



State of the Workforce

October 2007

The Myth of Full Employment: Working and Still Poor in King County

King County has experienced near record low unemployment in the past year, averaging 4.1% between July 2006 and June 2007. This represents what economists define as ‘full employment’ and what many consider a key sign of a healthy economy. But it doesn’t mean that everyone who wants a good-paying job can find one and it doesn’t mean that employers can find all the skilled workers they need. Even in full employment, the labor market can be out of balance.

Many of those who are working in King County are having trouble making ends meet, challenging the popular notion that if you’re working, you’re not poor. This report examines the myth of full employment, including labor market disconnects and their impact on our community. It is intended to engage the community in a broader discussion of the underlying causes of these disconnects and potential policy and strategic solutions.

Who Are the Working Poor?

Poverty has traditionally been measured using the Federal Poverty Level (FPL). It is, however, widely recognized that the FPL is out of date, leading many to use some multiple of the measure, e.g., 175% of the FPL, to determine economic need. Although it accounts for differences in family size, the FPL does not account for differences in family composition or geographical location. If we define poverty as the economic state of having insufficient income to cover basic expenses, then the FPL is inadequate in an analysis of who is living in poverty.

An alternative measure is the Self-Sufficiency Standard. The Standard is based on a complex methodology that determines the average wage a given household would need to cover basic expenses without any subsidies—based on family size, composition, and location. Using the FPL as a benchmark, 1 in 12 households in Washington state is officially living in poverty. The Self-Sufficiency Standard finds that 1 in 5 Washington households lacks sufficient income to cover basic living expenses.

Comparison of Federal Poverty Level and Self Sufficiency Standard			
Family Size	Family Composition	Federal Poverty Level (FPL)*	Self Sufficiency Standard**
2	adult + school age	\$13,690	\$33,168
	adult + infant	\$13,690	\$38,092
3	adult + school age + teen	\$17,170	\$34,348
	adult + infant + preschooler	\$17,170	\$51,482
4	2 adults + preschooler + teen	\$20,650	\$47,355
	2 adults + infant + preschooler	\$20,650	\$58,490
Annual income working full-time at WA State Minimum Wage = \$16,494 King County Median Household Income = \$63,489			

*2007 HHS Federal Poverty Guidelines

**2006 Self-Sufficiency Standard for Washington State (numbers for Renton, WA)

“Overlooked by policy and undercounted by official measures, a broad and diverse set of Washington families is experiencing economic stress,” according to self-sufficiency research by Dr. Diana Pearce.¹ (Visit www.thecalculator.org for more information about the Standard and the Self-Sufficiency Calculator.)

In King and Snohomish counties, about 1 out of every 8 full-time working adults is living at or below twice the Federal Poverty Level (FPL). Many are supporting dependents. This group is mostly white (65%) and between the ages of 21 and 40 (63%). Nearly half (46%) of these individuals have limited education (a high school diploma or less), but a significant number (36%) have some college, and some have a bachelor's degree or more (18%)—alluding perhaps to the competition for good wages in this region and potential mismatch between skills and job requirements. The vast majority of this group (70%) is far less likely to own a home than their counterparts with household incomes above 200% of the FPL.²

In Washington state, although most families who do not have adequate incomes are white, families of color and/or non-citizens are disproportionately likely to have insufficient income to make ends meet. The group with the highest proportion of households with insufficient income is Latinos, almost half (46%) of whom experience inadequate income. High rates of insufficient income are apparent in non-citizen households as well (45%). Families with children are twice as likely to have insufficient income (29%) as those with no children (14%). If any children are

under the age of 6, the odds of experiencing inadequate income increase to about 40%.³

Why are Working People Still Poor?

Some of the causes are structural features of the current labor market: underemployment such as involuntary part-time employment, inconsistent employment such as seasonal work, wages that have not kept pace with inflation and limited availability of good wage jobs.

Underemployment and Inconsistent Employment

Periods of unemployment, low earnings, or involuntary part-time work were experienced by 8 in 10 working poor individuals who worked full-time in 2004.⁴ Involuntary part-time and inconsistent/unreliable work hours create significant challenges to income stability. Erratic work schedules make it difficult or impossible to supplement income from part-time work by obtaining a second job. In addition, “these work situations are generally associated with lower wages and lack of benefits, such as health care insurance.”⁵

Education and Poverty

Many jobs in King County do pay high wages, but those jobs also require higher levels of education, putting them out of reach for many. To illustrate the strong correlation between education levels and poverty, with higher education corresponding to lower poverty rates, look at the top 5 occupations with the highest vacancies in King County. There is a striking difference between good-wage industries with requirements for advanced education—like Healthcare and Information Technology—and lower-wage industries—such as Retail and Food Services—that have little or no requirements for education beyond high school (see table).

The ‘tipping point’ research done by the Washington State Board for Community and Technical Colleges found that “not only do workers with at least a year of college and a credential earn substantially more than those with just some or no college, but they are in higher demand among employers, at least in Washington state.”¹⁵ Moreover, higher education lowers the chances of experiencing unemployment.¹⁶

Washington State Employment Security Department’s occupational projections for 2004-2014 suggest that those with little or no education and training can expect to earn an average of \$25,999 annually. Consistent with the ‘tipping point’ research mentioned above, even a relatively small jump in preparation, i.e. 1-12 months of training, can translate into significant earning gains, with projected average annual earnings of \$40,208, or 55% more than those with little preparation.¹⁷

Top 5 Occupations in King County with the Highest Number of Vacancies, Spring 2007

Individual Occupations	April 2007 Vacancies	Requiring Education Beyond HS/ GED
Computer Software Engineers, Applications	1,982	97%
Registered Nurses	1,490	100%
Cashiers	1,359	0%
Waiters and Waitresses	1,087	1%
Retail Salespersons	1,017	4%

Source: *WA State Spring 2007 Job Vacancy Employer Survey*, Employment Security Department, LMEA.

Several significant industries in King County can be characterized by part-time, seasonal or inconsistent employment patterns. A 2007 job vacancy survey for King County found that Healthcare and Retail had the highest number of job openings **and** high rates of part-time jobs—44% and 43% respectively.⁶ Stable employment (with the same employer for an entire quarter or longer) was enjoyed by 76% of employees in King County in 2006, according to U.S. Census Bureau data. And yet, four of the top ten sectors in King County (in terms of total employment) had smaller proportions of stable employment that same year. For example, the Accommodation & Food Service sector had only 66% of individuals in stable employment and the Construction industry had only 65%.

Wage Gains and Inflation

The inequity of gains between wage-earning groups in our state is pronounced. Between 1990 and 2002, those at the bottom 10% of the wage ladder in Washington state experienced an average pay increase of only 18.2%, while people with the highest-paying jobs saw average increases more than twice that amount—48.7%.⁷

Wages, adjusted for inflation, have been relatively stagnant in recent years. In Washington state median hourly wages dropped slightly between 2002 and 2004, and remained flat through 2005.⁸ Similar to the state picture, median wages in King County remained flat between 2002 and 2005, with a slight decrease in 2004.⁹

“Good Wage” Jobs are Hard to Find

Another challenge to escaping poverty through work is the availability of good-wage jobs. According to a 2007 study, “as few as 1 in 5 job openings in the region (the Northwest) offer a wage that could support a working family...and the job gap ratios indicate that over the course of 2005 there were as many as 12 times as many job seekers as there were living wage jobs.”¹⁰ In 2006, an employer survey revealed that of the top 25 jobs with the highest number of vacancies in King County, 73% paid a median wage of \$10 per hour or less¹¹—which is not sufficient to cover basic living expenses for many in King County. For example, a family in Renton with two adults and two school-age children would need a combined wage of at least \$23 per hour, according to the Self-Sufficiency Standard, just to meet basic needs.

When “Good Wages” Aren’t Good Enough

Structural features of the labor market create disconnects between employment and self-sufficiency, but there are other factors as well—namely cost of living and education levels—that contribute to this disconnect.

‘Good wages’ are determined by the extent to which those wages cover basic household expenses. The reality in King County is that, while unemployment is low and wages are higher than other parts of the state and country, the high cost of living can undercut those advantages.

The cost of housing in King County—whether renting or owning—is high and has increased sharply in recent years. Owning a home is becoming increasingly unaffordable for many; in King County the median price for a single family house was \$477,345 in August 2007. In that same month, the median price in Seattle was \$501,000, topping the half-million dollar mark for the first time, and up 10% from August 2006. According to the Urban Land Institute, a worker would have to earn \$119,000 per year to afford that Seattle home.¹³ By contrast, median household income in King County was \$63,489 in the most recent American Community Survey.

The cost of child care, particularly for families with young children, is another factor that stands between many King County households and economic self-sufficiency. A single parent family in King County with 2 young children must earn \$22-\$25 per hour to cover average living expenses, with child care representing 35-40% of the monthly budget.¹⁴ A single parent working full-time as a nurse’s aide, earning \$12/hour, and paying childcare for an infant and preschooler could not possibly cover basic market-rate household and living costs.

The service sectors hold a significant portion of King County’s total employment but represent some of the lowest wages in the local economy. Education & Health Services, Leisure & Hospitality and Retail together comprise nearly 30% of the county’s total employment, but wage earners in those industries account for only 18% of the total wages in the local economy.¹²

Recommendations for Action

What can be done to address the disconnect between employment and economic self-sufficiency? Structural features of the labor market prevent perfect solutions but there are a number of **policies and strategies that a workforce development system can advance:**

- ❖ Facilitate access to and support retention in training and skill development that increases workers' competitiveness for higher wage jobs (e.g. Individual Training Accounts, Opportunity Grants, Worker Retraining funds).
- ❖ Connect youth to career and educational pathways that lead to economic self-sufficiency.
- ❖ Partner with employers in high-wage, high-demand industries to find ways to meet employer demand and connect workers with wage progression opportunities (customized training, on-the-job training, paid release time, etc.).
- ❖ Understand employment retention as an economic issue and integrate access to work supports more fully into workforce preparation to promote financial and employment stability.
- ❖ Reform rules for unemployment insurance that screen out low-wage workers, and broaden eligibility for part-time workers, as recommended by the Center for American Progress Task Force on Poverty.

A more thorough analysis of economic well-being in our community leads to **policy recommendations that can mitigate the impact of the structural disconnects on working individuals.** In *Overlooked and Undercounted*, Dr. Diana Pearce recommends the following:

- ❖ Encourage measures, i.e. tax incentives for employers, to improve work benefits such as paid sick leave for workers.
- ❖ Ensure the Earned Income Tax Credit—which increases low-income families' wages through tax credits and has proven to be effective in reducing poverty—remains viable.
- ❖ Raise the gross income limit for food stamps from 130% to 200% of the Federal Poverty Level, allowing families with higher but still inadequate incomes to qualify.
- ❖ Raise the eligibility level for the State Children's Health Insurance Program from 250% to 300% of the Federal Poverty Level.
- ❖ Expand eligibility for subsidized child care, especially for early education programs, allowing more parents to expand to full-time employment.
- ❖ Modify public benefit program rules, such as Washington state's cash assistance rules, so that benefits phase out more slowly as earnings rise, rather than abruptly de-qualifying someone when their wages increase.

¹ *Overlooked and Undercounted: Wages, Work, and Poverty in Washington State*, Dr. Diana Pearce, March 2007.

² *Working Poor Series*, Seattle Post Intelligencer, 2006.

³ *Overlooked and Undercounted: Wages, Work, and Poverty in Washington State*, Dr. Diana Pearce, March 2007.

⁴ *A Profile of the Working Poor 2004*, U.S. Department of Labor, Bureau of Labor Statistics, May 2006.

⁵ WA State Population Survey, WA State Office of Financial Management, June 1999.

⁶ *Washington State Spring 2007 Job Vacancy Survey Report*, Employment Security Department, LMEA.

⁷ *Working Poor Series*, Seattle Post Intelligencer, 2006.

⁸ *The Status of Working Poor Families in Washington: An Update*, Seattle Jobs Initiative, March 2007.

⁹ Washington State Employment Security Department.

¹⁰ *Searching for Work that Pays: 2007 Northwest Job Gap Study*, Northwest Federation of Community Organizations.

¹¹ *Washington State Fall 2006 Job Vacancy Survey Report*, Employment Security Department, LMEA.

¹² Washington State Employment Security Department.

¹³ *Median Price for House in Seattle tops \$500,000*, Seattle Times, September 11, 2007.

¹⁴ The Self Sufficiency Standard for Washington State, 2006.

¹⁵ *The Tipping Point*, Research Report No. 06-2, WA State Board for Community and Technical Colleges, April 2005.

¹⁶ *The Status of Working Poor Families in Washington: An Update*, Seattle Jobs Initiative, March 2007.

¹⁷ *Occupational Outlook 2004-2014*, Washington State Employment Security Department, LMEA.

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Workforce Development Council of Seattle-King County
2003 Western Ave., Ste. 250 • Seattle, WA 98121-2162
206.448.0474 • www.seakingwdc.org



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