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Testimony of Peter B. Edelman

Professor, Georgetown University Law Center

Hearing: Needs of the Working Poor

Feb. 14, 2002

U.S. Senate Health, Education, Labor and Pensions Committee

Testimony of
Peter Edelman, Professor of Law, Georgetown University Law Center
H.E.L.P. Committee
United States Senate
February 14, 2002

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify today. This hearing spotlights two intertwined issues that millions of Americans know all well from the struggles of their daily lives. One, large numbers of those we call “poor” are poor even though they work, and two, even larger numbers – neither technically “poor” nor “poor” in their estimation of themselves – work full-time, all year around, sometimes at more than one job, and are still unable to make ends meet. So far as I am concerned, this is not a hearing about the working “poor” in a narrow sense, but about the situation of every American who works for a living but doesn’t earn a living income. This includes both single-parent and two-parent households. Although many two-parent households have been able to cope by sending both parents out to work, they all too often pay a high price in the time they are able to devote to their children.

We have made progress in helping low-income working people in recent years. The expansion of the Earned Income Tax Credit and the enactment of the State Child Health Insurance Program, or SCHIP, are two examples. But we have a long way to go.

We need to begin by seeing the issue for what it truly is – the way America’s labor market is organized. There is a tendency to say that if people in this rich country don’t make enough to live on, it’s their fault, it’s a failure of individual responsibility. Many people who have trouble making it blame themselves, for the same reason.

They are wrong to blame themselves. We have a labor market with millions of jobs that don’t pay enough for people to live on. Why? Our economy changed drastically over the past half century, and especially over the past three decades. Millions of manufacturing jobs disappeared – to other parts of the world and to automation. It is fortunate that they were replaced, but they were disproportionately replaced by lower-paying jobs in service industries. I think it would surprise people to hear that the median job in America in 1999 paid \$11.87 an hour, or \$24,690 if it was a full-time, full-year job. That means that half

the jobs in the country pay even less, and the situation in 1999 was almost exactly the same as it had been in 1979, when the median hourly wage was \$11.89. The country became much more prosperous, but the gains all went to people at the top.

We may know these facts, but I think we have not fully realized their impact on the people who hold the jobs that don't pay enough to live on. To put it in words of one syllable, they are having a tough time. And the rest of us haven't admitted that all of the people who clean our homes and office buildings and hotels, who serve us in restaurants and drug stores and dry cleaners, who do dozens of other things that make our lives easier, are contributing significantly to maintaining our personal standard of living, because we do not pay them for the full value of the work they do.

There is a second piece of the problem: what it costs to live in the United States today – the cost of health care, the cost of child care, and especially the cost of housing, which for lower-income renters has simply gone through the roof in recent years. The fair market rent for a two-bedroom apartment in the Washington, D.C. metropolitan area is now \$943 a month, far more than the take-home pay from a minimum-wage job. No wonder homeless shelters all over the country are overflowing. The New York Times reported recently that 70% of the homeless in Minneapolis have jobs. They can't find apartments they can afford.

It's a deadly equation: jobs that don't pay enough and living costs that have gone through the roof. The problem isn't poverty, it's a living income. It isn't a failure of individual responsibility, it's a structural problem which people have every reason to ask their government to help in solving. Public policy has to be part of the answer. We need leaders who will say all of that, over and over.

What are the remedies? One is to raise wages. We should raise the minimum wage. That would help, and it should be a high priority. Union organizing of low-wage workers will help, too, and legislation to remove legal barriers to organizing would be a good step. The living wage campaigns that are going on in various cities and counties and on some university campuses are also very important. The more that is done to raise wages, the less will be needed in the way of public supplementation of wages.

But wages by themselves are not going to get us to where we need to go. That is a deeply troubling point, but it is a fact, and we have to face up to it. Some of the steps we need to take will add to income explicitly, others will add to income indirectly by helping people to meet particular needs that we can't expect them to pay for solely out of their earnings, and still others address work-family concerns and issues about moving up to better jobs. Some of what I will mention is within the jurisdiction of this committee, and some isn't. It is important that we see it all as fitting together – as part of a three-dimensional set of policies that will add up to a fair shake for the millions of people who aren't getting a fair shake now. One way to say it is that we need a thorough reexamination of all of our benefit structures – those listed below plus food stamps, Medicaid, and a host of others – to make them available further up the income ladder so they fit the actual needs of working people.

The Earned Income Tax Credit. The EITC expansion of 1993 was far and away the most important antipoverty measure of the past decade. The approximately \$4000 it adds for a minimum-wage worker with two children will get her out of what we call poverty. But it pays the same for two-parent as one-parent families, it doesn't provide extra help for families with three or more children, and its phase-out schedule isn't fully attuned to the real costs of living as identified by the Economic Policy Institute and other studies. Improving the EITC should be an important priority. A related item is the refundable child tax credit. The child tax credit was improved and made partially refundable in the tax bill last year. This was an important step. Keeping in mind my fundamental point that there is a major gap in family income for working people, the child tax credit should be improved further and made fully refundable.

Health Coverage. This Committee hardly needs my advice on that subject. The issue is truly urgent. The number of Americans lacking health coverage is on its way back up again. Proposals like the Family Care bill introduced by Senators Snowe and Kennedy, which was on the front burner a few short months ago, are in need of immediate attention and enactment, to get coverage to parents whose children have benefitted from the SCHIP program. This is a minimum step, and it is in contrast to proposals that would accomplish little -- the suggestions we continue to hear for tax credits to subsidize the

purchase of insurance in the private market. These proposals are deeply flawed. Many of those who would be eligible for the credits have no federal income tax liability against which to take the credit and, just as important, no credit that anyone has proposed is big enough to make a serious difference in defraying the cost of even the most rudimentary coverage. The good news is the number of states that have seen the light, a very simple light: that (until we have a system of health coverage for all Americans) working people with incomes well above the poverty line -- 250% of poverty in a number of places -- should be covered by Medicaid or other publicly structured health coverage. That is the right approach.

Child Care. The federal investment in child care has increased substantially, but the expectation that women on welfare would go to work has increased the need even more. Federal child-care assistance still meets only a fraction of the need. I believe there is bipartisan support for a greater investment – we should be able to double the number of children who get federally supported child care, over the course of the next five years. The principle here is the same as I just stated concerning health coverage – the only determinant of eligibility should be need, not whether someone has been on welfare and not some limited period of time. If we understand that the underlying problem is what I spelled out earlier – that there are millions of people who earn too little to make ends meet – we will see more clearly that our vision of who needs assistance has for the most part been too limited up to now. But as with health care, there are models at the state level – states that have gotten it right, providing assistance to all who need help for as long as they need that help. That should be the principle that guides our child care policy.

Housing. Housing is different from the three areas I have just discussed. In each of those we have made progress in recent years, albeit not as thoroughgoing as what we need. On housing we are much further off the mark. There have been modest increases in the number of section 8 vouchers for the past couple of years, and President Bush has proposed another small increase in this year's budget. This is fiddling while Rome is burning. We have a rental housing crisis in the United States. That is the only way to say it. It is a crisis. Everybody who has anything to do with the subject locally across the United States knows it. It is the first thing people mention to me as I go across the

country. But we are in denial inside the Beltway. There is a reason why. It is expensive. But we have to act. Section 8 vouchers are useless if there is nothing to purchase with your voucher. That is the case in city after city. People get the vouchers and have to turn them back in because they can't find housing that fits the financial strictures. We have to address the supply side. There are sophisticated streams of local financing now which, with the added involvement of the federal low-income housing tax credit, are producing some housing. We need to build on all of that with additional federal subsidies that can greatly increase the number of units of affordable rental housing across the nation. It is a burgeoning emergency.

TANF Reauthorization. There is much to say about TANF, but I would make just a few basic points. The main one is that we need to see TANF not as something separate from the rest of our low-income strategies but as one piece of a larger framework. TANF recipients, especially now, are people who go in and out of the labor market. TANF should be part of a ladder of opportunity that helps people get and keep jobs and move up, and it should be a safety net, especially a safety net to protect children. We should learn from the places that have done TANF most constructively. For them particularly, TANF has transformed welfare from a cash assistance program to one that spends most of its money on an array of activities to help people succeed in the workplace. The next step is to divorce TANF from welfare. Why should we confine supplemental cash help for low-wage workers (beyond the EITC) to people who came off welfare to go to work? The need is the same whether someone was a cash assistance recipient or not. This is what the states have done with health care and child care. We need to figure out how to do the same thing with TANF. There are a number of possibilities here and none is without complexity, but the basic idea is to require that states use income and resource tests for applicants who already have jobs that are no more restrictive than those applied to current TANF recipients who go to work.

There are some related points. TANF assistance to people who have a low-wage job should not be subject to a time limit. As I just indicated, such assistance shouldn't be limited to people who have previously received welfare, and it should be available as long as it is needed to assist toward the provision of an adequate income. Second, we should want people to improve their economic prospects by making full use of their

talents, so education and training, especially pursuit of a community college degree, should count as fulfilling work requirements. Third, if we are interested in promoting marriage and fatherhood, we should invest in the economic prospects and the incomes of men as well as women, and we should add to TANF the resources to do that. Among other things, concentrating new efforts on the job situation of men would enhance their capacity to pay child support for their children. Fourth, support is developing on both sides of the aisle for a significant adjustment of child-support policies to get more of the child-support dollar to the children it supposed to help, and to introduce more reality into the demands on low-income men who are deterred by current policy from fulfilling fatherhood responsibilities.

All of these items go to the same basic point. We should build on what we have learned since 1996. TANF, applied thoughtfully at the state level, has worked successfully as a ladder of opportunity for all low-income workers. We should build on those successes. (I need to add, however, that because TANF is a block grant which gives tremendous flexibility to the states, we need to pay attention to its down sides as well. We need to correct the flaws in those states where TANF has been implemented less constructively. Steps like requiring states with time limits shorter than five years to have “good cause” exceptions for people unable to find work, and requiring face-to-face meetings and case plans for people who are sanctioned off the rolls, would help.)

Work-Family Balance Issues. A major concern emanating from the implementation of TANF is the stress it has created between work and family responsibilities. Better child care would help, as would more flexibility for mothers to stay home with small children. Other policies are implicated as well. Recent research by Jody Heymann and others at Harvard shows that low-paying jobs are much less likely to provide flexibility for parents to care for sick children. But mothers who have come from welfare to work are much more likely to have children with chronic health problems than women who have never been on welfare. Strengthening the Family and Medical Leave Act to provide some leave with pay would make a big difference on this and other pressing issues people face in juggling work and family responsibilities.

Immigrants. There seems to be reasonably wide agreement that the 1996 welfare law went too far in its denials of benefits to legal immigrants. One in five low-income children in America lives in an immigrant family. Like so many others who do their very best and still struggle, immigrants work hard but still have economic difficulties. The recent 97-1 vote in favor of the Durbin amendment to the farm bill goes a long way to restoring food stamps to immigrants, and should be retained in conference with the House on the farm bill. Even more important, there is still unfinished business in restoring TANF, SSI, and Medicaid to immigrants that should be tackled as part of TANF reauthorization.

There are many more items and areas relevant to the subject of this hearing. A significant part of the responsibility for helping people move toward better jobs should be carried out under the Workforce Investment Act. TANF should play a role for both women and men in this regard, as I have said, but WIA needs strengthening as well. As things are, we have no national structure to promote job advancement. Second, criminal justice and drug policies that lock up offenders who could be treated in community settings and follow incarceration with a variety of disabilities that get in the way of job and family success need attention, too. Finally, participation in all of the benefit programs is a big issue. Better information, simplification of applications and program criteria, improved accessibility, and reduced stigmatization all need to be pursued.

In many ways all of these specifics are less important than getting clear about the main points. The struggles of working people to keep things together encompass a population far larger than those we define as “poor.” The basic problem is the way in which our economy is structured. Public policy is essential to responding to that basic problem. And finally, we have to have a vision that knits together all of our policy responses into a strategic whole, so we understand what we are doing and why we are doing it.

Thank you for the opportunity to testify today. I hope these thoughts are of some help.