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From Working Poor to Middle Class

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Should a family put food on the table or buy needed medication? People who have jobs do not need to make this kind of choice—right?

In reality, while seventy percent of Americans self-identify as middle class, 43 percent of American households cannot afford basic household necessities, as estimated by the United Way ALICE (Asset Limited, Income Constrained, and Employed) measure.

“This threshold is built on a bare minimum budget for each U.S. County and suggests that, in addition to the 16 million households below the poverty line, 35 million households—the majority of which consider themselves middle class—are unable to make ends meet” wrote Stephanie Hoopes and Daniel Treglia for the Biden Challenge.

At the Biden Challenge conference, ALICE project’s Hoopes and Treglia emphasized that cost of living needs to be considered in determining how much money is needed to survive and include basic needs like housing, childcare, food, transportation, health care, and a phone. Hoopes mentioned that 15 of the top 20 occupations in the U.S. pay less than the \$20 an hour that would earn the employee \$30,000. This is less than \$7,000 above the poverty level for a family of four.

Individuals and families should not be having to make tough economic decisions for their personal livelihood. Safety nets should be provided, and those willing and able to go to work should not be disadvantaged by their

employment status. Work offers dignity and should not disqualify people from needed assistance.

Fortunately for the working poor, there are promising policy solutions that could be implemented that would change their circumstances and create a robust, financially-stable, true middle class of Americans.

1: Defining the working poor

We must understand who the working poor are and where they are located. As participants discussed during the Biden Challenge, it is not a simple economic measure. In addition to income and the number of individuals in a family, we must understand the cost of living in the area and what constitutes a living wage. The United Way's ALICE Project is making important headway in this area.

2: Tax system

We need to examine our tax system and reform the minimum wage credit so that anyone who falls below a living wage should be provided a tax credit. As it currently stands, an individual making more than \$14,400 is not entitled to the \$500 credit.

3: Employment contracts

Non-compete clauses should not be permitted on contracts of the working poor. For example, Princeton economists have estimated "no-poach agreements", which prevent moves between companies and even between franchises of the same company, affect employees of 70,000 restaurants in the U.S. Some of these restaurants have been challenged, and as of as August 2018, Applebee's, Church's Chicken, Five Guys, IHOP, Jamba Juice, Little Caesars, Panera Bread, and Sonic had all agreed to remove these non-compete clauses from their contracts.

4: Bank regulations

We need to regulate our banking system to allow the working poor access to savings accounts, checking accounts, and loans so that they are not forced to go into alternative markets that abuse their shortage of resources, such as payday loans.

According to a 2014 Federal Deposit Insurance Corporation report, 25 million Americans had no bank account at all. Another 68 million are

“underbanked:” they have bank accounts, but also rely on alternative financial services. Lisa Servon redefined the problem at the Biden Challenge—it is not that people are simply unbanked, but that banks are becoming too prohibitively expensive for many people to use them.

5: Higher education

As Andrew Seligsohn wrote for the Biden Challenge, higher education “fails to recognize that the key to re-constructing the middle class is not job skills, but civic renewal.” It is critical that we provide access to education broadly, including civic education.

Public participation in government is fundamental for a strong democracy and a strong, connected, and engaged citizenry is more likely to lead to economic prosperity. Individuals, regardless of economic status, should be given a voice—particularly in those decisions that affect their lives and the well-being of others in their communities.

The overwhelming lesson learned from discussions the Biden Challenge conference and ideas exchange was that the U.S. needs policies that incentivize work, provide a living wage, and enforce contract language that promotes better opportunities and working conditions in order to improve the lives of the working poor and revitalize the middle class. This is not only a moral obligation as Americans, but a necessity for a strong democracy.

Note: The Biden Challenge took place on September 26, 2018 at the University of Delaware. Many thanks to former Vice President Biden for igniting this discussion.

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