

The Working Poor of South Carolina: Poverty Despite Work



A Project of the South Carolina Appleseed Legal Justice Center
P.O. Box 7187
Columbia, SC 29202
April 2005

The **South Carolina Appleseed Legal Justice Center** (SCALJC), located in Columbia, South Carolina, is a non-profit organization that provides legal support and advocacy for Legal Services programs, volunteer attorneys, Social Services providers and low income South Carolinians.

This report was funded through a generous grant by the Public Welfare Foundation.

Mission

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Introduction

As growth in South Carolina creates greater income disparities it is increasingly important to keep a clear focus in regard to issues impacting low-income South Carolinians. The 2005 *Working Poor of South Carolina: Poverty Despite Work* manual utilizes the most current Census data (2000) to demonstrate the extent to which low-income and poor families struggle to make ends meet. Because employment does not guarantee sustainable wages, it does not financially compensate for healthcare, childcare, housing, and transportation. Wages earned by many South Carolinians are simply inadequate to cover these necessities. Data from the 2000 U.S. Census Bureau for Population Survey (CPBS) indicates that 52% of South Carolina's low-income families are poor despite having at least one working family member (Table 1.1). Nationwide, both the number of people living in poverty and the poverty rate have increased.¹ In South Carolina, the median income has stayed the same, but the poverty rate and number of people without health insurance have increased.² This paper will explore factors contributing to poverty, as well as solutions to this problem.

This manual will focus on a particular segment of South Carolina's population—the **working poor**. Individuals and families living in poverty subsist at or below the **Federal Poverty Level (FPL)**, which varies according to household size. **Working poor** individuals are individuals who, *despite employment*, remain at or below the FPL. The 2005 FPL for a family of four is \$19,350/18,850/year.³

The term **low-income** refers to individuals or families whose earnings equal less than twice the FPL appropriate for the size of the household (less than 200% of the FPL). For the purpose of this manual, an individual or family is living in poverty if the household income is at or below the appropriate FPL. Individuals and families whose earnings *are between 100% and 200%* of the appropriate FPL will be referred to as **low-income** (Table 1.2).

While the issue is being recognized nationally and locally, public policies are not addressing how to reverse this trend. In 1996, President Clinton initiated the Personal Responsibility and Work Opportunity Act (PRWO) in an effort to reduce welfare rolls by moving unemployed recipients into the workforce. The underlying assumption was that employment and development of a positive work ethic would alleviate poverty— that

Federal Poverty Level (FPL):

established federal guideline based on household earnings that determines poverty levels among individuals and families. Also referred to as the poverty threshold or poverty line.

Working Poor—

individuals who despite employment remain at or below the poverty level.

Low-Income—

individuals whose income is between 100% and 200% of the poverty level.

Welfare Reform:

includes the creation of Temporary Assistance for Needy Families (TANF). The state version of TANF is the Family Independence program. TANF replaced Aid to Families with Dependent Children (AFDC) and provides time-limited cash assistance.

¹ *Income, Poverty, & Health Insurance Coverage in the United States: 2003*

² *Ibid*

³ SC Budget and Control Board, Office of Research and Statistics

public assistance was creating dependency. While

Federal Poverty Level			
	1990	2000	2005
Single Headed Household	\$6,280/yr	\$8,350/yr	\$9,570/yr
Family of 2	8,420	11,250	12,830
Family of 3	10,560	14,150	16,090
Family of 4	12,700	17,050	19,350

Low-Income Limits			
	1990	2000	2005
Single Headed Household	\$1,256/yr	\$16,700/yr	\$19,140/yr
Family of 2	16,840	22,500	25,660
Family of 3	21,120	28,300	32,180
Family of 4	25,400	34,100	38,700

this legislation has been successful at decreasing the number of welfare recipients, it has done little to alleviate

poverty.

Table 1.1 Source: Office of Research and Statistics

Table 1.2 Source: Office of Research and Statistics

In fact, the resulting numbers indicate the wake of **welfare reform**, which includes South Carolina's **Family Independence Act of 1995**, the number of individuals struggling to get by at the poverty level has increased significantly, while eligibility for public assistance for needy families (regardless of income) has decreased.⁴

This push from public assistance to personal responsibility is of grave concern to policy makers and citizens alike as evidence mounts indicating that work alone does not help families in poverty achieve self-sufficiency. There are currently 64,000 working poor families with children in South Carolina.⁵ Despite the fact that the number of weeks worked by working poor families averages 37 weeks⁶, almost 20% of South Carolina's children live in poverty. That the earnings of many employed parents are not sufficient to cover the costs of raising a family also suggests that wages are declining in real terms. A significant portion of all poor people in South Carolina is under the age of 18, which has tremendous implications for the future of the residents of our state. Specifically, this figure indicates that a significant number of today's children run the risk of becoming under-educated, unskilled, low-income adults, making the problem of working poverty a long-term economic trend in South Carolina.

As South Carolina grows economically, job opportunities have increased. However, industrial expansion has concentrated on low-income yielding industries offering little or no health benefits and modest wages. In addition to the lack of employer-sponsored healthcare, workers and their families are frequently ineligible for Medicaid because coverage is limited to very low wage workers. Oftentimes, children may be covered while the parents are not covered. Sixty percent of uninsured South Carolinians are employed.⁷

In South Carolina, 17.35% of children are uninsured.⁸ This is likely to increase in the face of our current fiscal crisis as outreach to potential Medicaid recipients is limited and funding for the S.C.Children's Health Insurance Program (SCHIP) is unlikely to increase.

⁴ The Poverty Despite Work Handbook, the Center on Budget and Policy Priorities (CBPP), 2000

⁵ CBPP tabulation of U.S. Bureau of Labor and Statistics, *American Community Survey 2002*

⁶ *Ibid*

⁷ Small Business/Health Insurance Project Household Survey, 2004

⁸ *Ibid*

Food insecurity and hunger are also concerns for South Carolina. Depending on where they fall on the hunger continuum, households are considered to be either “food secure” or “food insecure”. If a household is considered to be “food insecure,” the household is financially unable to guarantee that all household members will avoid hunger without resorting to emergency measures such as scavenging or accepting charity.⁹ According to data from the Oregon Center for Public Policy tabulated from the US Census 2000 Community Population Survey, 11.2% of South Carolina’s total population was considered to be “food insecure” and 2.9% experienced hunger in 1999.¹⁰ 14.5% of all children and 7.6% of all workers in South Carolina lived in households considered to be “food insecure.”¹¹

The focus of this manual will be 1) to examine the demographics of South Carolina's working poor population, 2) to measure the extent of work among families and individuals living in poverty, 3) to determine the causes of persistent poverty levels among working individuals, and 4) to recommend options for preventing or reducing the problem of poverty despite work.

The statistics presented in this report come mainly from the Poverty Despite Work Handbook, published by the Center on Budget Policy and Priorities (CBPP). The data furnished by the CBPP is drawn from the U.S. Census Bureau’s Current Population Survey (CPS), the official source on income, poverty, and unemployment in the United States. CBPP also tabulated statistics compiled from the U.S. Census Bureau’s American Community Survey (ACS). Figures used from the ACS represent averages by region and not state.

Data on wages and employment, as cited in the CBPP handbook, are derived from the United States Bureau of Labor Statistics.

Readers must allow for a reasonable margin of error as the figures used in the report are derived from sample household surveys conducted by the U.S. Census Bureau and are not to be taken as exact figures for the total number of households in South Carolina. The sample sizes used to measure the extent of work among the poor meet the Census Bureau’s recommended minimum level.

Figures used from the Consumer Expenditure Survey represent averages for households by region and not by state. Data used from the survey refers to the South (a grouping of several Southern states) and not specifically to South Carolina, which falls within this geographical region.

Data on healthcare are derived from the George Washington University Site Visit Report conducted February 17-19, 2004 (*The Health Care Safety Net in South Carolina: A Test of Tenacity*), in addition to a report conducted by Families USA September 2004 (*Health Care: Are You Better Off Today Than You Were Four Years Ago?*).

Data on insurance was provided by a report by the Small Business Health Insurance Project and childcare data resources are from the National Women’s Law Center Issue Brief *Child Care*

⁹ Oregon Center for Public Policy www.ocpp.org/2002/rpt021114.pdf

¹⁰ Oregon Center for Public Policy www.ocpp.org

¹¹ *Ibid*

Profile of South Carolina's Working Poor

South Carolina's working poor population includes individuals who work on a full-time year-round basis. According to the most recent census data, a large proportion of adults in poverty in South Carolina are able to work—of 226,000 individuals living in working poor families, 77% are employed and more than 20% have a full-time, year-round worker. Unfortunately, of the 563,000 South Carolinians living in poverty, almost 34% are children under the age of 18.¹² Current Population Survey data shows that most working poor South Carolinians are high school graduates and fall between the ages of 25 and 44 (Table 2.1).¹³

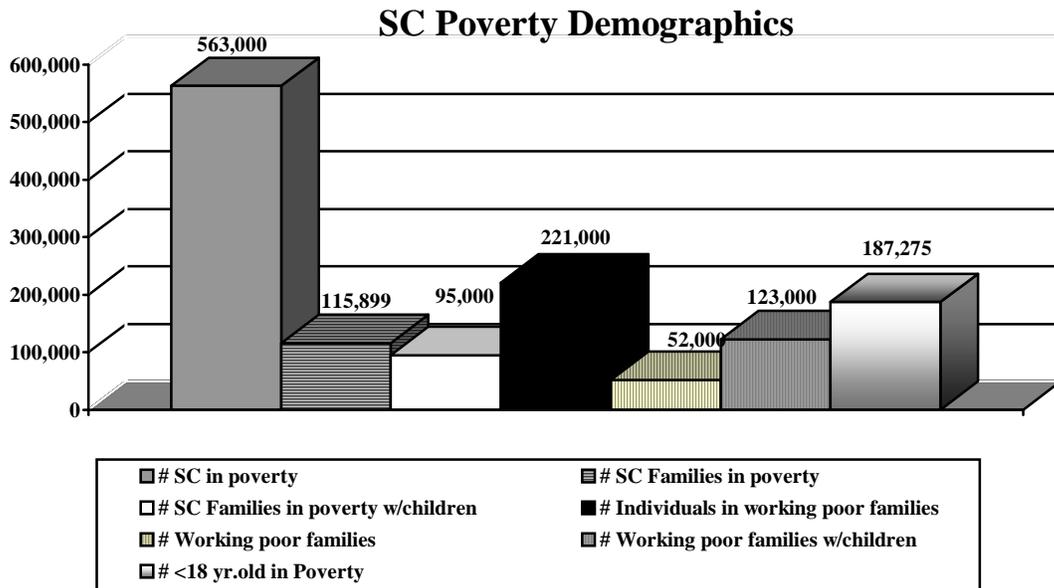


Table 2.1 Source: CBPP tabulation of US Bureau of Labor and Statistics, American Community Survey 2002

In order to determine the most common factors contributing to poverty among the working poor, this manual will closely examine the following populations:

- Working poor families with children*
- Working poor single parents
- Working poor childless families*
- Low-income families (earning less than 200% of the FPL)

¹² CBPP tabulation of U.S. Bureau of Labor and Statistics, *American Community Survey 2002*

¹³ U.S. Census Bureau, *Current Population Survey 2000*

* *Working poor parents caring for children are considered a special category of the working poor because evidence indicates that many poor children live in families where at least one parent works. Additionally, special attention is given to childless families because these individuals are not eligible for most forms of public assistance. As a result, the majority of this population relies on earnings as the primary source of income.*

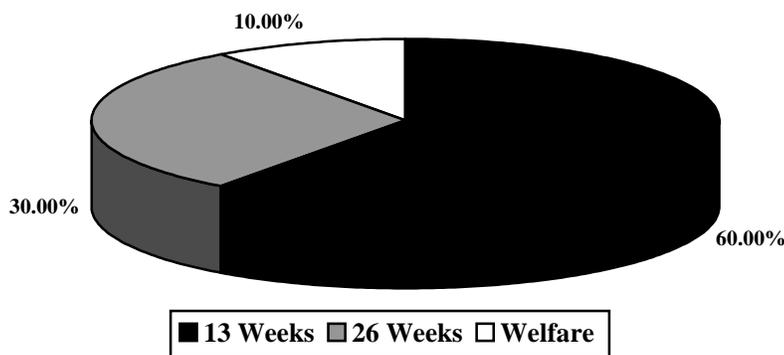
Working Poor Families With Children

There are currently 95,000 poor families with children living in South Carolina.¹⁴ More than 85% have one or more family members who are **able to work**, or potential workers.¹⁵ From data collected in 2002, it is clear that of the families with children living in poverty with members who were able to work, 77% had one or more parents who had worked at some point during the year.¹⁶ These parents had an average yearly combined work effort of 37 weeks (more than nine months).¹⁷ Sixty-eight percent of families in poverty with children had parents that worked 13 weeks out of the year and 53% of families in poverty with children worked 26 weeks out of the year.¹⁸ These working families derive the majority of their income from this employment.

Able to Work – an individual is considered “able” if s/he is not ill, disabled, or retired. In this report, able workers are also referred to as potential workers

Both national and state statistics indicate that the majority of working poor families with children draw the bulk of their income from earnings rather than public assistance. In fact, statistics from the year 2000 indicate that only 21,000 families with a parent who worked at least part of the year (out of a total of 42,000 such families) received any welfare benefits at all.¹⁹ According to the South Carolina Department of Social Services, the maximum monthly payment or financial award for a family of three in 2003 was just over \$200.²⁰ The stipend for a family of three was increased to \$240.00 in October 2004, the first benefit increase in seventeen years.

SC Working Poor Primary Income Sources



¹⁴ CBPP tabulation of U.S. Bureau of Labor and Statistics, *American Community Survey 2002*

¹⁵ *Ibid*

¹⁶ *Ibid*

¹⁷ *Ibid* This refers to the combined work of married couples

¹⁸ *Ibid*

¹⁹ Center on Budget and Control Policies, *The Poverty Despite Work Handbook*, 2001

²⁰ S.C. Department of Social Services, www.state.sc.us/dss/fi/TANF/tanfstateplan2004.doc

Fig. 2.1 **Source:** CBPP tabulation of U.S. Bureau of Labor and Statistics, American Community Survey 2002

SC Poverty Demographics

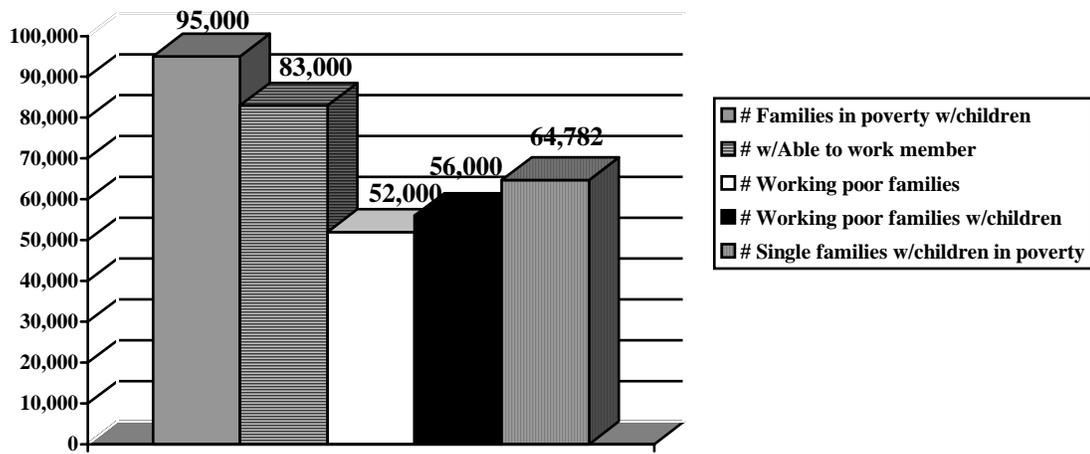


Table 2.2 **Source:** CBPP tabulation of US Bureau of Labor and Statistics, American Community Survey 2002

Close to 63% of all poor families with children in South Carolina who received welfare benefits in 2000 also had a parent who worked at some point during the year. This figure includes families who received welfare and a parent who subsequently found a job, families who received welfare after a job was lost, and families who worked throughout the year but still had sufficiently low earnings to qualify for welfare. Of the state's 1,534,334 poor families that either did or did not have one or more working members, only 3.3% received TANF in 2002.²¹ This means that the remaining 96.7% did not receive any form of public assistance.

In 1989, 190,873, or more than 21% of South Carolina's children under the age of eighteen lived in 83,423 families with incomes below poverty.²² By the late 1990's the number had dropped to 180,000.²³ However, an alarming number of children live above the poverty level, yet can still be considered poor. According to the 2000 South Carolina Kids Count report, 421,310 children in the state live between 100-200% of poverty,²⁴ indicating that 46% of all South Carolina's children were living at near-poverty levels.²⁵ Current statistics indicate that more than 17% of all children in the state are poor and the majority live in households where at least one person is employed.²⁶ Therefore, any efforts to alleviate child poverty must include efforts to help working parents.

Almost 80% of working poor households with children are headed by someone between the ages of 25 and 44.²⁷ Statistical data indicate that 6.2% of working poor families are headed by someone

²¹ S.C. Budget and Control Board, Office of Research and Statistics, *South Carolina Statistical Abstract 2004* www.ors2.state.sc.us/abstract/Chapter1/starterank9.asp

²² *The Poverty Despite Work Handbook*, the Center on Budget and Policy Priorities (CBPP), 2000

²³ *Ibid*

²⁴ S.C. Kids Count, Annie E. Casey Foundation, 2000

²⁵ *Ibid*

²⁶ *Ibid*

²⁷ CBPP tabulation of U.S. Bureau of Labor and Statistics, *American Community Survey 2002*

under the age of 25 and 16% are headed by individuals over 45 years of age.²⁸ Thus, three times as many households are headed by adults at prime employment ages.

53% of working poor families with children are headed by someone who holds at least the equivalent of a secondary education or higher. 34.9% have a high school diploma or GED, 13.7% have post-secondary education, and 4.4% have a college diploma.²⁹ About 47% are headed by someone with less than a high school diploma (Fig. 2.2).³⁰

31% of the state's working poor families are white, and 67.3% are black, indicating a 36.3% disparity between the two races.³¹ These figures refer to non-Hispanic whites and non-Hispanic blacks. It is also clear from recent census data comparisons that the number of working poor blacks grew, indicating that the economic boom is not positively impacting black workers.³²

56% of the state's working poor families with children live in metropolitan areas, while 44.5% live in rural areas.³³

Working Poor Single Parents

Generally speaking, single headed households earn far less annually than their multi-parent counterparts. The majority of all children living in poverty live in single headed households. Data compiled over the last few decades indicate a significant increase in the number of single parent families, especially those headed by women. In South Carolina, there were 219,759 female headed households with children in 1999 and 67,249 (30%) of these households were living in poverty.³⁴ Single female-headed households are more than twice as likely as single male-headed households to fall into poverty.³⁵

According to Kids Count data, the percentage of single parent households rose from 14.5% in 1970, to 18.9% in 1980, and to 25.1% in 1990.³⁶ In 2002, the percentage increased again to 30%.³⁷ Of these children, 14.5% were white children and 44.6% were African-American and non-white.³⁸ Challenges facing single-parent families in regard to economic hardship may be greater because they must rely on one person's earnings as a source of income, regardless of the size of the family.

²⁸ *Ibid*

²⁹ *Ibid*

³⁰ *Ibid*

³¹ *Ibid*

³² *Ibid*

³³ *Ibid*

³⁴ S.C. Kids Count, Annie E. Casey Foundation, 2000 www.kidscount.org

³⁵ *Ibid*

³⁶ *Ibid*

³⁷ SC Kids Count, Annie E. Casey Foundation, 2003 www.kidscount.org

³⁸ *Ibid*

SC Working Poor and Education

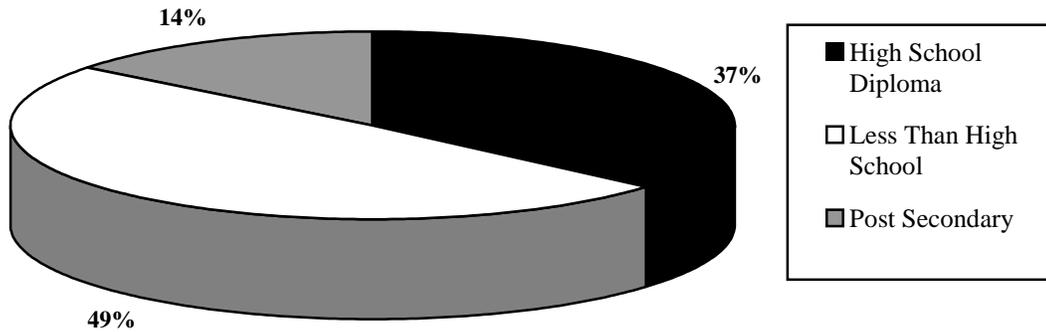


Fig. 2.2 Source: CBPP tabulation of US Bureau of Labor and Statistics, American Community Survey 2002

SC Working Poor and Race

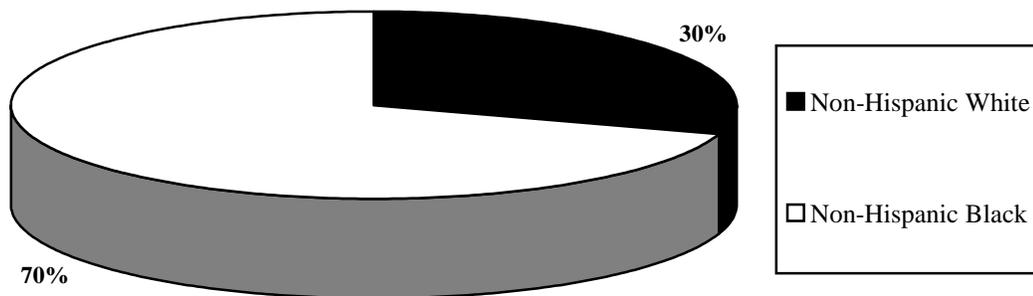


Fig. 2.3 Source: CBPP tabulation of US Bureau of Labor and Statistics, American Community Survey, 2002

According to Census 2000 data, the mean income of a single parent family in South Carolina was \$24,322, compared to a mean income of \$64,607 for married families with children.³⁹ Further emphasizing the severity of the impoverished single parent problem, out of 273,880 single headed families with children, 69.8% were living in poverty despite employment.⁴⁰

³⁹ *Ibid*

⁴⁰ *Ibid*

Working Poor Childless Families

There were 226,000 people in working poor families in South Carolina in 2002.⁴¹ Of the families with members who were able to work, 77% had one or more employed individuals.⁴²

The most recent census data shows that the majority (80.9%) of working poor families not caring for children are headed by single individuals, while 19.1% are married couples.⁴³ Someone under 25 heads 46% of such families, while a similar proportion (42%) is headed by someone between the ages of 25 to 44.⁴⁴ Twelve percent of working poor household heads without children are over 45 years of age.⁴⁵

A majority of these families, 42.4%, are also headed by someone who holds at least a high school diploma or GED.⁴⁶ More than 24% have post-secondary education and 5.8% have a college diploma.⁴⁷ Approximately 28% of the state's working poor families without dependent children are headed by someone with less than a high school diploma.⁴⁸

61% of the state's working poor families without children are white and 29.9% are black (These figures refer to non-Hispanic whites and non-Hispanic blacks).⁴⁹ 9% of working poor families and individuals without children are of Hispanic origin.⁵⁰

35% of working poor families without children live in rural areas, while 64.6% live in urban and metropolitan areas of the state.⁵¹ This is a tremendous shift, as data from the mid-1990's showed over 50% of these families living in rural areas.

Working poor individuals and childless families are often ineligible for federal cash assistance and depend mainly on earnings. Also, most childless adults living in poverty who are under the age of 65 are not eligible for Medicaid. This demonstrates that working poor adults without children are less likely to receive public assistance than those with children.

Low Income Families

In addition to the 563,000 individuals and families living in poverty in South Carolina, more than 400,000 families fall between 100 and 200% of the poverty level, indicating that they are likely to remain in poverty.⁵² Statistics for South Carolina's low income population are important because they demonstrate the precarious situation of families and individuals who are regularly employed with earnings above the

⁴¹ CBPP tabulation of U.S. Bureau of Labor Statistics, *American Community Survey* 2002

⁴² *Ibid*

⁴³ *Ibid*

⁴⁴ *Ibid*

⁴⁵ *Ibid*

⁴⁶ *Ibid*

⁴⁷ *Ibid*

⁴⁸ *Ibid*

⁴⁹ *Ibid*

⁵⁰ *Ibid*

⁵¹ *Ibid*

⁵² U.S. Bureau of Labor Statistics, *American Communities Survey* 2002 www.bls.gov

poverty threshold, yet are still in danger of falling into poverty. In South Carolina, a total of 541,000 individuals live in working poor and low-income families.⁵³

According to Census 2000 data, there were 239,209 children living in families whose incomes were between 100% and 200% of the poverty level in South Carolina in 1999.⁵⁴ This means that in addition to the 188,000 children living in poverty, more than 200,000 additional children were above the poverty level but could still be considered poor.⁵⁵ Nearly 96.7% of these families had a working parent and 86% had a full-time year-round worker.⁵⁶ However, the number of near-poor, or low-income children should be a cause for concern regardless of whether or not their parents are part of the work force.

Summary of Profile

Contrary to common public opinion, working poor adults, including single parents caring for children, are rarely very young. Most of the working poor are between the ages of 25 and 44, the prime working ages. Furthermore, most of the working poor have at least a high school diploma, and are roughly equally distributed between urban and rural sections of the state.

Statistics show that most working poor families in the state are employed about three-fourths of the year.⁵⁷ This means families are working more than two additional months a year than they were in 1998, yet are still living in or around the poverty level.⁵⁸

Single mothers make up a large proportion of working poor households with children (66.4%) while 30.2% of poor families in the labor force with children are headed by a married couple. 81% of working poor households without children are headed by single individuals, while married couples head only 19.1%.

Many welfare-dependent families in the state also rely on additional income from a family member who was employed at least part of the year. With so few families now on Family Independence benefits, it is clear that the majority of working poor families with children rely on earnings rather than welfare as their major source of income.

Contributing Factors to Poverty Among the Working Poor

The fact that it is possible for an individual to be a full time employee throughout the year and still not earn wages sufficient to get out of poverty points to many startling realities of life at the poverty threshold. Simple cost of living makes it difficult for low wage earners to afford health insurance and childcare. The current federal minimum wage of \$5.15/hr does little to stabilize minimum wage earners as they try to support themselves and their families. Furthermore, decreasing job accessibility

⁵³ CBPP tabulation of U.S. Bureau of Labor Statistics, *American Community Survey 2002*

⁵⁴ U.S. Bureau of the Census, *Census 2000* www.census.gov

⁵⁵ CBPP tabulation of U.S. Bureau of Labor Statistics, *American Community Survey 2002*

⁵⁶ *The Poverty Despite Work Handbook*, Center of Budget and Policy Priorities 2000

⁵⁷ CBPP tabulation of U.S. Bureau of Labor Statistics, *American Community Survey 2002*

⁵⁸ *Ibid*

and a lack of investment in low-income communities places South Carolina's working poor population at a distinct disadvantage.

The focus of the following section will be to explore factors that contribute to poverty among the working poor. Contrary to societal bias, poverty is not always perpetuated by lack of motivation and apathy. Rather, there are specific institutional barriers and oppositions surrounding the issue of poverty. Though not always apparent or intentional, many policies and societal attitudes exist that place an unfair disadvantage on individuals trying to earn a living on low wages. These include, but are not limited to:

1. Economic Trends
2. Weekly Earnings
3. Cost of Healthcare
4. Cost of Childcare
5. Public Transportation/Accessibility of Workplace
6. Cost of/Lack of Housing

Economic Trends

South Carolina's economy has been slower to recover from recent trends than the national economy. Job recovery, in particular, has not seen adequate growth following the loss of jobs between 2000 and 2003. The US Bureau of Labor and Statistics reported that South Carolina lost 10,600 jobs from June-August of 2004.⁵⁹ Although capital investment has grown by almost 90% since 1989, the creation of new jobs has slowed in the non-agricultural sector. Only 200,000 non-agricultural jobs were created between 1989 and 1996, highlighting one of the greatest economic challenges facing South Carolina: attracting continued investment while ensuring that the number of jobs rises proportionally. In 2003, South Carolina's economy showed signs of recovery from the 2001 recession with a 0.4% increase in non-agricultural jobs (a total of 7,800 new jobs).⁶⁰

Statewide, the percentage of unemployed members of the civilian labor force increased slightly from 1990-2000 by 0.3%, while the percentage in the United States decreased from 6.3% in 1990 to 5.8% in 2000.⁶¹ In South Carolina, the unemployment rate increased 8% in 2003 (6.8% compared to 6% in 2002).⁶² Employment in the service industries increased 173% between 1982 and 2000—the largest rate of employment growth for any industry in the state. In the last year, the service industries have added 19,900 jobs.⁶³ Other sectors boasting employment gains were Leisure and Hospitality (+5,300), Education and Health (+5,100), and Professional/Business services (+3,800).⁶⁴ By contrast, employment in manufacturing in South Carolina showed a decrease in growth and a loss of 12,600 jobs⁶⁵ (Fig.3.1).

Based on 2000-2010 industry and employment projections, industry employment growth is most likely to

⁵⁹ U.S. Bureau of Labor Statistics

⁶⁰ S.C. Employment Security Commission, Year-End Review, 2003 www.scesc.org

⁶¹ U.S. Census Bureau, Census 2000

⁶² *Ibid*

⁶³ *Ibid*

⁶⁴ *Ibid*

⁶⁵ *Ibid*

occur in the services sector.⁶⁶ Approximately 75% of all job growth will be attributed to the services sector.⁶⁷ Additionally, eight out of twenty of the fastest growing occupations will be computer related.⁶⁸ This trend suggests that workers are employed in low wage earning industries either because higher wage yielding jobs are not available in other sectors or because the level of their skills qualifies them for lower paying jobs.

SC Non-Farm Employment Change for Key Sectors Annual Average 2002-2003

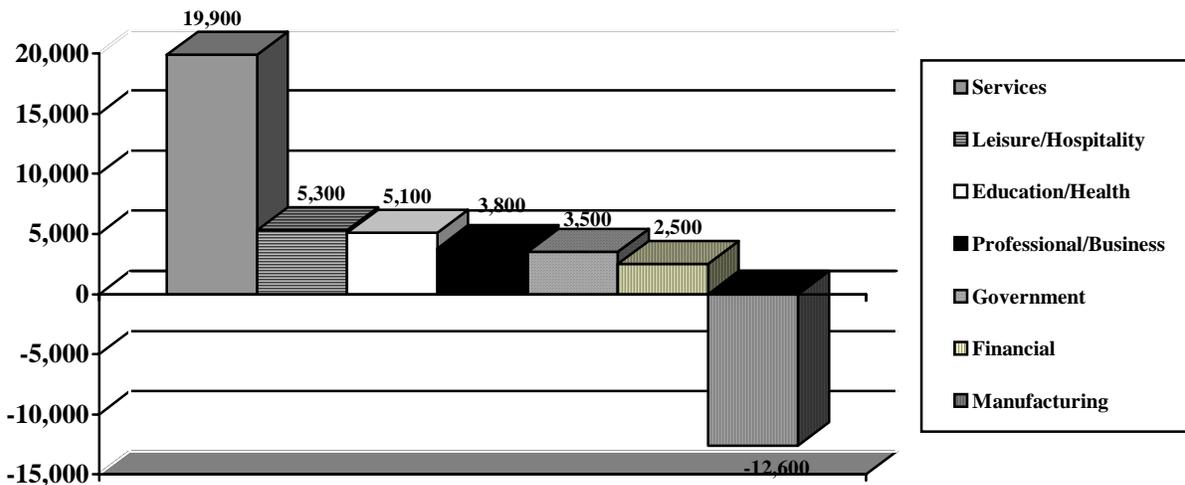


Table 3.1 Source: SC Employment Security Commission, 2003 Year-End Review

Earnings

Census 2000 data shows that 77,000 out of 570,000 parents caring for children in South Carolina who were full time workers year round in the late 1990's fell below the poverty line.⁶⁹ This indicates that 31% of all full-time, year round jobs occupied by parents did not yield incomes sufficient to lift the family out of poverty. Moreover, women heading households in South Carolina are at an economic disadvantage. Median earnings for women in 45 out of 46 counties were below the national average of \$18,957/yr. in 1999.⁷⁰ The counties with the highest median income for women were Lexington (\$20,628), Greenville (\$18,797), and Richland (\$18,681).⁷¹ The counties with the lowest median income for women in 1999 were Williamsburg (\$13,667), Colleton (\$14,070), and Lee (\$14,526).⁷²

⁶⁶ *Ibid*

⁶⁷ *Ibid*

⁶⁸ *Ibid*

⁶⁹ *The Poverty Despite Work Handbook*, the Center on Budget and Policy Priorities (CBPP), 2000

⁷⁰ U.S. Census Bureau, Census 2000. SF3 Demographic Profiles, Table P85

⁷¹ *Ibid*

⁷² *Ibid*

The most current Census data shows that there was a 7.1% increase in the percentage of families with incomes less than \$10,000, placing them below the poverty threshold.⁷³ This is higher than the national average of 5.8%.⁷⁴ 15.8% of these families were African American.⁷⁵ African American families in South Carolina also earned a significantly lower median income than white families, \$28,742 compared to \$50,638.⁷⁶

Currently, a household head working full time and earning the minimum wage of \$5.15/hr has an annual income of \$10,712 (not including taxes or social security). This figure is only 68% of the income needed to lift a family of three out of poverty. This national economic trend of steadily declining value for low-skill labor is equally evident in South Carolina. This means that hourly wages paid on a full time basis were too low to lift a family of four out of poverty.

Cost of Healthcare

Due to inflated costs, one of every three Americans under the age of 65 went without health insurance for some period of time during 2003-2004.⁷⁷ Increases in the portion of the non-elderly population that was uninsured were significant for every racial and ethnic group across the country.⁷⁸ Nationally, premiums paid by workers rose nearly three times faster than the average US earnings from 2000 to 2004.⁷⁹ Worker's health premium costs grew by 35.9%, while the average earnings over the same period rose by only 12.4%.⁸⁰

Now, more than ever, Americans are spending a significantly larger portion of their annual earnings on health care. From 2000 to 2004, the number of Americans with health care costs of more than one-quarter of their earnings rose by 23%, from 11.6 million to 14.3 million.⁸¹ The plight of South Carolinians is no better. Premium costs for workers in the Palmetto State rose by more than 40% from 2000 to 2004.⁸² The Annual Consumer Expenditure Survey for 2002 indicates that the average Southern household (counted

as 2.5 persons) spends an estimated \$2,431 per year on health care (including health insurance, medical services, drugs and medical supplies).⁸³ This represents a significantly high proportion of income for working families of three living at the poverty level.

⁷³ U.S. Census Bureau, Census 2000. SF3 Demographic Profiles, Table P154A-G

⁷⁴ *Ibid*

⁷⁵ *Ibid*

⁷⁶ U.S. Census Bureau, Census 2000. SF3 Demographic Profiles, Table P77

⁷⁷ *Healthcare: Are You Better Off Today Than You Were Four Years Ago?* Families USA (Sept. 2004)

⁷⁸ *Ibid*

⁷⁹ *Ibid*

⁸⁰ *Ibid*

⁸¹ *Ibid*

⁸² *Ibid*

⁸³ U.S. Bureau of Labor Statistics, *Consumer Expenditure Survey 2002*

<ftp://ftp.bls.gov/pub/special.requests/ce/standard/2002/region.txt>

South Carolina is comprised of four distinct geographical regions—the Low Country, the Midlands, the Pee Dee, and the Upstate. While South Carolina averages with the nation in gender and age distribution, the rate of uninsured residents is higher than the national rate.⁸⁴ Out of about 4 million South Carolinians, close to 19% are uninsured.⁸⁵ Of this number, more than half are working families and the majority is comprised of minorities (See table 3.2).⁸⁶

A large number of employed South Carolinians do not have health insurance. This means that the costs of any medical attention given to a child in poverty must be deducted from the family's earnings. A significant number of working poor parents also lack health insurance. Indeed, half of all poor adults in the workforce who care for children have no form of health insurance.⁸⁷ This means that some 61,000 working poor adults and children in the state are not covered by any form of health insurance.⁸⁸

Rising unemployment is one of the most significant factors contributing to the rapidly rising number of uninsured South Carolinians. According to 2004 data, 85% of working individuals who become unemployed lose their health insurance.⁸⁹ There is also a connection between small businesses and rates of uninsured in South Carolina. 96.8% of large employers offer health insurance to their employees and only 31.9% of firms with fewer than 50 employees offer coverage.⁹⁰ The main reason that most employees give for being uninsured, even when insurance is offered through their employer, is that it is too expensive.⁹¹ Insurance is simply not affordable for a significant portion of South Carolinians. Additionally, employees receiving government-sponsored insurance programs may no longer be eligible with payroll increases. This is a significant point in our state. Medicaid does not provide coverage to most workers in low-wage jobs, as they are earning too much money to be considered eligible according to the state requirements. A parent in a family of three who works full-time all year at the federal minimum wage earns too much to qualify for Medicaid in South Carolina, even though the family's annual income would only be about \$10,700—well below the poverty level.

According to federal law, states must cover children under six whose families have incomes below 133% of the poverty level and children ages six through fifteen whose families have incomes below poverty. Currently South Carolina covers children ages 1-18 years old at 150% or below poverty through its

⁸⁴ South Carolina Department of Insurance, *Expanding Health Coverage to South Carolinians: Stabilizing Rates in SC Small Group Market*, 2004.

⁸⁵ South Carolina State Planning Grant Household Survey on Insurance Status (2003). Please note this survey was funded by the Health Resources and Services Administration, US Department of Health and Human Services, a project also known as “Expanding Health Coverage to South Carolinians.” The Household Survey provides 19.4% as the rate of uninsured in the state. Another source (*Porter Wright Memo*) indicates the percentage was 12% including 9% children

⁸⁶ *Ibid*

⁸⁷ *Ibid*

⁸⁸ *Ibid*

⁸⁹ *Porter Wright Memo*

⁹⁰ The national rate is 46% of firms with fewer than 50 employees. *Porter Wright Memo* (citing Henry J. Kaiser Foundation, <http://www.statehealthfacts.skff.org> (2001-2002 data).

⁹¹ *Ibid*

Partnership for Healthy Children (SCHIP) program. It also covers pregnant women and children less than one year old at 185% of the federal poverty level.

Of those who were uninsured at some point during the year, almost half were employed. If the self-employed are included, 63% were either employed by someone or self-employed.⁹² Additionally, insurance status is relative to the household's average salary. In other words, the higher the household salary, the higher the percentage of insured.⁹³ This is most likely due to the fact that higher paying jobs usually offer better benefit packages and that insurance is simply more affordable with higher wages.

Of households without insurance, 29.24% did not have a regular source of care.⁹⁴ Of the 68.23% who did have a regular source of care, that source was a doctor's office for nearly 69%, a clinic for slightly more than 20%, and the emergency department for a little more than 10%.⁹⁵ In households without insurance, uninsured children missed an average of 3.18 days of school and adults missed an average of 4.81 days of work.⁹⁶ For that same group, children had an average of 2.19 doctor' visits and the average for adults was 3.21.⁹⁷

Data from the Household Survey conducted by the SC Department of Insurance (SCDOI) provides a glimpse of regional differences in the status of uninsured children. In the Low Country, 16.37% of children are uninsured.⁹⁸ For the three other regions, the percentages of uninsured children are: 17.17% in the Midlands, 26.25% in the Pee Dee region, and 17.04% in the Upstate.⁹⁹ Compared to the United States, which has 88.36% of all children less than 18 years of age insured and 11.64% uninsured, South Carolina has 82.25% of all children less than 18 years of age being insured and 17.35% uninsured.¹⁰⁰ In addition, the uninsured rates of children increase as children age.¹⁰¹

These trends are likely to continue as the state budget crisis takes its toll on public health programs. South Carolina has curtailed outreach efforts in an effort to decrease the number of individuals enrolling in welfare programs. Last year the state stopped its practice of providing "passive renewals" of eligibility, meaning that individuals are no longer assumed to be eligible until they report a change of income. While the State Children's Health Insurance Program (SCHIP) provides coverage for children with incomes up to 150% of the federal poverty level (children 0-18yr) and up to 185% for pregnant women and children less

⁹² Household Survey

⁹³ *Ibid*

⁹⁴ Household Survey

⁹⁵ *Ibid*

⁹⁶ *Ibid*

⁹⁷ *Ibid*

⁹⁸ *Ibid*

⁹⁹ *Ibid*

¹⁰⁰ *Ibid*

¹⁰¹ *Ibid*

Demographic	Percent Uninsured			
	Low Country	Midlands	Pee Dee	Upstate
TOTAL	19.1	18.2	21.2	17.1
Gender				
Male	18.8	21.4	21.9	17.8
Female	20.6	17.0	21.5	18.0
Race				
White	21.0	17.6	22.2	14.8
Black	14.2	20.1	19.1	23.9
Hispanic	50.2	30.0	43.8	50.6
Age				
Under 18 years	15.1	16.4	24.8	17.0
18 to 24 years	34.4	39.9	30.5	39.3
25 to 34 years	35.1	33.6	26.3	25.4
35 to 44 years	22.8	15.1	30.2	19.5
45 to 64 years	11.5	14.2	19.8	13.3
65 years and over	6.8	3.5	1.7	2.8
Income				
<\$25,000	26.3	35.3	30.0	27.8
\$25,000 to \$49,999	20.9	16.5	30.5	25.1
\$50,000 to \$74,999	13.7	14.1	13.7	6.0
\$75,000 or more	12.6	12.4	17.0	8.4

Table 3.2 **Source:** *Small Business/Health Insurance Project 2004*

than one year old, Medicaid coverage for adults is limited to 50% of the federal poverty level. South Carolina used federal matching percentage increases allocated last year to fully fund the Medicaid program, but that money is expected to run out this summer, with no additional funds available to begin the next state fiscal year. Additionally, the SCHIP program is threatened by further budget cuts and attempts to contain the cost of South Carolina's Medicaid program.

Cost of Childcare

Time spent at work reduces the amount of parental time spent at home and the resulting cost of childcare is a heavy financial burden on the working family. In South Carolina, two-thirds of mothers with children under the age of six, regardless of whether or not they are poor, are currently in the labor force.¹⁰² The number of working mothers has significantly increased since 1960, when 36% of mothers with children under the age of six worked.¹⁰³ According to Census 2000 data, 96% of

¹⁰² *The Poverty Despite Work Handbook*, the Center of Budget and Policy Priorities (CBPP), 2000

¹⁰³ South Carolina Kid's Count, Annie E. Casey Foundation, 2001.

children under the age of 6 living with both parents and 73% of children under the age of 6 living with single parents have a parent in the work force.

In South Carolina, daycare services represent a considerable expense for working poor families. Everyone in need of childcare assistance is supposed to be able to get the help they need from the state subsidized South Carolina ABC voucher program. However, the Department of Social Services estimates that there are only funds to cover about 20% of all families eligible for the subsidy—there are currently more than 88,000 children in working poor families who are eligible, yet are not receiving any assistance.¹⁰⁴

In 1999 the average monthly cost of maintaining a child at a daycare center in South Carolina was approximately \$325/month.¹⁰⁵ According to Interfaith Community Services, the cost today is between \$50-\$150 per week. Minimum wage, one wage earner families can easily spend more than 50% of their annual income on childcare. In the absence of childcare assistance, therefore, low-income families frequently will be unable to pay for quality childcare and can be forced to choose among unsafe or poor quality care, leaving children unattended, or not working.¹⁰⁶

Single working parents face additional challenges when it comes to childcare. Public assistance is only available for a limited time period of two years once a family leaves the TANF program. Unfortunately, the worker's wages do not increase correspondingly to compensate for the added cost of childcare at the end of the second year. Without the supplemental financial assistance from the government or without earnings from a working spouse affordable daycare becomes a huge financial burden. Additionally, it is harder for single parents to find affordable daycare facilities that are open during work hours.

The major source of federal funding for childcare is the Child Care and Development Block Grant (CCDBG).¹⁰⁷ States use these funds to help families receiving welfare, families trying to move off welfare, low-income working families, and families with parents enrolled in training or education programs.¹⁰⁸ States supplement these funds with in-state matching funds, as well as Temporary Assistance for Needy Families (TANF) block grant funds for childcare.¹⁰⁹ States set their own income eligibility limits and are allowed to serve families earning up to 85% of the state median income.¹¹⁰ Additionally, each state determines its own sliding scale fee, attempting to allow families to assume a greater portion of the childcare expenses as appropriate based on current income.¹¹¹ Adequate reimbursement rates for childcare providers are also a significant factor in the childcare equation. If rates are too low, providers may not accept children whose families receive assistance.

¹⁰⁴ Personal Communication, S.C. Department of Social Services ABC Program 200

¹⁰⁵ *Childcare in South Carolina: Quality, Affordability, and Availability*, Strom Thurmond Institute, 2000 www.state.sc.us/dss/abc/qualityaffordability.pdf

¹⁰⁶ *The Poverty Despite Work Handbook*, Center of Budget and Policy Priorities (CBPP), 2000.

¹⁰⁷ S.C. Department of Social Services, www.dss.sc.state.gov

¹⁰⁸ National Women's Law Center, Issue Brief, 2004

¹⁰⁹ *Ibid*

¹¹⁰ *Ibid*

¹¹¹ *Ibid*

On the other hand, if they choose to accept the low rates, providers may not be able to pay salaries attractive to well-qualified staff or to purchase needed supplies and equipment.¹¹²

There have been recent changes in the administration of South Carolina's CCDBG to improve the state's childcare assistance program. Previously, the ABC program and its funding were administered by the Department of Health and Human Services. Last year, the amicable decision was made to place both fund allocation and the ABC program with the Department of Social Services, allowing the state's resources for childcare assistance to be located within the same agency as other assistance services for low-income families. This bold move has allowed administrators to streamline the ABC program and place the program with the agency that is better aligned with the benefit. In South Carolina, a family of three at 100% of the poverty level receiving childcare assistance will spend an average of \$500 annually to support one child in daycare¹¹³ (Table 3.3).

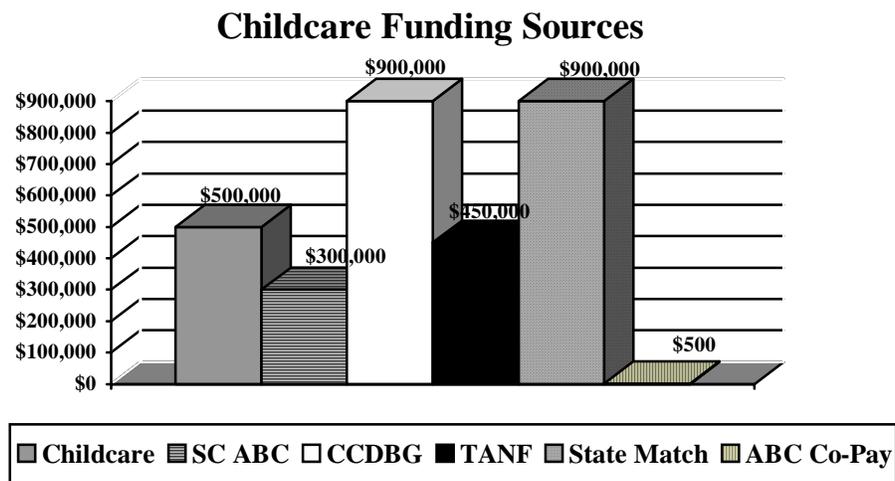


Table 3.3 Source: National Women's Law Center Issue Brief (Sept. 2004)

Public Transportation

The availability and cost of transportation, whether publicly or privately owned, has always been an essential factor governing a worker's ability to access the workplace. This holds true for South Carolina where the availability of reliable transportation allowing passengers to commute from the home to the workplace is important. In the absence of a mass transit system designed to shuttle people to and from work, reliable transportation often must be privately owned in order for a worker

¹¹² *Ibid*

¹¹³ National Women's Law Center: This figure reflects the current parent copayment fee of \$39/mo for a family of three at 100% of poverty with one child in daycare. This is a decrease of \$4/mo from the copayment fee in 2001.

to commute due to large distances between industrial and residential areas. In fact, the Family Independence Act of South Carolina, aimed at mobilizing previously unemployed welfare recipients to enter the workforce, implicitly acknowledges the need for workers to have their own transportation. It implies that transportation does in fact affect the opportunity for future employment.

According to a South Carolina Census Population survey, the use of public transportation as a mode of travel to the workplace has steadily decreased over a period of three decades.¹¹⁴ The most recent survey indicates that only 0.8% of workers use public transportation, compared to 93.4% who rely on a private vehicle to access the workplace (see Table 3.3).¹¹⁵ This data seems to imply that in the absence of reliable transportation, workers are obliged to meet their commuting needs alone and that access to a private vehicle often affects their eligibility for a job.

Vehicle ownership and the accompanying costs of fuel, insurance, taxes, and regular maintenance constitute a significant proportion of the worker's income. In the case of the working poor, this necessary expense for transportation results in a considerable depletion of an already low income.

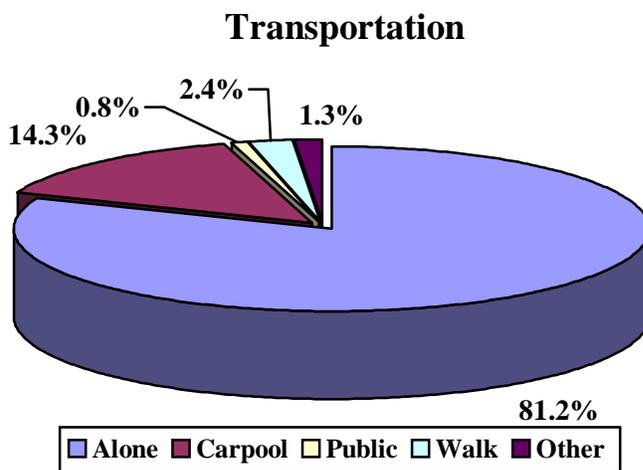


Fig. 3.1 Source: US Bureau of Census, Census 2000

The Annual Consumer Expenditure Survey for 2001 indicates that the average amount of money spent on transportation in the Southeast was just \$281.¹¹⁶ This demonstrates clearly that not only is there a lack of quality public transportation in South Carolina, but it is also significantly underfunded. Although there has been an increase in the cost of public transportation nationally, the cost in the South remains relatively lower than other regions in the country.¹¹⁷

¹¹⁴ South Carolina State Budget and Control Board, *Benchmarks*, 1996.

¹¹⁵ South Carolina State Budget and Control Board, *Benchmarks*, 1999.

¹¹⁶ U.S. Bureau of Labor Statistics, *Consumer Expenditure Survey 2002*
<ftp://ftp.bls.gov/pub/special.requests/ce/standard/2002/region.txt>

¹¹⁷ *Ibid*

The survey also shows that in the Southeast, the average cost of a vehicle in 2002 was \$3,591.¹¹⁸ Related vehicle expenses including gasoline and motor oil, finance charges, maintenance and repairs, vehicle insurance and licensing, leasing charges, etc., amount to an average annual cost of \$2,299.¹¹⁹ The mean monthly expenditure on a used or inexpensive vehicle for a low-income family is therefore approximately \$490, making private transportation unaffordable, especially in the case of minimum wage earners.¹²⁰

Additionally, accessibility of the workplace is an issue for many members of the labor force in South Carolina. As jobs relocate away from the city into the suburbs, it becomes more difficult for potential and established employees to find/afford transportation to and from the workplace. Many employees in rural areas are bussed into metropolitan areas. More than 22% of all individuals sixteen years of age and older in the work force are employed outside of their county of residence.¹²¹

Such data highlights the potential impact of a reliable mass transit system on the needs of workers to access their workplace. In addressing the needs of the working poor and in endeavoring to alleviate the cost of work for the low-income family, the government must acknowledge the priority of a dependable and affordable transportation system for workers.

Affordable Housing

The lack of adequate housing for low-income families is a problem nationwide. More than fifteen million low-income households across the nation pay too much for their housing, live in sub-standard housing, or are homeless.¹²² The lack of decent, affordable housing affects all other priorities, including employment, education, and even providing quality parenting for children.¹²³

In South Carolina, individuals with incomes less than 50% median income and individuals with special needs have the greatest need for housing. There are many people who are at a disadvantage for affordable housing for no other reason than a lack of employment at sustainable wages. Workers must be compensated with appropriate wages in order to afford basic housing. The **housing wage** in the Midlands ranges from \$8.35/hour to \$11.31/hour.

<p>Housing Wage— the hourly wage necessary to secure a two-bedroom apartment at Fair Market Rent if one were to work 40 hours/wk.</p>

<p>Fair Market Rent—gross rent estimates established by the Department of Housing and Urban Development. Includes shelter rent and utilities except telephone.</p>

Special needs populations include people in the following groups or with the following conditions:

- Physical disabilities
- HIV-AIDS

¹¹⁸ *Ibid*

¹¹⁹ *Ibid*

¹²⁰ *Ibid*

¹²¹ U.S. Census Bureau, Census 2000

¹²² Lazere, E., *State Earned Income Tax Credits: Has Their Time Come?*, Center on Budget and Policy Priorities

¹²³ *Ibid*

- Mental illness or other behavioral disorders
- Homelessness (A particular group of emerging homeless are cab drivers who are also often foreign born).
- Veterans (with or without a physical or mental disability)
- Seniors and frail elderly
- Extremely low income people (0-30% median income)
- Ex-offenders
- Hispanic people (They have cultural, language, literacy, and income barriers to housing and nonresident status is a barrier to housing for some).

Currently, there are 1,753,670 housing units in South Carolina¹²⁴, 87% of which are occupied.¹²⁵ The majority of occupied housing is comprised of two-person households (25%).¹²⁶ 25% of occupied housing is made up of single person households and 18.1% is made up of three-person households.¹²⁷

The majority of housing units in South Carolina are owner occupied, single-unit detached structures.¹²⁸ The second most common type of housing unit is owner occupied mobile homes, which comprise 20.3% of all housing units.¹²⁹ This compares with 27.9% of renter occupied apartment units, 34.1% renter occupied single-unit detached structures, and 16% renter occupied mobile homes (see Table 3.4).¹³⁰

The median gross rent for the 421,146 renter units in South Carolina in 2000 was \$510/mo.¹³¹ This is a 74% increase from 1990 when the median gross rent was only \$376/mo.¹³² The majority of renters in South Carolina spend more than 35% of their monthly household income on rent.¹³³

¹²⁴ U.S. Census Bureau, Census 2000. SF3 Table H30

¹²⁵ U.S. Census Bureau, Census 2000. SF3 Table H16

¹²⁶ *Ibid*

¹²⁷ *Ibid*

¹²⁸ U.S. Census Bureau, Census 2000. SF3 Table H31

¹²⁹ U.S. Census Bureau, Census 2000. SF3 Table H30

¹³⁰ U.S. Census Bureau, Census 2000. SF3 Table H31

¹³¹ U.S. Census Bureau, Census 2000. SF3 Demographic Profiles, Table DP-4

¹³² *Ibid*

¹³³ *Ibid*

SC Housing Characteristics

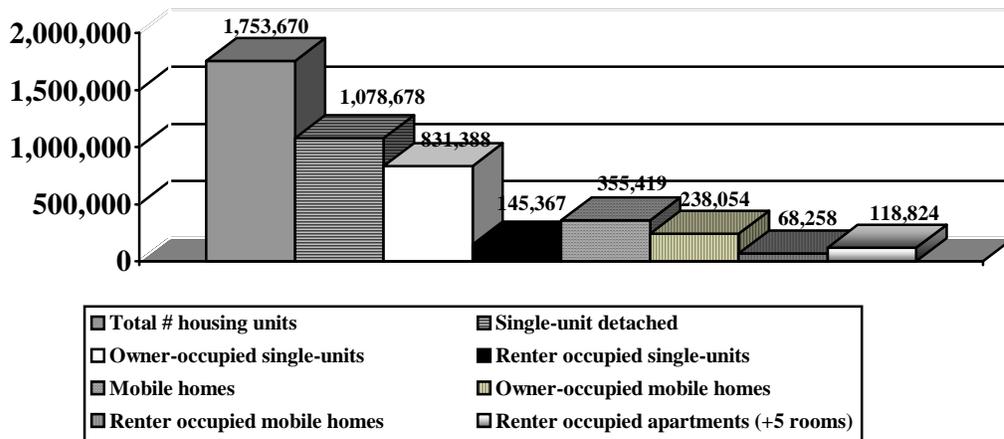


Table 3.4 Source: U.S. Census Bureau, Census 2000

Many barriers to affordable housing exist in South Carolina. Barriers to obtaining affordable housing include:

- Startup costs that are prohibitive for low income people—deposits necessary are too expensive for this population;
- Background checks and screening eliminate people with poor credit, criminal records, and poor housing histories;
- Landlords may be reluctant to rent to people with low incomes if they fear a high turnover rate;
- Lack of knowledge of available units; and
- Appropriate unit size may not be available.¹³⁴

Solutions and Considerations

Economic Trends

The working poor have to contend with decreased wages and changing employment patterns that have shifted workers away from high paying industries and toward low-wage jobs.

Many parents are unable to earn incomes above poverty despite having a full-time, year round job. Low skill labor and few value-added jobs may be contributing to maintaining

¹³⁴ Housing memo, Personal Communication 2004

poverty levels among working South Carolinians. Despite an economic boom in the 1990's, our state's poorest citizens have not experienced a requisite monetary gain.

In order to avoid the continued phenomenon of the increasing number of working poor, business development should focus on access to higher quality jobs for low-skill, low-income labor through appropriate training programs and increased diversification across all sectors of the economy.

Any effort to improve the conditions of the working poor must simultaneously address the needs of their children. Offering affordable health care and high-quality education to children living in working poor families will enable future adults to command better paying and better quality jobs.

Right To Work—
legislation that restricts unionized workers and employers from negotiating union security clauses.

Historically, low wages and “**right to work**”¹³⁵ policies in the state have made South Carolina an attractive place for certain types of investment. The current challenge to the economy is to generate high wage jobs and high quality investment.

Business development requires increased, value-added activities, which demand higher skill levels and education among workers. The more skill and education a worker has, the more valuable the worker is to an employer and the worker's wages will likely increase. These higher-skilled jobs must include health care and flexible benefits to help pay for the employee's childcare needs.

Weekly Earnings

Poverty among working families and individuals in South Carolina may very well exist at a much higher rate than stated in this report. This is because while poverty is determined by comparing pre-tax income with the poverty threshold, these gross earnings are still not an indication of the income available to a family.

Even after adding cash income to all non-cash benefits, mandatory expenses such as taxes (federal as well as income, sales, and property, etc.), childcare and medical bills, child support payments as well as the basic costs of shelter, food, and clothing should be deducted from earnings to give an accurate estimate of a family's available income. Under the market-basket approach, to truly determine what a household needs to survive, the measurement needs to be actual costs of the family just to meet basic needs. It is only then that we can measure whether or not a family is supporting all of its needs.

Government or private employers must make a larger proportion of earnings available as disposable income to poor families. This is more likely to put them on the path to self-sufficiency and eliminate the greatest disadvantages of work for single parents.

¹³⁵ AFL-CIO www.afl-cio.org

For poor individuals and families in the labor force, work is often a disincentive because the burden of earned income tax erodes a significant portion of their earnings. However, an existing federal program to supplement low wages in the form of an *Earned Income Tax Credit* (EITC) greatly reduces the tax burden of the working poor, and often provides refunds to families whose tax bills are lower than the EITC amount for which they are eligible for.

Nevertheless, the federal EITC is not sufficient to guarantee that families with a full-time worker will rise above the poverty threshold. At a national level, a family of three with one child and one minimum wage worker would fall \$4,958 below poverty in 2004. For a family of four, income would fall \$8,138 below poverty. The maximum EITC benefit for the calendar year 2003 was \$4,204 for families with two or more children, and \$2,547 for families with one child.¹³⁶ The greater EITC benefit for larger families reflects recognition that larger families face higher living expenses than smaller families.¹³⁷

A mechanism is therefore needed to bridge the poverty gap and supplement a working family's income at a level adequate to lift its members out of poverty. This mechanism could come in the form of a *state EITC*.

The federal EITC only offsets federal taxes and does not take into account state income, sales, and property taxes. In South Carolina, the income level at which a family of four began to owe income tax in 1995 (also known as the state income tax threshold) was \$16,600.¹³⁸ This indicated that families whose earnings were only modestly above the poverty line (107 percent of poverty) were liable for state taxes. During the same year, the state and local tax burden represented 8 percent of income for South Carolina's poorest families.¹³⁹ Thus, additional tax relief in the form of a state EITC complements welfare reform policies by eliminating the figure of state and local taxes as a disincentive for work.

THE CREDIT FOR
WORKERS WITHOUT A
QUALIFYING CHILD IS
MUCH LOWER THAN
THE CREDIT FOR
FAMILIES WITH
CHILDREN—A
MAXIMUM OF \$364 IN
2001.

AN EXAMPLE HELPS ILLUSTRATE HOW EITC WORKS:

A parent with two children and earnings of \$15,000 in 1997 would owe \$173 in federal income taxes. This amount would have been withheld from the parent's paycheck during the year. This family qualified for an EITC of \$3,009. The EITC would allow the family to get back the \$173 it paid in income taxes and to receive an additional refund of \$2,836. Because the parent would have paid \$2,295 in social security payroll taxes based on her/his earnings in 1997, most of the EITC refund would have served to offset those taxes. The portion of the EITC serving as a wage supplement for this family would be \$541.

¹³⁶ Alliance of Information and Referral Systems National Conference (2004)

<http://www.airs.org/downloads/2004library/13>

¹³⁷ *The Poverty Despite Work Handbook*, Center on Budget and Policy Priorities (CBPP) 2000

¹³⁸ *Ibid*

¹³⁹ *Ibid*

In 2001, the cash income of a married couple with one child and one parent working full-time at the minimum wage fell \$982 below the poverty line, even after accounting for the federal EITC.¹⁴⁰ The **poverty gap**—the difference between income including the EITC and the federal poverty line would be more than \$3,300 for a family of four with two or three children.¹⁴¹ The poverty gap would be even larger for families of five or more.

Poverty Gap—
*the difference between
income including the
EITC and the federal
poverty line.*

State government policy to increase disposable income in the form of a state earned income tax credit greatly reduces the tax burden for a poor family. However, by denying other income maintenance programs such as TANF, Food Stamps, and Medicaid to working poor families, current welfare legislation does little to offset the real benefits of a tax credit. While disposable income increases, so does the cost of previously subsidized childcare, medical service, and food. State EITC therefore should be seen as a complement to welfare reform and not a substitute for previous welfare programs.

Employer tax credits extended to include private specific benefits or education and training programs for employees earning minimum wage are other solutions to the need to create incentives to employers to assist low-income individuals and families with employment opportunities. The **Welfare-to-Work Tax Credit** is administered under the Work Opportunity Tax Credit (WOTC) certification procedures established by the Small Business Job Protection Act of 1996 and encourages employers to hire groups of job seekers with barriers to employment.

**Welfare-to-Work
Tax Credit**—*federal
income tax credit that
encourages employers
to hire long-term
welfare recipients.
This tax credit can
reduce employer
federal tax liability by
as much as \$8,500 per
new hire.*

The Family Independence Act of 1995 in South Carolina includes incentives to encourage private industry to hire welfare clients in the form of new job tax credits, Enterprise Zone tax credits, and Family Independence Act employer tax credits. Similar incentives need to be created for industries that assist low-income employees with health benefits.

Another solution to improving the wage earning capacity of working poor and low-income individuals and families is to initiate appropriate job training programs. As predominantly low-income industries attract growing numbers of low-skilled workers, the working poor are likely to remain low-wage, low-skilled workers unless either the state government or the private-sector invests in enhancing basic skills and training for workers to take on higher skilled jobs. Higher skill levels greatly increase the ability of businesses to add value to work. High value-added activities, particularly in the service and retail industries, support quality jobs and high pay.

¹⁴⁰ *The Poverty Despite Work Handbook*, Center on Budget and Policy Priorities (CBPP), 2000

¹⁴¹ *Ibid*

Perhaps one of the most obvious considerations for low-wage earners is the solution of raising the minimum wage. Minimum wages in the state are evidently low in that a worker who is employed more than 50 weeks of the year, for at least 35 hours at the minimum wage, still cannot earn sufficient income to keep his/her family out of poverty. One option to alleviating poverty among full-time, year round workers could be to raise the minimum wage level so that person who works 1,750 hours annually generates enough income to keep a family modestly above the poverty level. Twelve states have already passed alternative minimum wage legislation as a result of the Fair Labor Standards Act of 1996, resulting in a minimum wage higher than the federal limit.¹⁴² South Carolina has no state required minimum wage law. Currently, the federal minimum wage is \$1 per hour lower than its purchasing power, which will in no way support all that a family requires.¹⁴³

Cost of Healthcare

As public assistance is no longer available to working poor families, private employers are the only viable alternative to providing much needed benefits and aid to their low-income employees. Just as the federal EITC policy eliminates income tax as a disincentive for working, similar programs are needed to reduce the disadvantages employment poses for poor families. In the absence of government subsidized child and medical care, private employers must be encouraged to offer much needed assistance to working parents.

The health care problems for South Carolina and the nation as well have reached crisis proportions. Providing health care to the uninsured is a significant cause of insurance premium increases because uncompensated care not directly reimbursed by government, philanthropy, or other sources is built into the cost bases of hospitals and physicians.¹⁴⁴ As the hospitals raise fees and charges, total private insurance costs increase.¹⁴⁵ As a result, many employers can no longer afford to provide health insurance to their employees, or they provide insurance that gives fewer benefits and/or higher deductibles, co-payments, and coinsurance in order to bring costs down.¹⁴⁶ Thus the number of uninsured individuals and families rises.

Establishing a recurring, stable source of funding for Medicaid is necessary to ensure that the working poor have access to healthcare. South Carolina's financial structure has grown increasingly dependent on federal funding sources to sustain health access and treatment programs.¹⁴⁷ While this assists states in the financing of programs that could not be sustained through state dollars alone, it creates dependence on these federal funds, which are often tied to restrictions regarding implementation.

Increased outreach and expansion of services is also necessary to ensure that the working poor population of South Carolina has access to healthcare. Currently, eligible individuals

¹⁴² AFL-CIO www.afl-cio.org

¹⁴³ *Ibid*

¹⁴⁴ Families USA

¹⁴⁵ *Ibid*

¹⁴⁶ *Ibid*

¹⁴⁷ George Washington University Site Visit Report, *The Health Care Safety Net in South Carolina: A Test of Tenacity* (February 2004)

must apply to different agencies to receive services. The Department of Social Services (DSS) handles Food Stamps and TANF, while the Department of Health and Human Services (DHHS) handles Medicaid. This complicates matters for individuals who may not have access to transportation, or who have inflexible work schedules. Outreach for Medicaid has been drastically reduced due to budget cuts and this trend will likely continue. Many eligible individuals fall through the cracks as DHHS disbanded outreach efforts. There is a considerable lack of information about service provision for those seeking assistance. While Medicaid provides services for children 0-18 years old at 150% of poverty and for pregnant women and children less than one year old at 185% of poverty, it will require increased funding and outreach if it is to serve as the safety net for working poor families that is needed. DSS and DHHS should actively seek out eligible individuals and families, expand programs, and implement systematic outreach statewide so that community organizations providing services receive up to date information regarding changes made in current programs.¹⁴⁸ An increase in Medicaid funding to cover children at 200% of the poverty level would insure approximately 60,000 additional children in our state. In addition, once a state increases its children's health program to 200% of poverty, it is permitted to cover parents as well.

Additionally, there should be assistance for employers to ensure that employees have access to health insurance. Affordability is the most important factor in health coverage. If given the resources, employers could offer reasonably priced coverage for workers. The state can explore the expansion of the state's Medicaid program to include low-income worker buy in. In addition, more can be done to promote the utilization of the states Federally Qualified Health Care Centers.

Cost of Childcare

Increased funding is perhaps the most obvious solution to this problem. South Carolina has allowed childcare funds to stagnate over the years (with no increase in monetary investment). In order for working poor families to be able to afford childcare services, the state should invest more money to offset the cost. South Carolina should invest more TANF money into childcare to cover children at or below 150% of the poverty level. This could be accomplished if the Department of Social Services was not forced to divert TANF dollars to Child Protective Services and Foster Care. Thousands of additional childcare slots could be funded with dollars that DSS must use to cover obligations the state has not fully funded.

As noted earlier, reducing child poverty must simultaneously address the needs of working poor parents in the areas of affordable day care facilities and health benefits. Easing the financial burden of medical payments and childcare allows poor families to be better disposed to cover other unavoidable expenses such as rent, groceries, and clothing, which ensure the well-being of their children.

¹⁴⁸ Personal communication, SC Hospital Association 2004

Public Transportation/Accessibility of Workplace

In South Carolina, the need for a reliable and adequate public transit system is evident in that the majority of workers rely on private transportation to access the workplace. In the case of low-income workers, particularly minimum wage earners, the costs of purchasing and maintaining a private vehicle (which is often the only reliable mode of transport to work), represent a large proportion of the worker's income. For workers living at or below the poverty level, vehicle ownership often is an unaffordable expense, yet in many cases, access to reliable transportation governs their eligibility for and ability to maintain a particular job.

At a time when welfare-to-work policies are focusing on mobilizing the unemployed poor into the labor force to work their way out of poverty, the government must recognize that transportation to the workplace is an essential factor in determining a worker's eligibility for a job. Any attempts by the state to alleviate poverty among its residents, particularly those who work, must recognize the financial burdens of private vehicle ownership and address the need to provide reliable public transportation for its workforce, thus making employment "affordable" for the poor.

Reliable and adequate transportation means:

- Increased and more frequent circulation of buses;
- Appropriately designed routes which take into account the current location and distribution of industrial and residential centers; and
- Greater accessibility to such bus systems, particularly in rural areas where distances between the workplace and home can be substantial.

According to the American Public Transportation Association, there are currently eight federal agencies that offer programs that provide subsidized transportation services to clients in partnership with state and local governments.¹⁴⁹ The programs are designed for low-income workers, individuals receiving TANF, the disabled and the elderly. However, South Carolina is one of many states that has not coordinated local services with federal programs. South Carolina should take advantage of these opportunities to expand services to the disadvantaged populations in the state. In Myrtle Beach, for example, the Pee Dee Regional Transit Authority coordinates with the county DSS to provide rural residents with access to jobs in the city.¹⁵⁰ Additional benefits of expanding public transportation services include savings at the government level, access to non-emergency healthcare, and access to the workplace.¹⁵¹

¹⁴⁹ American Public Transportation Association Congressional Testimony 2003
www.apta.com/government_affairs/positions/aptatest/testimony030520.cfm

¹⁵⁰ *Ibid*

¹⁵¹ *Ibid*

A recent initiative by the Edisto-Savannah Departments of Resource Conservation and Development (RC&D) has been quite progressive in its approach to workplace accessibility. The Wheels to Work program provides used vehicles to participants in the DSS Family Independence program at very low cost.¹⁵² The program's demonstration project in 2002 saw 22 vehicles being provided to low-income individuals with zero interest, low monthly payments, and no money down.¹⁵³ Recipients are able to access employment and earn money for their families.

Employers must also be encouraged to provide transportation assistance to low-income employees. Car-pooling initiatives, which allow co-workers to share fuel and maintenance costs of vehicles, also bring socioeconomic benefits, such as the reduction of traffic congestion and air pollution.

Affordable Housing

A number of barriers exist that prohibit low-wage earners from securing affordable housing. The most obvious obstacle is inadequate wages. A full-time worker earning minimum wage cannot afford the Fair Market Rent determined by the Department of Housing and Urban Development for Columbia, South Carolina of \$512/month.

As mentioned previously, the current minimum wage needs to be increased. A further consideration of this solution requires understanding of the minimum wage and how it is determined. In 1938 the Fair Labor Standards Act (FLSA) established a national minimum wage and maximum hour standard. The initial minimum wage was 25 cents per hour, about 40 percent of the 1938 average manufacturing wage. Today the federal minimum wage stands at \$5.15 an hour, about 33 percent of the 2003 average wage.¹⁵⁴

An option for cities and municipalities is to enact a **living wage**, or **housing wage**. Local governments agree to increase the current federal minimum wage to an amount that allows individuals to spend no more than 30% of their income on housing, based on the FMR for the area. A living wage is based on the premise that if an individual works 40 hours/wk, s/he should be able to afford basic housing. It varies according to FMR gross rent estimates that include shelter rent and utilities excluding telephone.

Inclusionary Zoning is a successful strategy for requiring development and ensuring distribution of affordable housing. It is accomplished through mandatory ordinances that require developers to set aside a certain number of units in a residential

Living/Housing Wage—

a wage that is designed to enable full-time workers to afford a certain bedroom size. Based on HUD's Fair Market Rent estimates, the living wage for Columbia, SC is at least \$9.85/hr.

Inclusionary Zoning—

sets forth minimum percentage of units to be provided in a specific residential community as affordable households at a particular income level.

¹⁵² U.S. Department of Agriculture www.sc.nrcs.usda.gov

¹⁵³ U.S. Department of Agriculture www.sc.nrcs.usda.gov/news/2003screport.pdf

¹⁵⁴ The American Voice 2004: *Issues and Allegations*

<http://www.americanvoice2004.org/minimumwage/index.html#Anchor-Background-49575>

development for affordable housing. While there are both positive and negative aspects to this approach of developing affordable housing, inclusionary zoning provides a viable alternative to South Carolina's lack of affordable housing. Pros to this approach include production of affordable housing at little cost to local government, creation of income-integrated communities, and the lessening of sprawl.¹⁵⁵ The most significant drawbacks to this approach are the shifting of the cost of affordable housing to the private sector, segmentation of the upwardly mobile poor, and induction of growth.¹⁵⁶ Incentives given to developers in the form of waivers of zoning requirements, local tax abatements, waivers of permit fees, et. al. could entice this sector to shoulder the burden of providing affordable housing.¹⁵⁷

Partnering experienced developers with nonprofit and/or faith based organizations would provide nonprofits with the capacity for developing affordable housing. Partnerships between business leaders and developers would also be beneficial. Because businesses should recognize the need for housing that service wage employees can afford, they would be good partners in raising the awareness of the economic benefits of a well housed workforce, especially in terms of reliability in the face of inadequate transportation.¹⁵⁸ Faith Based organizations and Community Development Corporations are rarely large enough to have the capacity necessary to develop programs. The amount of time, energy, expertise, and staff required to manage projects funded from multiple sources inhibits small groups from trying to develop housing or from becoming developers and doing multiple projects.¹⁵⁹ Partnering with larger, more experienced organizations would be a good way for them to build capacity.¹⁶⁰

Rent support is critical for the sound operation of special needs and extremely low-income housing.¹⁶¹ Sources of rental support include HOME Investment Partnership Program, Housing Opportunities for Persons with AIDS (HOPWA), Housing and Urban Development (HUD) Shelter Plus Care, HUD Supportive Housing. The time limit on assistance is twenty-four months.¹⁶²

Conclusions

This report has shown that most of South Carolina's impoverished households are challenged despite working. Economics have kept them impoverished – they are not poor because they are not trying to work and escape poverty. They are not poor due to a lack of trying to not be poor. Clearly, many working parents cannot afford to lose previously subsidized healthcare and childcare benefits. Even single working people who do not have to maintain children earn poverty-level incomes despite full-time year round work.

¹⁵⁵ Burchell, Dr. Robert W. and Galley, Catherine C., *Inclusionary Zoning: Pros and Cons* (October 2000). www.huduser.rbcbarriers

¹⁵⁶ *Ibid*

¹⁵⁷ *Ibid*

¹⁵⁸ Housing memo, personal communication 2004

¹⁵⁹ *Ibid*

¹⁶⁰ *Ibid*

¹⁶¹ *Ibid*

¹⁶² *Ibid*

Efforts to alleviate child poverty must simultaneously address the needs of poor parents, particularly those who no longer qualify for public assistance and are unable to afford adequate healthcare, education, and financial well being.

State government also needs to work with the private sector to resolve the problem of the working poor by implementing specific policies that raise wages and enhance the skills of a large proportion of its workforce.

In South Carolina, work can only allow the poor to prosper if the state and its private employers develop long-term economic projects to bridge wage inequalities and offer employment benefits, which ensure the financial and social well-being of its workers and their children. Policies that focus on moving able adults from welfare to work should not function to the detriment of poor people who are already working. For those who are in jobs with insufficient wages, state EITC, child care and health care assistance can fill the gap between lack of wages and monthly bills.

While we need to focus on increasing the per capita income of all South Carolinians, many cannot wait until this long-term solution is accomplished. Positive steps have been taken to ensure more people receive food stamp assistance and free and reduced school lunch. Yet we have a long way to go in helping the thousands of hard working people of our state who are still living at or near poverty. We can make more child care assistance available, increase eligibility for Medicaid so the thousands of working poor can have health care coverage, develop transportation policies that get people to work and help build infrastructures. By investing in these programs, we can help our working poor make ends meet.

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