

## At the Bottom of a Broken Ladder: A Profile of Georgia's Low-Income Working Families

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### Introduction

Nearly four in ten of Georgia's working families with children are "low-income."<sup>1</sup> A low-income family of three with one child earns less than \$36,960 per year. This could be the family of a cook at your favorite restaurant and a paraprofessional at your local school, working full-time in the Atlanta metro area and raising one child.<sup>2</sup>

About 400,000 Georgia families work for most or all of the year; yet they are stuck at the bottom of the income scale and can struggle to meet basic needs.

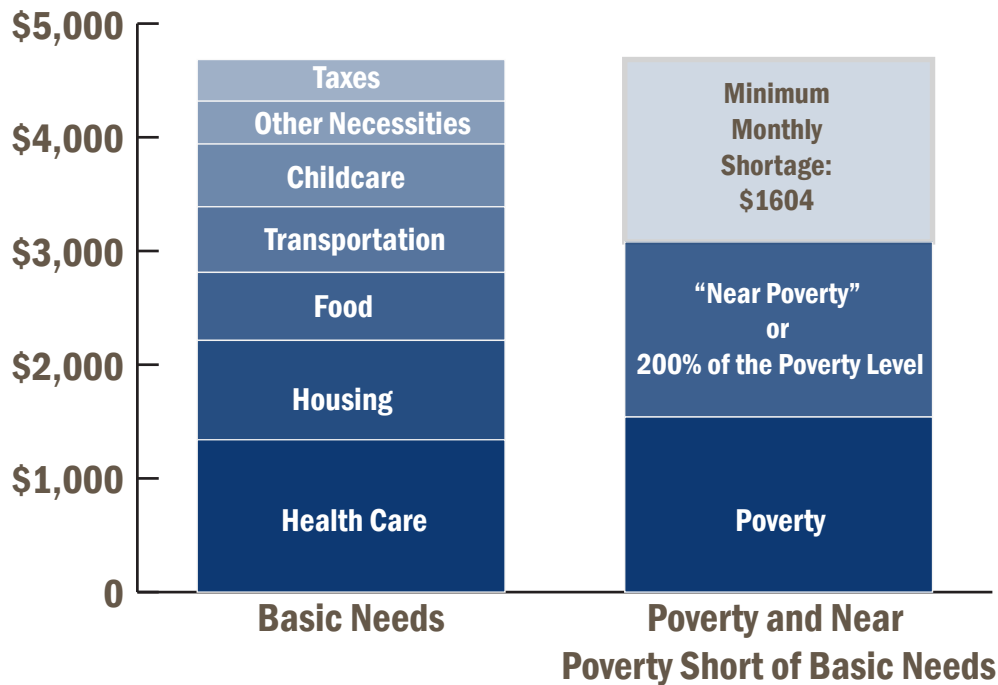
Georgia can provide opportunities for these families to improve their finances and economic mobility. If the state helps low-income families in the short-term, it will enable them to contribute more to its economy over the long-term. This report explores three specific findings and areas of opportunity to show ways Georgia can help its low-income working families:

- **Parents without post secondary education head about half of Georgia's low-income working families.** Limited education among working parents restricts their ability to compete for higher-paying jobs.
- **Forty-five percent of Georgia's children under 13 in working families are in low-income working families.** Children who lack access to high-quality, affordable early care and education are not ready to start school on par with their peers. Working parents also need afterschool care to help them maintain their jobs and compete for promotions.
- **About half of the state's low-income working families include at least one uninsured parent.** Without insurance, these parents are more likely to put off treatment and end up sicker and less productive than parents with insurance.

### Background

Low-income families can struggle to pay monthly bills, including those for health care, food, housing, child care and transportation. Even if public, private, or family assistance helps them make ends meet, often no money is left for saving, building assets, or otherwise improving their circumstances.

## Low-Income Georgia Families Cannot Meet Basic Needs



Sources: 2013 Economic Policy Institute Family Budget Calculator. US Census Bureau. Based on a family makeup of two parents and one child living in the Atlanta, Georgia metro area. "Other necessities" include clothes, personal care products and education.

Though this report centers on education, child care, and health care coverage, Georgia can and should consider policies to increase wages. GBPI plans to release a report about increasing the minimum wage this fall.

About three in ten of Georgia's working families with children qualified as low-income from 2000 to 2007. Low-income families began to grow as a share of Georgia's population in 2007 and that trend continues. The loss of jobs caused by the Great Recession, an increase in low-wage jobs available during the recovery and shrinking public investment in education and job training programs all contribute to increased numbers of low-income working families in the state.

### Georgia Can Lift Up Low-Income Working Families

Georgia's low-income working families face ongoing obstacles to access education, health care, housing, transportation and child care. The Great Recession and continuing slow recovery exacerbate these challenges. The increasing share of low-wage jobs in today's economy makes it tougher for working families to afford necessities and nearly impossible to get ahead.

Access to higher education, affordable, high-quality child care and health care coverage are three of the most pressing challenges these families face. Reducing the scope of these challenges will give Georgia's low-income working families a better chance to succeed.

#### Access to Higher Education

About half of Georgia's low-income working families include a parent with no education beyond high school. That limited education also limits job opportunities for those parents.

It affects their ability to secure higher-paying jobs. The typical college graduate in Georgia earned \$24.72 per hour in 2013, or \$51,418 for a full-time worker. This is about twice the \$13.23 average wage of a high school graduate.<sup>3</sup>

A lack of higher education also will hurt the ability of low-income working parents to compete for the jobs of tomorrow. More than 60 percent of jobs in Georgia will require some form of higher education by 2020.<sup>4</sup>

Less education makes it harder for working poor parents to keep jobs. The unemployment rate for Georgians with only a high school education was 10.6 percent in 2012. That compares to a 9.5 percent rate for people with some college and 4.9 percent for people with a bachelor's degree or higher that year.

**Recommendation: Increase the HOPE Grant award to cover full tuition and fees**

Low-income working parents are barely able to make ends meet each month after they pay for housing, food, transportation and child care. No cash is left in the monthly budget to further their education. These parents need financial aid to attend college.

The HOPE Grant is a primary source of financial aid in Georgia. It can help low-income working parents obtain a technical college credential. About 55 percent of students in the Technical College System of Georgia received a HOPE Grant award in 2013.

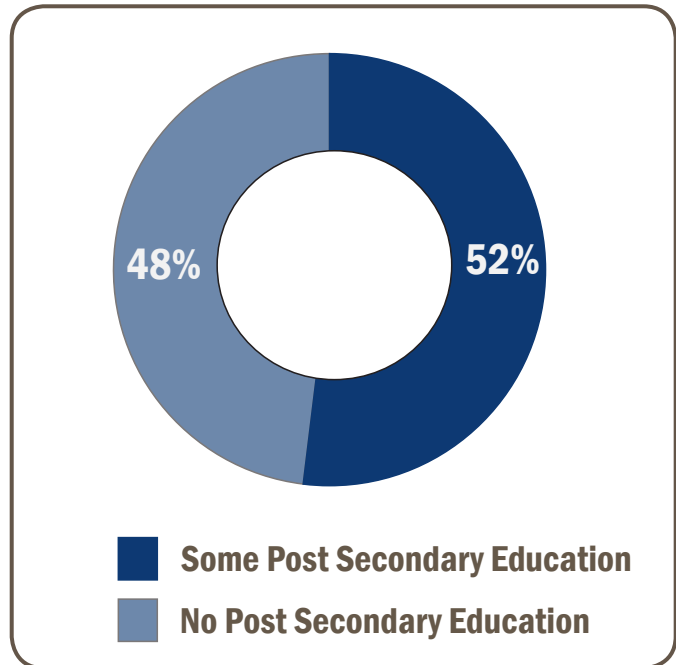
Still, the HOPE Grant falls short of meeting the needs of low-income students. The HOPE Grant covers about 72 percent of tuition and no fees in the 2015 school year. Georgia should increase the HOPE Grant award amount so it covers full tuition and mandatory fees. This could give more low-income working parents the chance to secure better, higher-paying jobs over the long-term.

**Affordable, High-Quality Child Care**

The cost of child care can be a severe financial strain on Georgia's 400,000 low-income working families. Child care is necessary for parents to work, yet costs for both early education and afterschool care for children can crowd out other spending on housing, food, health care, education and asset-building.

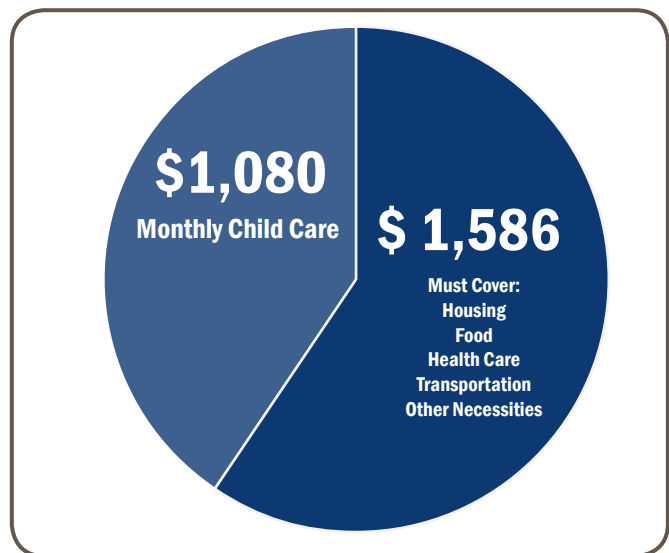
The average annual cost of center-based child care for an infant in Georgia is \$7,228. For a school-aged child the cost is \$5,742.<sup>5</sup> That is enough to consume about 40 percent of a low-income family's budget. One in five Georgia mothers of children age three or younger makes \$10.10 or less per hour, so paying child care costs are even a bigger challenge for her.<sup>6</sup>

**Parents without Post Secondary Education Head Nearly Half of GA's Low-Income Working Families**



Source: Working Poor Families Project, Population Reference Bureau analysis of American Community Survey, 2012

**Child Care Can Easily Consume 40% of Low-Income Family's Budget**



Source: Child Care Aware of America, 2013; Costs for two children: one infant and one of school age. Cost presented as proportion of family earnings of \$32,000 per year.

Many low-income parents rely on child care provided by family, friends and neighbors because they can't afford to pay for center-based care. These sources are often not equipped to provide the same quality care parents with higher incomes can readily access.<sup>7</sup>

About half of Georgia children under 13 in a working family are in a low-income working family, which makes access to child care an especially important issue for the state. Quality child care provides children with skills they need for their future and gives parents support they need to be productive workers. Parents with access to child care are more likely to keep a job and to earn more than parents without access.<sup>8</sup>

Access to high-quality, early education also yields significant returns in the form of better public schools, more educated workers and less crime. Investing in high-quality education for low-income children can yield up to a 12 percent investment return to the public, according to the Federal Reserve Bank of Minneapolis.<sup>9</sup>

#### **Recommendation: Expand access to subsidized child care**

Georgia should expand access to subsidized child care through increased income eligibility thresholds, decreased co-payments, and help with child care costs for parents who attend college. Georgia parents are now required to earn less than half of the state median income for families, or \$28,160 for a family of three, to qualify for subsidized child care. Georgia's income requirements for child care assistance are more difficult than those in 33 other states.

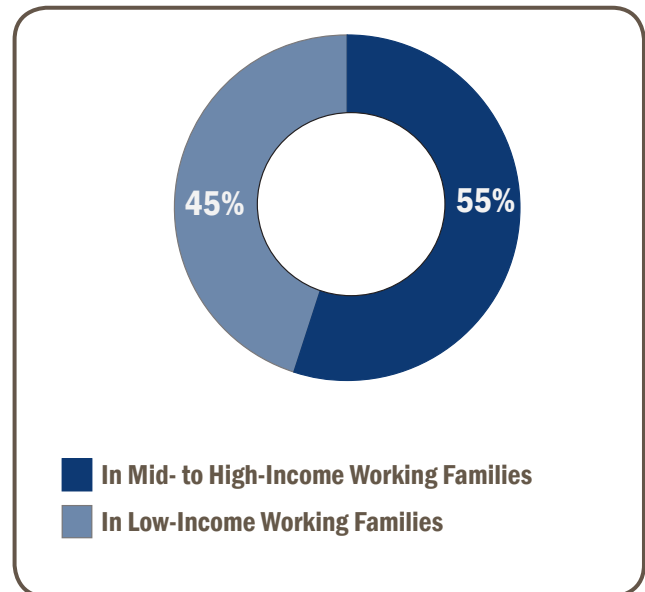
Copayments for subsidized child care are high in Georgia compared with other states. A single mother of two living at the poverty line in Georgia now pays \$143 per month for subsidized child care. This copayment is one of the 10 highest in the country.<sup>10</sup>

Georgia is one of just seven states that does not offer subsidized child care to parents pursuing a postsecondary degree.<sup>11</sup> This is another barrier for low-income parents to overcome to improve their financial situation.

#### **Health Care Coverage**

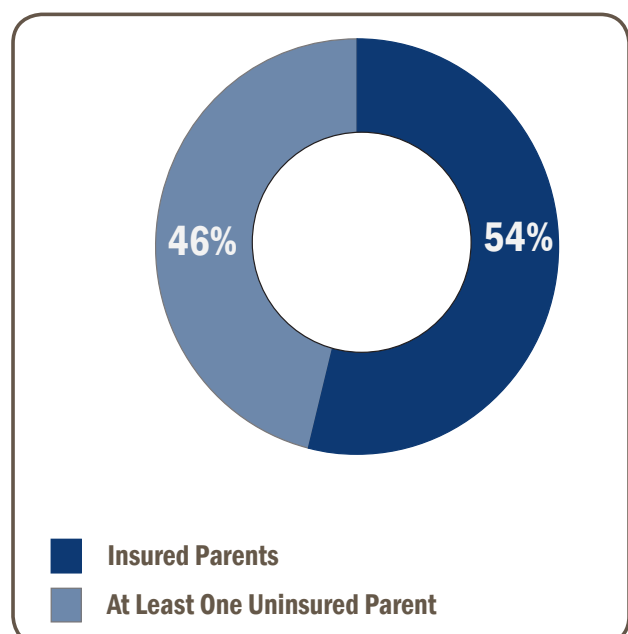
Forty-six percent of low-income working families in Georgia include at least one uninsured parent. More than one in five working Georgians 18 to 64 is uninsured. This lack of health coverage limits the economic mobility of low-income families because uninsured people are more likely to put off care and end up sicker than their insured counterparts.

## **45% of Georgia Children Under 13 in Working Families Are Low-Income**



Source: Working Poor Families Project, Population Reference Bureau analysis of American Community Survey, 2012

## **Nearly Half of Low-Income Working Families Have at Least One Uninsured Parent**



Source: Working Poor Families Project, Population Reference Bureau

## More than 1 in 5 Georgia Workers Age 18-64 is Uninsured



Source: Working Poor Families Project, Population Reference Bureau analysis of American Community Survey, 2012

Untreated illnesses can ripple through a person's life. Workers who are uninsured throughout the course of the year are more likely to miss work, putting at risk their best chance to get ahead. Poorer health, more prevalent disability and premature death among uninsured workers also results in lost productivity for employers.<sup>12</sup>

Low-income workers without insurance are more likely to be hospitalized for a preventable condition and have a serious health condition misdiagnosed. Even when a chronic condition is properly diagnosed, uninsured workers are less likely to receive follow-up care and more likely to suffer declining health compared to their insured counterparts.<sup>13</sup>

Georgia families also gain economic security through insurance coverage. The uninsured are often billed for their health care, which means they often pay higher charges than the insured. They are about twice as likely as those with health coverage to struggle with medical bills.

### **Recommendation: Expand Eligibility for Medicaid**

Expanding eligibility for Medicaid could extend health coverage to more than 500,000 uninsured adults in Georgia with incomes at or near the poverty line. Federal funding through the Affordable Care Act could pay for all of the costs to cover newly-eligible patients through 2016 and could cover at least 90 percent of thereafter.

Increasing health coverage among working parents is good for Georgia's families. Insurance coverage allows parents to maintain better health and could help them work longer and more consistently. Financial protection provided by health insurance can stabilize family finances by significantly reducing the strain of medical bills.

## **Conclusion**

Low-income families represent nearly four in ten of all working families in the state. Georgia cannot be a competitive state without ensuring that increasing numbers of its low-income working families get the chance to succeed financially because the benefits to the state's economy in the long run outweigh the short-term costs.

Low-income families' challenges stem from low wages. These low wages limit their ability to further their education, access high-quality child care and gain health care coverage. These challenges can be overcome through sound public policy. Now is the time for Georgia to seize the opportunity to:

- Increase the HOPE Grant award to cover full tuition and fees
- Expand access to subsidized child care
- Expand access to Medicaid insurance

## Endnotes

<sup>1</sup>Working Poor Families Project. Analysis of American Community Survey, 2012 (Washington, D.C. Population Reference Bureau). References to “working families” refers to families with children under 18. A family is defined as “working” if all family members ages 15 and older either had a combined work effort of 39 weeks or more in the prior 12 months, or all family members ages 15 and older have a combined work effort of 26 to 39 weeks in the prior 12 months and one currently unemployed parent looked for work in the prior four weeks.

<sup>2</sup>Annual mean wage for a short-order cook in the Atlanta-Sandy Springs-Marietta, GA metro area is \$19,050. U.S. Bureau of Labor Statistics, May 2013. A paraprofessional in the Cobb County, Georgia school district with two years of college and three years of experience earns \$17,570.40 per year.

<sup>3</sup>Economic Policy Institute Analysis of Current Population Survey data, 2013.

<sup>4</sup>Complete College Georgia, Georgia’s Higher Education Completion Plan 2012.

<sup>5</sup>“Parents and the High Cost of Child Care: 2013 Report,” Child Care Aware of America.

<sup>6</sup>Helen Blank, Karen Schulman, and Lauren Frohlich, “Nearly One in Five Working Mothers of Very Young Children Work in Low-Wage Jobs,” National Women’s Law Center, April 2014.

<sup>7</sup>“Developing Family, Friend, and Neighbor Care Initiatives and Policies: Tips from Experts,” National Women’s Law Center, June 2009.

<sup>8</sup>Heather Boushey, “Staying Employed After Welfare: Work supports and job quality vital to employment tenure and wage growth,” Economic Policy Institute, June 2002; and Sandra K. Danziger, Elizabeth Oltmans Ananat, and Kimberly G. Browning, “Childcare Subsidies and the Transition From Welfare to Work,” National Poverty Center: November 2003.

<sup>9</sup>Art Rolnick and Rob Gruenwald, Early Childhood Development: Economic Development with a High Public Return, Federal Reserve Bank of Minneapolis.

<sup>10</sup>Working Poor Families Project, Population Reference Bureau analysis of “Pivot Point: State Child Care Assistance Policies 2013” National Women’s Law Center, October 2013. Co-payment is for one child in care.

<sup>11</sup>Child Care and Development Fund Policies Database 2012 Book of Tables; Child Care Assistance, Rhode Island Department of Human Services, <http://www.dhs.ri.gov/FamilieswithChildren/ChildCareAssistance/tabid/205/Default.aspx>.

<sup>12</sup>Jill Bernstein, Deborah Chollet, and Stephanie Peterson, “How Does Insurance Coverage Improve Health Outcomes?” Mathematica Policy Research, Inc., April 2010.

<sup>13</sup>“Key Facts about the Uninsured Population,” Kaiser Family Foundation, September 26, 2013.