has revolved around poor families who did not work, a major problem in Massachusetts — and in other states — is the prevalence of poverty despite work. Welfare reform that focusses only on families outside the work force will do nothing to improve the living standards of those who remain poor even though they work. Indeed, if welfare reform efforts work the way its proponents expect, it could — by moving thousands of low-skilled workers into the work force — drive down wages for those in the workforce already or push them out of jobs altogether.

Work Experience of Poor Families with Children

Many families in Massachusetts are poor in spite of their work efforts. Throughout the period analyzed in this report, the minimum wage was $4.25 per hour. At that rate, a full-time, year-round worker would earn just $8,840 a year, far below the poverty rate for a family of three throughout the 1990s. Thus it is not surprising that many poor families in Massachusetts are poor in spite of their work efforts. Excluding families who are unable to work because they are retired, ill, or disabled (just nine percent of all families with children), nearly half of all poor families with children — 45.2 percent — have at least one adult worker during the year. This means that there were 156,000 people living in families with children who were below the poverty line despite work. Of these poor people, 91,000 — or 58.3 percent — were children. (See Box below.)

---

8 On October 1, 1996, the federal minimum wage rose to $4.75 a hour, with another increase to $5.15 scheduled for July 1, 1997. The minimum wage in Massachusetts, however, is set higher than the federal minimum. As of January 1, 1997 the minimum wage stood at $5.25 in Massachusetts. Even with that increase, someone working full-time, year round would only earn $10,920, or $1,996 less than the poverty rate for a family of three and $5,512 less than the poverty rate for a family of four.

9 A two-parent family is only considered unable to work if both parents are retired, disabled, or ill. If one parent is able to work, the family as a whole is considered eligible for the workforce in this study.
Mary Brosnan

Mary Brosnan is a 43 year old Cambridge resident who has been separated, though not divorced, from her husband for the past four years. She has three boys, ages 18, 15, and six. Debbie works three part-time jobs in bookkeeping and office management which she is able to schedule around her child care and child transportation responsibilities. She earns a total of $855 per month in the three jobs. She receives $75 per week in child support and $171 per month in food stamps, thus total cash available for this family of four is $13,200 a year.

Mary has never been on AFDC. Her sister, a single mother of four children, received AFDC for a number of years and earned an associates degree during that time. Mary's sister is now working and no longer receives AFDC. Mary wonders whether she should have applied for AFDC, as she has been unable to pursue the accounting degree she sees as her future. Despite making regular small payments on an unpaid balance, Mary's youngest son has recently been refused by their family's dentist for recommended dental surgery.

Thus poverty despite work in Massachusetts, while surely the exception, is not as rare as one might think. Fully 4.7 percent of all people who live in families with a worker are poor. That is, out of every 20 people in families with a worker, one will be poor. What do we know about the working poor?

- For the most part, their work experience is significant. Among the 45 percent of poor families with a worker present, the average number of weeks worked by one parent alone or both parents combined is 38, the equivalent of nearly nine months of work (see Figure 8).

- Of all poor families with children, 18.2 percent — nearly one in five — work at least 50 weeks during the year.

- Moreover, 10.1 percent of all poor families with children work at least 2,000 hours during the year, the equivalent of a 40 hour week over 50 weeks. Thus one out of every ten poor families is poor despite the fact that they work full-time, year-round.
Another way of understanding the work effort of the poor is to consider the share of families receiving welfare that also have a working parent. It is worth noting that not all families receiving welfare are poor by the official definition. That is, they may work for half the year, lose their job, exhaust unemployment benefits if they are eligible, and then start to receive public assistance. Their annual income could be above the official poverty line, even though they were poor for part of the year.

During the early 1990s, 105,000 families with children in which the parents were not retired, ill, or disabled received welfare cash assistance, either in the form of AFDC, SSI, or general relief. Of these families, an adult worker was present in 44,000, or 41.5 percent. Thus nearly half of all families on welfare who could be considered eligible to work do so — and this does not include those who would like to work but during the deep recession during much of the early 1990s were unable to find work.

Working poor families do not fit into any simple demographic categories. They are not just single parents or young families with limited work experience or simply adults with very limited education. On the contrary, the working poor come from a broad cross section of each state's residents.\(^\text{10}\)

\(^{10}\) The demographic data on working families that follow are restricted to families that work a total of 520 hours or more a year, the equivalent of three months of full-time work. This allows an analysis of those families with some significant work experience, leaving out those families whose work experience was particularly brief.
• Even the presence of two potential workers does not guarantee an escape from poverty. Nearly half of all working poor families with children in Massachusetts — 43 percent — were married couples (see Figure 9).

Figure 9

![Family Make-Up of Working Poor](image)

- Nearly all of the remaining working poor families were headed by women. Of all working poor families with children, 52 percent were single-parent families headed by women, while merely four percent of working poor families were single-parent families headed by men.

- A large majority of working poor families with children were white. Figure 10 shows that two-thirds of working poor families with children were headed by non-Hispanic whites, while 19 percent were Hispanic, and 13 percent were non-Hispanic blacks.

- As shown in Figure 11, less than a quarter of family heads in working poor families with children had less than a high school education. Nearly four in ten poor working families with children in Massachusetts had at least some college education, and more than one in seven had a four-year college degree.

- Working poor families with children in Massachusetts are headed by people of all ages. As seen in Figure 12, one in ten such family heads are below the age of 25, while 41 percent are between 25 and 34 years old, another third is between 35 and 44, and 16 percent are over 45.
Finally, working poor families with children live in communities all across the state. While the prevalent belief may be that poor families are concentrated in large cities, nearly one in four poor families in Massachusetts live outside of metropolitan areas.\textsuperscript{11}

\textbf{Figure 10}

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    title={Race of Working Poor Families with Children},
    title style={yshift=-0.5cm},
  ]
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    \addplot[fill=black] coordinates {(1,13)};
    \addplot[fill=red] coordinates {(2,19)};
    \addplot[fill=gray] coordinates {(3,67)};
  \legend{White, Hispanic, Other, Black}
\end{axis}
\end{tikzpicture}
\end{center}

\textsuperscript{11} A metropolitan area is defined as having a central city population of at least 50,000 or an area population of 100,000 or more. Metropolitan areas include central cities and all surrounding suburban areas that are economically integrated with the central city.
Figure 11

Education of Working Poor Families with Children

- BA or Higher: 15%
- High School: 24%
- Some College: 22%
- HS or GED: 39%

Figure 12

Age of Family Head in Working Poor Families with Children

- Over 45: 16%
- Under 25: 10%
- 35-44: 33%
- 25-34: 41%
Poverty Despite Work in the Population at Large

Among individuals and families without children, the prevalence of poverty despite work is even greater than in families with children. For instance, over half of poor individuals and families without children — 51.3 percent — have a worker present in the household; this accounted for some 62,000 people in Massachusetts in the early 1990s. Among these households with workers, the work experience is not trivial, with workers averaging 32 weeks of work per year. And fully 8,000 households — 7.4 percent of individuals and families without children — work full time, year round yet remain below the poverty line. All told, nearly one family in 20 where a worker is present — or 4.7 percent — lives below the poverty line.

The following data look at poverty in all Massachusetts households with at least one worker, whether or not there are children in the household.

- As with poverty generally, the working poor are mostly white (see Figure 13). Non-Hispanic whites make up 71.7 percent of the working poor, while blacks make up 11.4 percent and Hispanics make up 14.2 percent.

Figure 13

Race of All Working Poor Households

- Among whites in families with a worker, just 3.7 percent are poor, as seen in Figure 14. But among blacks in families with a worker, the poverty
rate is more than three times higher, or 12.8 percent. And among Hispanics in families with a worker, the poverty rate is more than six times higher, or 22.7 percent.

Figure 14

- Among Hispanic families with workers present, nearly one in four people live in poverty. Thus it would not be surprising if young Hispanic people, observing the prevalence of poverty despite work, were skeptical or even cynical of the value of work.

The work efforts of poor households is by no means trivial; in fact, in a large number of families, adults work at least 50 weeks during the year, yet remain below the poverty line.

- In 17.3 percent of poor households in Massachusetts, the combined work effort of the household head and any other adults in the family is at least 50 weeks during the year.

- In about half of those households, 8.5 percent of all poor households, the combined work effort of adults is at least 2,000 hours. Thus in more than one in 12 poor households, family members work the equivalent of a full-time, year-round job, yet remain poor.

Low-income households are often perceived as relying primarily on welfare benefits to make ends meet. Yet the data on work experience and sources of income do
not support that stereotype. Low-income families, in fact, receive a greater share of their income from earnings than from any other source. On average, poor households in Massachusetts have total incomes averaging about $5,100; of that,

- earnings from work account for the largest share, 43.3 percent;
- only one-third — or 33.9 percent — comes from public assistance;
- less than one-twentieth — 3.6 percent — comes from child support; and
- another 3.6 percent comes from unemployment insurance.
V. Households with Very Low Incomes

The official poverty line used in this report reasonably could be described as both an historic accident and an anachronism that understates what a reasonable person would consider "poor." A mother with two children in Boston would have to struggle to pay the rent, buy school clothes, and shop for groceries on $13,000 a year, yet the family would not be described technically as "poor." Not only are many families just slightly above the official poverty line, but these are often the families that work full-time and receive little or no government benefits — and they could be the families most harmed by welfare reform. Accordingly, it makes sense to look at these families whose income places them only slightly above the poverty line.

Weakness in National Poverty Measures

The first official poverty level was established in the early 1960s based on research from the 1950s that showed, on average, households spent one-third of their income on food. From that premise, analysts in the Kennedy administration used three times the "thrift" food plan — a measure of the lowest-cost means of feeding a family — as an indicator of poverty. Adjusted for inflation since then, the official poverty level has taken on a legitimacy never intended by its originators.

There have been a variety of demographic and economic changes in the decades since the research leading to the original poverty line was undertaken. In the first instance, there are far more two-income households today than previously, with labor force participation among women growing from 37.7 percent in 1960 to 58.9 percent in 1995. Since working outside the home often generates substantial costs — typically including transportation, apparel, and child care — these additional costs for the working poor should be taken into consideration in determining poverty. Moreover, the thrifty food plan does not allow for purchases of prepared meals; providing even a modestly healthy diet on the thrifty food plan requires significant amounts of time and energy. While that may have been possible with a stay-at-home parent, working parents would have an extremely difficult challenge to prepare meals on this plan while working outside the home and taking care of other family responsibilities.

Similarly, higher taxes — particularly on lower-income families — will reduce a family's standard of living, but are not reflected in the official poverty level. Imagine
an extreme situation, where combined federal, state, and local taxes on low-income households grew from, say, 20 percent of income to 50 percent over a few years. Low-income families would surely have less disposable income with which to meet their basic needs, leaving far more people poor in some absolute sense, but the poverty line would have only increased by the rate of inflation. While there has been no tax shift of that magnitude, the burden of the payroll tax that supports social security and Medicare has grown significantly. In 1955 the payroll tax was merely two percent, growing to three percent in 1960. But by the early 1990s, the tax had reached 7.65 percent. With the simultaneous decline in corporate taxes paid for by increases in state and local sales and property taxes that have a disproportionate impact on low-income households, it is quite likely that taxes on these families have grown substantially over the last three to four decades, without having this growth reflected in the official poverty level.

As a result of these demographic and economic changes, more than two-thirds of a family's budget must now go toward non-food purchases. Instead of comprising one-third of a family's budget, food purchases now consume an average of just one-fifth of an average family's spending. Using the old formula is out of date and inaccurately reflects the income level needed to maintain an adequate standard of living.

Another problem with the official poverty line is the absence of any accommodation for different costs of living in various locations. All else equal, the use of a single national poverty standard will understate poverty in areas with high living costs and overstate poverty in areas where the cost of living is comparatively low. This is particularly troublesome in Massachusetts, with one of the highest costs of living in the country.

In 1994, for instance, the Commonwealth's cost of living was fourth highest in the nation and second only to New Jersey among the 48 contiguous states. The cost of living differences between Massachusetts and other states can be described in a number of ways. The 1994 cost of living in Massachusetts was:

- one-seventh — 13.7 percent — higher than the national average;
- one-fifth — 19.1 percent — higher than the national median; and

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12 The 7.65 percent rate reflects the employee's share of the payroll tax. The employer also pays a 7.65 percent rate, an amount that economists typically believe is actually passed on to the employee in the form of lower wages. Since the growth in the employer's share of the payroll tax is reflected in the slow growth of wages, however, this change would already be incorporated into the relative prevalence of poverty.
• one-quarter — 24.8 percent — higher than the cost of living for the 10 states with the lowest cost of living.

Very Low-Income Households

As a result of these various analytic shortcomings of the official poverty line, it may be appropriate to consider households slightly above the poverty line to be "poor" in a non-technical sense. To avoid the confusion that could result from various standards of poverty, we refer to the poor as those who fall below the official poverty lines, and those with "very low income" as those whose income is less than 150 percent of the official poverty line. Thus, the standard for very low incomes for a family of four is $24,070. This measure of poverty, while admittedly fairly arbitrary, is less than half the median family income in Massachusetts, a measure suggested by some as the appropriate indicator of relative poverty.  

Using this standard for very low-income families — households whose income is below 150 percent of the official poverty line — provides some striking indications about the relative privations faced by many Massachusetts residents.

• Just over one million individuals, or 17.4 percent of all Massachusetts residents, have very low incomes.

• As seen in Figure 15, one in seven whites — 14.0 percent — have very low incomes.

• More than four in 10 blacks — 43.4 percent — have very low incomes.

• Well over half of Hispanics — 58.6 percent — have incomes below 150 percent of the poverty level.

• While 65.3 percent of those below the official poverty level are white, the share of all those with very low incomes who are white is 71.8 percent.

13 In the recent report Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, Citizens for Tax Justice estimated the 1996 income range for non-elderly married couples in the middle quintile — that is, with 40 percent of married couples above them and 40 percent below — to be between $52,000 and $65,000. If the median income for married couples is the midpoint of that range, it would be $58,500. Alternatively, data from Massachusetts Statistics of Income: 1992 Individual Income Tax Returns — the most current available — suggest that the median income for all joint filers, including elderly households, would be around $49,000. Either way, the standard of 150 percent of the poverty line is below half the median.
In contrast, blacks and Hispanics make up smaller shares of all very low-income households than they do of the officially poor. Blacks comprise 13.6 percent of the poor and 11.5 of the very low income, while Hispanics make up 18.1 percent of the poor but just 13.3 percent of the very low income.

Figure 15

The number of children living in families with very low income grows to 331,000 when we include those up to 150 percent of the poverty line, accounting for nearly a quarter — 23.4 percent — of all children under the age of 18. Of these very low-income children, a significant majority are white:

- Whites make up 59.9 percent of very low-income children;
- Blacks comprise 17.6 percent of very low-income children; and
- Hispanic children are 20.1 percent of the total.

Although most very low-income children are white, the share of all Hispanic and black children whose families have incomes below 150 percent of the poverty line is far greater than for whites (see Figure 16).

- One in six white children, or 16.6 percent, are from very low-income families.
• Among black children the rate is 61.6 percent.

• For Hispanic children, over two-thirds, or 70.7 percent, are from very low-income families. Thus fewer than one in three Hispanic kids grow up in households with anything resembling even modest means.

**Figure 16**

![Very Low Income Rates Among Children](image)

Expanding the universe of those who have very low incomes up to 150 percent of poverty has a considerable impact on the elderly. A number of factors, including the growth of Social Security benefits and the increasing prevalence of pensions, have caused the poverty rate among the elderly to fall over the last several decades. In the quarter century between 1968 and 1993, for instance, the national poverty rate among the elderly was more than cut in half, falling from 25.0 percent in 1968 to 12.2 percent in 1993 (see Figure 17).\(^{14}\) But while programs like social security have reduced poverty among the elderly, there remains a large number of seniors who live just above the official poverty line. Here in Massachusetts, while only 12.6 percent of elderly households are below the official poverty line, that rate more than doubles to 31.9 percent when including those up to 150 percent of the poverty line. Thus, despite dramatic success in reducing poverty among senior citizens, nearly the income of one

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\(^{14}\) This drop was in spite of the fact that 1993 poverty rates were elevated as a result of the recession of the early 1990s. Richard May, 1993 *Poverty and Income Trends*, Center on Budget and Policy Priorities, March 1995.
in five is just slightly above the official poverty line and nearly one in three can be classified as having very low incomes.

Figure 17

![Poverty Trends Among Children and Seniors](chart)

**Educational Attainment Among Those with Very Low Incomes**

Not surprisingly, adults with incomes less than 150 percent of the poverty line have higher formal education than those below the official poverty line, but not as high as the population at large. What at least some will find surprising, though, is that nearly three-quarters of very low-income families are headed by someone with at least a high-school diploma, and one in six have at least a four-year college degree (see Figure 18).

- 28.2 percent have not received a high school diploma or GED.
- 34.9 percent have a high school diploma or its equivalent, but no further formal education.
- 20.6 percent have received some post-secondary education.
- 16.4 percent have at least a bachelors degree.
Figure 18

Education of Very Low Income Households

Work Experience of Families with Very Low Incomes

A solid majority of those families whose incomes place them above the official poverty line but less than 150 percent of the poverty line — those who could be called the near poor — work during the course of a year. While just under half of all poor families in Massachusetts or 47.7 percent have at least one adult worker, six out of seven near-poor families — 86.4 percent — have at least one worker. (See Box on page 38 for a description of one of these families.)

As discussed above, the poverty rate for individuals in households in which there is at least one worker present is 4.7 percent. When considering working families with income up to 150 percent of the poverty rate, however, 9.6 percent or 450,000 have very low incomes. That is, nearly one in 10 people who live in families with a worker present have very low incomes and face significant financial hardships.

As might be expected based on other poverty data, the share of those in working families with very low incomes is much greater among racial minorities than among whites (see Figure 19).

- Among whites, 7.9 percent of those in working households have very low incomes.
- Among blacks, over one-quarter of those in working households — 26.2 percent — have very low incomes.

- Among Hispanics, more than one in three of those in working households — 36.4 percent — have very low incomes.

Figure 19

![Graph: Very Low Income Rates in Working Families](image)

As seen in Figure 20, the rates of children living in very low-income families with a worker is even greater than for the population at large. Among children, 14.4 percent are in very low-income families, compared to 9.6 percent of the general population.

- Among white kids, 11.2 percent of those in working families are in very low-income families.

- Among black kids, 44.3 percent of those in working families are in very low-income families.

- Among Hispanic kids, 46.4 percent of those in working families are in very low-income families.

These last two points deserve emphasis. Poverty and economic privation are typically considered a function of an inability or unwillingness to work. Yet for black
and Hispanic children, nearly half of those who live in families with an adult worker present have incomes that, while not necessarily poor in a technical sense, are at best meager. This fact of poverty and near-poverty despite work must send a troubling message to minority children.

Figure 20

![Bar Chart](chart.png)

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<td>11.2%</td>
<td>44.3%</td>
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Finally, it is helpful to look at the sources of income for those with very low incomes. The annual income of families below 150 percent of the poverty line is, on average, about $8,012.

- The bulk of that income, $4,863 or 60.7 percent, comes from earnings.
- Just $1,446, or 18.0 percent, comes from public assistance. Thus families with very low incomes receive over $3 in earnings for every $1 they receive in public assistance.
- Unemployment insurance benefits account for $272 or 3.4 percent of their income.
- An additional $168, or 2.1 percent of their income, comes from child support.
Jackie and Peter Roberts

Jackie and Peter Roberts are both 28 years old. They are lifelong Northampton residents, and currently live there with their two sons, ages six and four. Peter works as a boat mechanic in season earning $400 per week, but gets laid off every October. Since Peter typically waits a month or so before receiving his first unemployment payment in the fall, the family has applied for AFDC for about a month each year for the past several years. They pay $400 per month plus heat for an unsubsidized apartment.

While receiving AFDC, Jackie and Peter also receive $385 per month in food stamps which they use to stock up on non-persishable food for the winter. The family has medical coverage when Peter is working. When living on unemployment the boys are covered under Mass. Health, but Jackie and Peter have no medical insurance. At the time of this interview, Jackie had a herniated disc but no medical insurance to cover treatment or surgery.
VI. Poverty and the Labor Market

"I can tell you as a former welfare mother that the main reason families are on welfare in the first place is because there aren't enough jobs that pay a family wage, and there aren't the support systems like child care and health care so that they can get off welfare and go into the workforce."

Rep. Lynn Woolsey, D-California\textsuperscript{15}

Despite recent improvements in the state and national economies, the labor market prospects for low-skilled workers continues to be bleak. Simply requiring welfare recipients to work is not going to alter that reality. Government must play a central role if the goal is not only to end welfare as we know it, but also to end poverty as we know it.

Current Labor Market Trends

As has been widely documented, after two decades of growth immediately after World War II, the bottom two-fifths of American families have watched their real wages decline over the past 20 years. The hardest hit are young male high school graduates and drop-outs, who now earn 20 percent to 30 percent less per hour than they did in the early 1970s.\textsuperscript{16}

There are many explanations for the declining incomes of lower-income workers, including technological advances, international competition, the declining rate


of unionism and the declining value of the minimum wage. The end result of these changes, as Rep. Woolsey said, is that "there aren't enough jobs that pay a family wage." Thus, as we have seen, a significant share of families are poor despite their work efforts, including parents who work at full-time, year-round jobs. This problem affects the working poor, as well as welfare recipients who are expected to join the labor force under the new state and federal welfare reform laws.

The single best solution to the problem of low levels of employment and low wages is a low unemployment rate. That is good news right now, since the labor market is the tightest it has been in 25 years, with the national unemployment rate over five percent and the state rate at four percent\(^\text{17}\). These low rates combined with the recent rise in the minimum wage should put some upward pressure on wages, but they are not a panacea for low-income workers. While a strong labor market is necessary, it is not sufficient, to end poverty as we know it. Moreover, Federal Reserve Board chairman Alan Greenspan has made it clear that he would find upward pressure on wages due to the tight labor market a sign of inflation. In that case, the bank would likely raise interest rates to slow the economy and reduce pressure on wages (see Box below).

Average statewide unemployment data mask differences across sectors. The metaphor about "a rising tide lifting all boats" is no longer apt; the "boats" do not all rise at the same rate, as is amply demonstrated by data on the rising gap between the poor and affluent since 1980.

While income growth was both rapid and relatively equal across incomes between 1950 and 1979, the picture has changed dramatically since then. Not only has inequality risen in the U.S. compared to our own past, but the degree to which it has risen here is far greater than in other advanced economies.\(^\text{18}\) There is a great deal of data to illustrate these trends.

\(^{17}\) Just as the official poverty figures do not tell the whole story about who is truly economically disadvantaged, the official unemployment rate does not give a true picture of how many people are out of work. There are a significant number of people who are not official "unemployed," but who are not working and wish they were; this group is sometimes called the labor market "overhang." It includes discouraged workers who have given up trying to find work and people whose family situations, geographic location or other factors prevent them from seeking employment even though they would prefer to be working. Economists Andrew Sum and Paul Harrington estimated that, in 1994, the "overhang" in New England was equivalent to 60 percent of the annual average number of unemployed in the region.

Can Low Unemployment End Poverty?

Many economists note that a tight labor market is the best means of raising wages of low-income workers above the poverty line. At the same time, many economists acknowledge that the people who manage our economy do not consider it a desirable goal to have a very low unemployment rate and rising wages.

Imagine, for a moment, that a large percentage of the people currently on welfare and currently unemployed found full-time jobs, the unemployment rate dropped precipitously and wages rose. If past is any guide, the Federal Reserve Bank would likely look upon such an occurrence with alarm. They would worry that the economy was "overheating," risking a rise in inflation. Officials at the Federal Reserve Bank would no doubt raise interest rates, thereby tightening the money supply, slowing the rate of growth, and bringing a swift return of unemployment rates to at least five percent.

Given this reality, relying on a tight labor market to solve the poverty problem is unrealistic. As long as the federal government consciously institutes policies to ensure there will never be full employment, the government should ensure that there is a safety net in place to support those who are left out of the labor market by design.

- Three-quarters of the income gains in the 1980s and all of the increased wealth during that period went to the top 20 percent of families.\(^1^9\)

- As shown in Figure 21, the wealthiest one percent of the population controlled nearly one-fifth of all U.S. wealth in 1976, while the bottom 90 percent controlled just half. By 1995, however, the wealthiest one percent controlled *more* wealth — 40 percent of the total — than the bottom 90 percent, which held just 29 percent of the wealth.\(^2^0\)

- Today the U.S. has the widest gap between rich and poor since the Census Bureau began keeping track in 1947. The top fifth of families earn nearly

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half — 44.7 percent — of the income, while the bottom fifth earn only 4.4 percent.  

Figure 21

![Bar chart showing wealth distribution](chart.png)

Recent data indicate the gap may be narrowing slightly with improvements in the economy and the 1993 enactment of greater progressivity in the federal tax code, but the great disparities in income and wealth are not likely to be reversed any time soon. Poor skills are probably the most important driving force behind low wages at the bottom of the income ladder. There are many more unskilled workers and potential workers than there are jobs that do not require skills. Other barriers not easily remedied by the marketplace alone are the geographic mismatch between where low-skilled workers live and where jobs are located, continued discrimination against non-white workers and women, and the high costs of entering the labor force, especially for single parents with young children.

Low Skills

As Prof. Harry Holzer has documented, many low-wage workers and welfare recipients have poor reading, writing, and math skills, yet only about five percent of all

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jobs do not require one or more of those skills. Today, three-fourths of all jobs involve contact with customers, and a majority of jobs involve some familiarity with and use of computers.

Because of this "skills gap," a low overall unemployment rate can mask the fact that the rate is much higher for people with low levels of education and training. For example, in 1994 workers with less than a high school diploma had an unemployment rate of 12.4 percent, more than double the national rate of 5.8 percent. For women aged 18 to 30 without a high school diploma the unemployment rate was 21.3 percent.\textsuperscript{22}

A key reason for these dismal numbers is that we have lost a significant number of blue collar jobs that once provided workers who did not have a college education with an opportunity to earn good wages and benefits.

Regionally, this trend is well-documented in a 1996 report by The Massachusetts Institute for a New Commonwealth.\textsuperscript{23} In 1983, the manufacturing sector was the largest employer in New England, accounting for one out of every four jobs. By 1995, only one job in six was in manufacturing. The region experienced a net loss of 339,000 manufacturing jobs between 1983 and 1994. What's more, the manufacturing jobs that remain are increasingly calling for workers with higher education levels. In 1980, about 20 percent of the region's manufacturing jobs were professional jobs that typically required a college degree. By 1994, that figure had risen to 33 percent. Indeed, in all sectors the most significant employment growth has been in high paid professional, technical, and managerial jobs. These occupations account for 97 percent of the net job increase in the region from 1983 to 1994.

These trend are likely to continue. According to the Division of Employment and Training, the majority of new jobs created in Massachusetts between now and 2005 will require advanced degrees with specialized skills.

Geography

A second problem identified by Holzer and others resulting in high pockets of unemployment and poverty in the inner cities is that many jobs have moved to the suburbs. In Holzer's study of the Greater Boston area, nearly two-thirds — 63 percent — of the non-college level jobs were located in the suburbs, and just one in six — 17


\textsuperscript{23} Andrew Sum \textit{et al.}, \textit{The State of the American Dream in New England}, (Boston: Massachusetts Institute for a New Commonwealth, January 1996.)
percent — were located in Boston itself. The remaining 20 percent were located in other cities near Boston.

Many of these suburban jobs are hard to reach without a car, making the jobs largely inaccessible to many central city workers. Moreover, Holtzer finds that nearly half of all jobs are typically filled through informal networks — mainly personal contacts and recommendations — to which many inner city residents have no access. In addition, many non-white inner city residents continue to face discrimination when they seek jobs in predominantly white suburbs, although the magnitude this problem is difficult to quantify.

**Benefits**

A corollary to the problem of low wages for many workers is that entering the workforce often entails significant new costs for a family, notably for child care and transportation. And many who leave public assistance to take a low-wage job also lose government subsidized benefits they were receiving, including cash assistance and health care. Again, these are problems that the marketplace alone has not solved; indeed, market trends are moving in the opposite direction as more and more workers are hired on a contingent or part-time basis without benefits.

**Problem May Get Worse Under Welfare Reform**

Since the competition for the low-skill jobs that exists is already fierce, there is widespread agreement that the labor force situation is likely to become worse when people who are currently receiving cash assistance are forced into the labor market under the new state and federal welfare reform laws.

According to Holzer's analysis, the federal welfare reform law could result in nearly half of the roughly 5 million women on AFDC entering the labor force in the next several years. All of the problems identified above — skills and education, transportation, and loss of benefits — will be exacerbated. Many of these women live in inner cities, where jobs are already scarce. Many have few skills; 48 percent to 70 percent of long-term AFDC recipients are high school drop-outs and between 30 percent and 40 percent have no recent work history. Many will need child care subsidies, which will likely swamp the modest increases scheduled under welfare reform.

In other words, many of these former AFDC recipients will be competing for the small number of jobs that require few skills — jobs for which the supply of labor already significantly exceeds demand. Consequently, it is likely that many AFDC recipients simply will be unable to find work — even if they seek employment and are
motivated by the threatened loss of cash assistance. There have been several studies
that describe the "job gap" that is likely to arise when the welfare reform law fully take
effect. For example, one recent study estimated that there would be six workers for
every entry level job in the city of Chicago if all people currently unemployed and on
AFDC were to look for work.\textsuperscript{24}

A similar analysis of the local job market was done for the Massachusetts
Advocacy Center in 1994. Although the economy has improved and welfare rolls have
decreased since that study was done, the analysis is illustrative of what the impact could
be during a year in which the economy is recovering. The problems would of course be
much worse during a recession. At the time of the study, the state was projecting that
25,000 full-time and another 12,500 part-time low-skill positions would be opening up
in the post-welfare reform period. So who would be competing for these jobs?

The Department of Transitional Assistance projected that about 36,000 AFDC
recipients would be searching for full-time work within two years, and another 18,000
parents of school-age children would be looking for part-time work within 60 days as a
result of being "reclassified." Thus for both full-time and part-time work, there would
be nearly 50 percent more new workers than new jobs.

In short, there are too many low-skilled people chasing too few jobs under
current labor market conditions. In the long run, it is unlikely that the labor market
will change course and start adding — rather than shedding — low-skill jobs that pay a
living wage. Many economists believe there is little doubt the end result of that
adjustment would be a further decline in wages for new workers as well as for those
currently working at low-skill, low-wage jobs. As Larry Mishel has concluded,

\begin{quote}
[T]he working poor, praised by welfare reformers as an example to be followed
by current welfare recipients, will foot the bill for 'fixing' the system. Those now
struggling in precarious, low-paying jobs will have to compete directly with
former welfare recipients in a labor market that cannot even provide adequately
for the existing workforce.\textsuperscript{25}
\end{quote}

\textsuperscript{24} Virginia Carlson and Nicholas Theodore, \textit{Are There Enough Jobs Out There?} (Chicago: The Job
Gap Project, December 1995).

\textsuperscript{25} Mishel, \textit{op cit.} According to this study, if all former AFDC recipients and people who are
currently unemployed found jobs — which the authors do not believe would happen — wages of the
bottom 30 percent of workers would fall by nearly 12 percent. This would mean that about 31 million
people who earn less than $7.19 an hour would see their earnings fall by 86 cents an hour. In this scenario,
if welfare reform were to be successful in pushing people into the work force, unemployment would no
longer be the problem, but poverty would rise for those currently working at low incomes.
VII. Recommendations

The issues covered in this report — in particular, the prevalence of poverty among working families — do not avail themselves of simple solutions. Persistent poverty in the face of an enormously productive economy remains a central paradox of American society. The proposals offered here may not solve all of the problems described above but they could, at a modest cost, make a material difference in the lives of thousands of Massachusetts families.

Index the Minimum Wage

To stop the steady erosion of the real value of the minimum wage due to inflation, Massachusetts should consider indexing the minimum wage for inflation. Although it would be preferable if federal policy makers acted to index the minimum wage nationally, there are no good reason that state officials should not act in the absence of federal legislation.

A periodic, recurring debate at both the federal and state legislative levels is whether to enact legislation to raise the minimum wage. Each increase in the minimum wage is a hard-fought victory for low-wage workers, but inflation starts eating away at the minimum wage as soon as a new level is in place. In 1981, for instance, the federal minimum wage was raised to $3.35 an hour, but then stayed stagnant until 1990 while the cost of living rose 48 percent. In 1990 and 1991, the federal minimum wage rose in two steps to $4.25, and then stood still again until 1996. While periodic increases are important, the intervening erosion due to inflation can be devastating. And a central result of this pattern is that, over time, the inflation-adjusted value of the minimum wage has fallen.

• Before federal legislation was finally enacted in 1996 to raise the minimum wage to $4.75 an hour, with another increase slated for July 1997 up to $5.15 an hour, the inflation-adjusted minimum wage was nearly 30 percent below the average level of the 1970s.
• Until the minimum wage was increased in 1996, its real value had fallen to the same level as in 1955, a level seen only once (in 1989) since then.

• During the 1960s and 1970s, the earnings of a full-time minimum wage worker were typically enough to lift a family of three out of poverty. By 1995, a full-time minimum wage job left a family of three some $3,350 below the poverty line.

• Even at Massachusetts' new, higher minimum wage of $5.25 an hour, a full-time worker would fall nearly $2,000 below the 1997 poverty line for a family of three. Over time, that gap will grow progressively larger.

Short of raising the Commonwealth's minimum wage to a level that would raise a full-time worker with a family of four out of poverty — which would require nearly $8 an hour in 1997 — the state could simply index its current minimum wage to the rate of inflation. In that way, inflation would stop eroding the value of the minimum wage, as automatic increases take effect each year. Absent indexing, the value of Massachusetts' minimum wage can be expected to fall by anywhere from 12 percent to 18 percent over the next five years, depending on the actual inflation rate.26

The absence of automatic inflation-triggered increases in the minimum wage can be contrasted to the most effective anti-poverty program in the federal policy arsenal, social security. Automatic and regular increases in social security benefits have proven dramatically successful in reducing the poverty rate among the elderly; policy makers would be loath to consider eliminating those automatic benefit adjustments. If the same principle were applied to increases in the minimum wage — that inflation should not reduce the minimum standard of living for those of modest means — low-wage workers would not continue to fall further behind in the struggle to rise from poverty.

Establish a Property Tax Circuit Breaker

Housing costs are a major share of the cost of living for poor families, particularly here in Massachusetts. One appropriate way to reduce the cost of housing is to provide property tax relief to those with high housing costs relative to their income. For low-income homeowners, a property tax circuit breaker would rebate any property tax in excess of some set maximum, say 10 percent of a family's income. A well-crafted circuit breaker, to limit the cost to the state, would limit eligibility to those

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26 If inflation averages 2.5 percent annually during the next five years, the real value of the minimum wage would drop to $4.64, measured in 1997 dollars. If inflation averages four percent during the next five years, the real value would drop to $4.32 in 1997 dollars, or 18 percent the current $5.25.
with moderate incomes, perhaps around $30,000 annually. For such a family, then, the state would subsidize any property tax in excess of $3,000, or 10 percent of the family's income. There is often a maximum credit established in law, and the state may choose to reimburse homeowners for only a share of the excess, perhaps 75 percent or so. All of these provisions serve to limit the financial exposure to the state and ensure that limited state resources are targeted to those with unacceptably high housing costs.

Renters — who pay property taxes indirectly through their rent — would also benefit from a well-designed property tax circuit breaker. State legislation that deemed a certain share of rent to be property tax — 25 percent is typical in states that provide similar tax relief — would allow renters to make the same calculation as homeowners. If the share of rent deemed to be indirect property tax payments exceeded 10 percent of income, the state would rebate the excess property tax payment in the form of a tax refund. Thus at modest cost and in a targeted fashion, the state could thus reduce the impact taxes have on poor families.

**Protect the Revenue Base and Improve Tax Equity**

The state should reject proposals for large, permanent tax cuts that are aimed primarily at high-income households or at businesses. Recent proposals have included a $1.2 billion income tax cut with over 40 percent of the benefits accruing to the richest 10 percent of taxpayers; a $260 billion cut in taxes paid on dividend and interest income, with over one-third of the benefits going to the richest one percent of taxpayers; a $160 million cut in tolls on highways, bridges, and tunnels in Massachusetts; a $41 million tax cut for the insurance industry that would make insurance companies — alone among all companies in the state — free from paying any income tax whatsoever; and a $40 million tax cut to subsidize manufacturers' investment in capital equipment that automates production and thus eliminates jobs.

If enacted, these or other tax cuts would come on top of large tax cuts that have already benefited businesses and wealthy families. During the 1990s, the state has cut the capital gains tax paid on income from capital assets, slashed the estate tax, and given large tax cuts to banks, defense manufacturers, other manufacturers, and mutual fund companies. Tax cuts that have been aimed more at low- or middle-income families have been far more modest like the new state EIC or one-time tax cuts.

Given these already-enacted tax cuts — some of which are still being phased in — any new, large, and permanent tax cuts could seriously affect the state's ability to provide important services to low-income families. This would be particularly true when the current "hot" economy cools down or falls into a recession as it eventually and inevitably will. Elected officials and voters would be better off to protect the state's fiscal solvency by using temporary budget surpluses to build a better "rainy day
fund," restore services that were cut due to earlier budget constraints, target tax cuts on low- and moderate-income families, buy down existing debts to reduce future costs, invest in programs that will reduce long-term costs for the state, and pay cash for certain capital projects rather than borrowing. In short, tax cuts now that would all but guarantee the need for tax increases and further spending cuts during the next recession would be unwise and short-sighted.

**Improve Child Care Access**

Few concerns arise more quickly for low-income working parents than the cost of child care. Particularly for mothers leaving welfare to enter the work force — but for all low-income and most middle-income parents — the cost of child care is a serious impediment to making ends meet.

There are a number of important actions state government can take to ensure that parents who are willing and able to work are not kept out of the workforce due to the high cost of child care. An important step would be to fully fund the child care subsidy for low-income parents. There are estimated to be between 6,000 and 10,000 low-income parents eligible for child care subsidies currently on waiting lists due to inadequate funding. Surely, before any new tax cuts are enacted, funding for this subsidy should be increased to ensure that all eligible parents can pay for child care.

Beyond that first step, the state should increase the earnings limit for this subsidy. Under current law, parents are eligible for the subsidy only up to 50 percent of the state median income. By raising that to 85 percent of the median income, more needy parents would be covered, thus helping them to remain in the work force and simultaneously provide quality care for their children.

Finally, the funding for low-income child care subsidies should be tied to reductions in the welfare caseload. Parents who move from welfare to the work force typically have low incomes during the early years they are working; thus efforts reduce the welfare caseload will likely increase the need for low-income child care subsidies. Any surplus in the welfare-related child care accounts should be transferred to the low-income child care subsidies, rather than simply returned to the state's general fund.

**Reform the Poverty Definition**

As has been shown above, the current official definition of poverty in America is something of a historic anomaly. Members of the congressional delegation should support efforts to revise the official poverty standard, keeping in mind the following considerations:
• The official poverty line should take into account the cost of living in each state. It is evident that $12,000 buys far more in Mississippi than in Massachusetts.

• The poverty line should reflect the cost of living in today's economy, not that of the 1950s or 1960s with only inflation adjustments. In particular, the poverty line should take account of federal and state tax burdens, child care and transportation expenses, and other factors that reflect the modern economy.

• Consideration should be given to establishing a relative measure of poverty tied to state median incomes. Specifically, establishing the official poverty levels at fifty percent of median income, with adjustments for family size, would recognize the different costs of living in each state.

Increase the State Earned Income Credit

One method of supporting families that work and yet have low incomes is to provide a targeted state tax break for them. The new state earned income credit (EIC) recently enacted is an enormous step forward for reducing the impact of low wages for those who work. Using a “refundable” credit that provides any tax credit in excess of an individual’s state income tax liability works essentially as a wage supplement to help boost the family’s income. This idea is particularly simple to implement as an add-on to the existing and popular federal EIC.

The federal EIC is a targeted tax credit for low income workers; nearly the entire credit — some 97 percent — goes to parents who both work and are raising their children. For parents with two or more children, the credit provides a 40 percent “match” for each dollar earned up to the first $8,890 of income, meaning that the maximum credit is $3,556. The credit phases out at incomes between $11,610 and $28,495. For parents with one child, the credit provides a 34 percent match for each dollar earned up to $6,330, with a maximum credit of $2,152. The credit for parents with one child phases out at incomes between $11,610 and $25,078.

The federal credit, begun during the Ford administration, has enjoyed bipartisan support over a number of years, with increases implemented during the Reagan, Bush, and Clinton administrations. This broad support results from the credit’s emphasis on supporting working parents; the credit is seen appropriately as both pro-work and pro-family.
Massachusetts recently joined seven other states that have added state EICs on top of the federal credit. This added support for working parents helps reduce the difficulties faced by low-wage workers, and can be seen as offsetting other state and local taxes — particularly the property tax and sales tax — that have a disproportionate impact on low- and moderate-income families.

While great credit is due those policy makers who pushed through the new credit, the 10 percent piggy back remains one of the lower credits in the nation. A Massachusetts state EIC pegged at 15 percent to 20 percent of the federal credit would provide working families with at least two children up to $360 in additional state tax relief, above that already provided. The cost of this proposal would be $15 million to $30 million annually. While such costs are not trivial, they certainly pale in comparison to some of the tax cuts suggested by Governor Weld in his fiscal year 1998 budget such as a cut in the tax on dividend and interest income, with an annual cost of over $300 million, or the elimination of the sales tax on telecommunications services, with its cost of $200 million annually.

**Establish a Job Training Tax Credit**

Massachusetts policy makers should consider establishing a tax credit for employers who provide training to low-skilled workers. Such an incentive could expand the amount of training available to these workers, thus improving their prospects to work their way out of poverty.

In too many cases, job training activities are aimed primarily or even exclusively at higher-skill employees. In many cases, tax incentives for employers simply subsidize managers for training they would have provided to their workers anyway, training which is necessary to maintain a competitive edge in the marketplace. When it comes to low-skilled workers, though, employers may feel that it is not cost-effective to train them, since they typically stay with an employer for comparatively short periods of time. This can perpetuate a vicious cycle of low skills leading to low wages, with low wages leading to high turnover, and the perpetuation of sub-poverty wages. In this case, there may well be sufficient public benefits from providing training — benefits that the employer may not see if the worker moves to new employment — to justify government subsidies.

It is important that any such job training tax credit be structured in a narrow and targeted way. It should apply only to workers with low wages, possibly defined as the

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27 The seven states are Iowa, Maryland, Minnesota, New York, Rhode Island, Wisconsin, and Vermont.
rate at which a full-time worker would keep a family of three above 150 percent of the poverty line; in 1997, that would be about $9.35 an hour. It should also be available only to businesses that are expanding their work force; businesses that are shrinking their Massachusetts payroll should not be subsidized with limited state funds. And finally, to reduce the incentive for employers to receive subsidies for job-specific training they would have undertaken without the credit, eligibility should be restricted to employers providing training in reasonably general skills. Together, these three policy proposals would begin the job of ensuring that in Massachusetts at least, work still pays.

Protect Low-Income Families During Energy Deregulation

As a result of federal law, technical demands, and a changing economy, the energy industry will be largely deregulated during the coming years. The deregulation of the industry promises to bring about improved efficiency and significant economic savings. In too many previous cases of deregulation, however, the savings have accrued mostly to investors and large-scale users while individual families, and particularly low-income families, have been left out or face even higher costs. Every effort must be made to ensure that low-income households receive real and substantial savings from the inevitable deregulation of the energy industry.

Rather than being subject to approval by public commissions, future energy rates are more likely to be set by market forces. One implication of that is that large, industrial consumers are well-placed to negotiate the lowest possible rate, while individual families could be forced to pay higher rates. In negotiations with the Attorney General’s office, energy providers have promised that deregulation would lead to a 10 percent cut in rates for residential consumers. Such a reduction should be considered the minimal savings acceptable, and every effort should be made to increase that to 15 percent. Additionally, any promised savings must be locked in, with specific limits imposed as to future rate increases on residential consumers; it would be a Pyrrhic victory at best if rates were cut 10 percent to 15 percent for a year or two, but then edged up quickly in subsequent years.

Additionally, low-income households should receive a discount of 60 percent off normal residential rates to protect them from the risk of high and volatile prices that a competitive market may bring. Eligibility for this discount would be tied to eligibility for the low-income fuel assistance program as well as receipt of any means-tested program offered by the state or federal government including housing, cash, food, or medical care.

An important component of energy deregulation negotiations is how to account for utility production facilities — primarily nuclear power plants — that are not
economically viable. Energy executives, who once insisted that their companies could be successful only if they were allowed to build nuclear power plants, now insist that they must be shed of these facilities, leaving rate payers to pick up billions of dollars in "stranded costs." Such a strategy, one energy executive acknowledged, would allow the industry to spend up to $10 billion to buy up other assets and companies. The cost of these massive white elephants, often shoved down the throats of communities that objected to their construction, must be shared by investors and rate payers alike if the benefits of deregulation are to be equitably distributed.

Finally, non-profit community based organizations should be encouraged to act on behalf of low-income people to help them organize into buying groups to ensure competitive rates. And as recommended by the Department of Public Utilities, utility companies should deliver their low-income conservation programs through the weatherization assistance program agencies already in place.

**Improve Access to Quality Health Care**

Ensuring access to health care is an important component of improving the lives of families near or below the poverty line. Since 1987, Massachusetts has fallen from first in the nation in terms of the share of the population covered by health insurance down to 21st. Moreover, recently released data show that even during the current economic recovery the number of people without access to adequate health care is increasing: during 1996, while 60,000 new jobs were created in Massachusetts, the number of uninsured in the state grew by 95,000. There are a number of reforms that are warranted here in Massachusetts.

- Medicaid eligibility should be expanded to include all children through age 18 whose family income is up to 200 percent of the federal poverty line. (Under current law, children are eligible for Medicaid if their family income is below 133 percent of the poverty line.) This would cover an additional 35,000 children, with financing provided by new federal money and the state’s cigarette tax revenue.

- Similarly, Medicaid eligibility should also be expanded for pregnant women from the current 185 percent of the poverty level to 200 percent of poverty.

- The benefit package for children served by the Children’s Medical Security Plan — currently providing reduced-cost preventive and primary health care to children up to four times the poverty line — should be expanded to include dental care, hearing and eye exams, outpatient surgery, mental health, and prescription drugs.
Finally, a significant share of any revenue that Massachusetts may receive as a part of a national settlement with tobacco companies — perhaps half of all new revenue — should be spent to expand health care access among low-income working families.

Expand Education and Training Programs

There is broad acknowledgment that education and training is a crucial aspect of efforts to ensure that low-income families have a chance to escape poverty. With new demographic data showing substantial increases in school-age population and with looming time limits that will push more people off existing welfare rolls, Massachusetts should continue to expand the resources available to education and training programs. In particular, workforce retraining programs must find ways to teach sophisticated technical skills that many workers have to date not acquired must receive new emphasis from state policy makers.

Another area that cries out for attention is the school structures themselves that students attend. A recent report by the General Accounting Office — the research arm of Congress — surveyed physical status of schools in each of the 50 states. The results were disturbing: schools in Massachusetts are in a greater degree of decay than in all but two other states. It should be simply unacceptable that Massachusetts, with the third highest per capita income in the nation, would also have the third worst school buildings. And given the limits of Proposition 2 1/2, it will most certainly fall to state policy makers to find ways to finance school building improvements.

Reform Welfare Reform

The federal and state changes enacted in welfare policies in recent years are likely to have a damaging impact on large numbers of Massachusetts families that find themselves unable to meet the strict requirements established. While it is evident that the old welfare system had many flaws and it is unlikely that dramatic improvements in the welfare system can be made in the coming years, there are several changes in welfare laws that would be prudent as well as beneficial for vulnerable families.

One set of changes was proposed in the 1998 state budget but ultimately not enacted. State policy makers should revisit these questions in the coming months. The first of these changes would be to consider participation in education and training programs as meeting the work requirements of the new welfare laws. As shown in this report, many poor and low-income adults have at best modest education and skills. It is simply unreasonable to expect that these parents will find jobs to raise their families out of poverty unless they are able to improve their education and skills.
The second issues raised during the recent budget debates was to exempt women who had been subject to abuse or domestic violence from welfare work requirements. Women who have been abused by their husbands or partners often face very limited options during the transition period out of the abusive relationship. Over the years, millions of women have found welfare to be the economic lifeline that allowed them to protect themselves and their children by leaving an abusive relationship. Forcing these women off welfare rolls before they are adequately prepared could simultaneously pressure them back into an abusive relationship, where they may feel at least that they have some economic security despite the physical insecurity. Ensuring that victims of domestic violence have the full protection of the state is the least we should expect.

Finally, the state should enact a pilot job readiness preparation program for transitional assistance recipients who are required to perform community service work. Such a program would provide some 4,000 community service workers with the kind of skills and work habits that employers are looking for, and better ensure that program participants are able to find and keep jobs when their time-limited welfare benefits expire after two years.