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The Working Poor **Liberals and Conservatives Have Bought into the Myth**

By David K. Shipler

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LISA BROOKS WAS ONLY 24, BUT A BLEMISH OF WEARINESS tainted her youthful face. She worked hard as a caretaker at a halfway house for mentally ill adults. She was good with them, kind and firm, but she was paid \$8.21 an hour, which put her and her four children a couple of thousand dollars below the federal poverty line.

Brooks lived in Newport, N.H., in a damp, drafty apartment in an old wooden house, an apartment that exacerbated her 9-year-old son's asthma. On two occasions, her son had sudden trouble breathing. His grandmother called 911, and each time an ambulance whisked Nicholas to a hospital. Each time, he was treated with oxygen and steroids. But the family's health insurance, for which Brooks paid \$97 every two weeks, refused to cover ambulance charges of \$240 and \$250. Brooks didn't understand insurance rules and didn't know how to appeal. "I fought

the WORKING

Liberals and conservatives have bought into the myth

POOR

by DAVID K. SHIPLER

with the doctor's office and the insurance company," she complained, "and they still said no matter what, I had to pay for it."

She could not pay immediately or all at once, for she operated close to insolvency. So the charges went on to her credit report. When she tried to move to better housing by applying for a loan to buy a mobile home, she was denied because her credit record showed the overdue ambulance bills. When she tried to buy a more reliable car, which she needed to get to work, she was also denied. When her 1989 Dodge Caravan developed fatal electrical problems, she had no choice but to go to a used-car lot that didn't do credit checks but charged her 15.747 percent interest. She paid \$5,800 for a 1995 Plymouth Neon with 82,000 miles and a bad alternator.

For Brooks, every problem magnifies the impact of others, and all are so tightly interlocked that one reversal can produce a chain reaction. A run-down apartment exacerbates a child's asthma, which leads to a call

PHOTOGRAPH BY PETER DAZEL/GETTY IMAGES



The working poor are neither helpless nor omnipotent. Each person's life is the mixed product of bad choices and bad fortune, of roads not taken and roads cut off by the accident of birth or circumstance.

for an ambulance, which generates a medical bill that cannot be paid, which ruins a credit record, which hikes interest rates on an auto loan, which forces the purchase of an unreliable car, which jeopardizes a mother's punctuality at work, which limits her promotions and earning capacity, confining her to poor housing. This is the lot of the "working poor" in America.

In 1997, as America's prosperity soared, I set out to find working people who fell into this category. They number 29 million or more. I found them in black neighborhoods in Washington, D.C., and white towns in New Hampshire, in factories and job training centers in Cleveland and Chicago, in housing projects in Akron, Ohio, and Los Angeles, in malnutrition clinics in Boston and Baltimore, in California sweatshops, and in North Carolina fields. Some I encountered only once or twice, but others I have followed for five or six years. These people are often caught in exhausting struggles. Their wages do not lift them far enough from poverty to improve their lives. The term by which they are described, "the working poor," should be an oxymoron. Nobody who works hard should be poor in America.

Liberals and Conservatives Are Both Wrong – and Partly Right

The American Myth supposes that any individual from the humblest origins can climb to well-being. We wish that to be true, and we delight in examples that make it so. The classic immigrant story still stirs the American heart: Tireless labor and scrupulous thrift can transform a destitute refugee into a successful entrepreneur. The myth has value – it sets a high standard.

But the American Myth also provides a means of laying blame. In the Puritan legacy, hard work is not merely practical but also moral; its absence suggests an ethical lapse. A harsh logic dictates a hard judgment: If a person's diligent work leads to prosperity, then the failure to prosper is a fall from righteousness. The marketplace is the fair and final judge; a low wage is some-



how the worker's fault, for it simply reflects the low value of his or her labor.

There is an opposite extreme, the American Anti-Myth, which holds "society" largely responsible for the individual's poverty. The hierarchy of racial discrimination and economic power creates a syndrome of impoverished communities with bad schools and closed options. Poor children are funneled into delinquency, drugs, or jobs with meager pay and little future. The individual is the victim of forces beyond his or her control.

In reality, people do not fit easily into myths or anti-myths. The working poor are neither helpless nor omnipotent, but stand on various points along the spectrum between the polar opposites of personal and societal responsibility. Each person's life is the mixed product of bad choices and bad fortune, of roads not taken and roads cut off by the accident of birth or circumstance. It is difficult to find someone whose poverty is not somehow related to his or her unwise behavior – to drop out of school, to have a baby out of wedlock, to do drugs, to be chronically late for work. And it is difficult to find behavior that is not somehow related to the inherited conditions of being poorly parented, poorly educated, poorly housed in neighborhoods with limited possibilities.

In the United States, the federal government defines poverty simply: an annual income, for a family with one adult and three children, of less than \$18,725. That works out to about \$9.00 an hour, or \$3.85 above the federal minimum wage, assuming that someone can get a full 40 hours of work a week for all 52 weeks of the year, or 2,080 working hours annually. With incomes rising through the economic expansion of the 1990s, the incidence of official poverty declined, beginning the new decade at 11.3 percent of the population, down from 15.1 percent in 1993. It rose slightly in the ensuing recession, to 12.1 percent by 2002.

But the numbers are misleading. The federal poverty line cuts far below the amount needed for a decent living, because the U.S. Census Bureau still uses the basic formula designed in 1964 by the Social Security Administration, with four modest revisions in subsequent years. That sets the poverty level at approximately three times the cost of a "thrifty food basket." The calculation was derived from spending patterns in 1955, when the average family used about one-third of its income for food. It is no longer valid today, because the average family spends only about one-sixth of its budget for food. The government, however, continues to multiply the cost of a "thrifty food basket" by three, adjusting for inflation only and overlooking nearly half a century of dramatically changing lifestyles.¹

The result burnishes reality by underestimating the num-

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Job Training Where Everyone Wins

One way to help the working poor is through job training programs that rely on a symbiosis between nonprofits, for-profits, and government.

An example can be found at the edge of an industrial park in rural Kentucky, where Jackson County Rehabilitation Industries, a nonprofit job training enterprise, recently had contracts to make appliance cables for Mid-South Electric, a company located just a few hundred yards away. Completed wiring was cheaper to make in Mexico, but costlier at most other American manufacturers, because Rehabilitation Industries had to cover only 70 to 80 percent of expenses through sales; the rest came from government grants.

In this scenario, everyone won. Rehabilitation Industries could underbid profit-oriented competitors, saving the large manufacturers money on wiring. The trainees, there for 90 days, got minimum wage and lower benefits than at similar jobs in private firms – but most of them eventually moved into the private sector.

A key to job training programs is to make sure workers are trained for jobs that actually exist. In Ohio, the Cleveland Center for Employment Training recently had a board dominated by executives from local industries. These board members donated equipment to the center and ultimately hired many trainees. People were thus trained for jobs that actually existed in the community, meshing job training with the demands of the local labor market. This may sound like common sense, but many government-funded job training programs take a more scattershot approach.

One problem with job training programs: They rarely train workers in their rights. The entire burden rests on the trainee to be good enough to get a job, not on the employer to be good enough to provide decent pay and working conditions. No true empowerment takes place, and the hiring process itself militates against workers enjoying even a fleeting sense of leverage.

Barbara Ehrenreich, writing about Wal-Mart's hiring process in "Nickel and Dime," describes the phenomenon. "First you are an applicant," she writes, "then suddenly you are an orientee. You're handed the application form and, a few days later, you're being handed the uniform and warned against nose rings and stealing. There's no intermediate point in the process in which you confront the potential employer as a free agent, entitled to cut her own deal."

That law, combined with the good economy, initially sent welfare caseloads plummeting. As states were granted flexibility in administering time limits and work requirements, some created innovative consortiums of government, industry, and charity to guide people into effective job training and employment. But most available jobs had three unhappy traits: low wages, no benefits, and no future. "Many who do find jobs," the Urban Institute concluded in a 2002 report, "lose other support designed to help them, such as food stamps and health insurance, leaving them no better off – and sometimes worse off – than when they were not working."⁵

Christie considered herself such a case. The only thing in her wallet resembling a credit card was a blue-green piece of plastic labeled "Ohio" and decorated with a drawing of a lighthouse projecting a beam into the night. Inside the "O" was a gold square – a computer chip. On the second working day of every month, she slipped the card into a special machine at Walgreens, Save-A-Lot, or Apple's, and punched in her identification number. A credit of \$136 was loaded on to her chip. This was the form in which her "food stamps" were issued; she spent her entire food stamp allocation the day she got it.

As Christie inched up in salary, her food stamp benefit declined. Every three months she had to take half a day off from work (losing half a day's wages) and carry an envelope full of

bers whose lives can reasonably be considered impoverished. More accurate formulas, being tested by the Census Bureau and the National Academy of Sciences, would rely on actual costs of food, clothing, shelter, and utilities. Under those calculations, income would include benefits not currently counted, such as food stamps, subsidized housing, fuel assistance, and school lunches; living costs would include expenditures now ignored, such as childcare, doctor's bills, health insurance premiums, and Social Security payroll taxes. When the various formulas were run in 1998, they increased by about 3 percent the proportion of the population in poverty, from the official 34.5 million to a high of 42.4 million people.² A later variation raised the poverty rate in 2001 by 0.6 percent.³

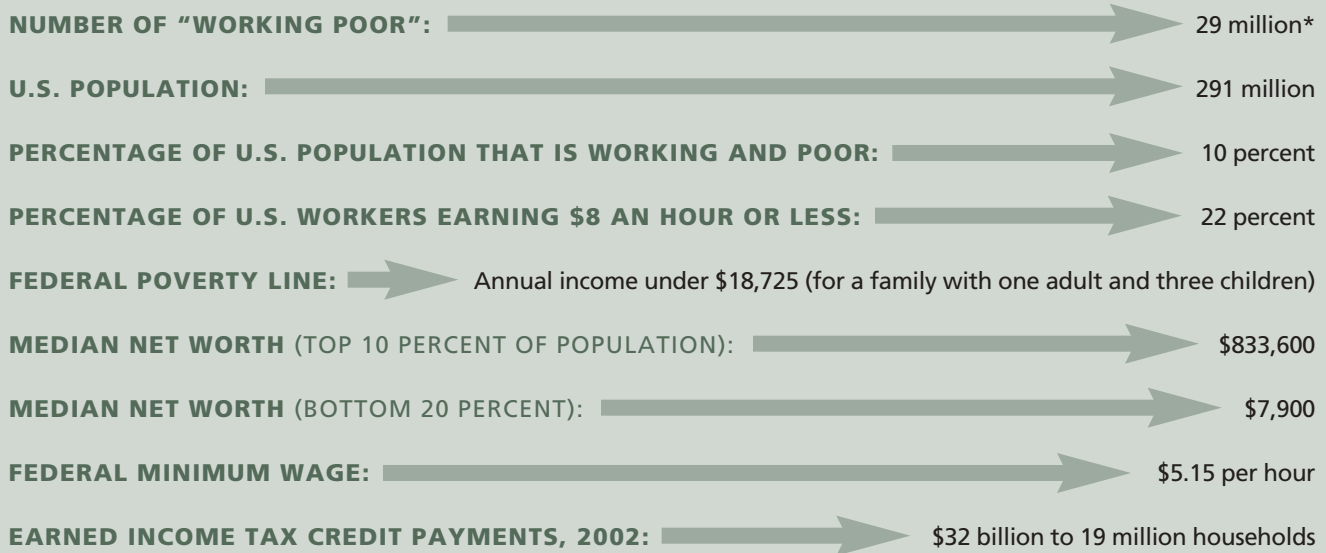
Even if revised methods of figuring poverty were adopted, however, they would provide only a still photograph of a family's momentary situation. Plenty of people have moved into jobs that put them above the threshold of poverty, only to discover that their student loans, their car payments, and the exorbitant interest charged on old credit card balances consume so much of their cash that they live no better than before.

'I Live on Disconnect Notices'

In 1999, Christie had a job that this economy could not do without. Every morning, she drove her battered '86 Volkswagen from her apartment in public housing to the YWCA's childcare center in Akron, where she spent the day watching over children so their parents could go to work.⁴ For her services, she received about \$330 every two weeks. She could not afford to put her own two children in the daycare center where she worked.

Christie suffered from stress and high blood pressure, and had no bank account. Her low income entitled her to food stamps and a rental subsidy, but whenever she got a small pay raise, government agencies reduced her benefits, and she felt punished. She was trapped on the treadmill, running her life according to the rules of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, otherwise known as "welfare reform," which forced most recipients to get jobs.

The Working Poor – Facts and Figures



*Of the 139 million people holding jobs for at least half a year, 29 million earn less than \$15,000.

pay stubs, utility bills, and rent receipts to be pawed over by her caseworker, who applied a state-mandated formula to figure her food stamp allotment. When Christie completed a training course and earned a raise of 10 cents an hour, her food stamps dropped by \$10 a month.

Christie had tried college – she had enrolled at the University of Akron, lived at home, but finally got fed up with having no money. The second semester of her sophomore year, she had gone to work instead of to school.

She loved working with children, but without a college degree, she knew she would have trouble getting hired at a responsible level in the Head Start preschool program, much less as a teacher; she was limited to the YWCA daycare center, which paid between \$5.30 and \$5.90 an hour. Her previous jobs – including stints as a hostess-cashier at a Holiday Inn and a cashier at Kmart – had kept her at or near minimum wage. She had taken job training courses in the hopes of becoming a retail salesperson, a bus driver, and a correctional officer, but the courses never enabled her to pass the tests and get hired. She had two words to explain why she had never returned to college: “Lazy. Lazy.”

It was strange that she thought of herself as lazy, because her work was exhausting, and her low wage required enormous effort to stay afloat. When the bills would inundate her, she

explained, “I pay that one one month and don’t pay that one and play catch-up on this one, one month ... I rotate ‘em around. You got a phone bill. You got to pay that every month. If you miss a payment, pssshhh. It’s double the next month and triple the next month. The next thing, you got a disconnect. I live on disconnect notices.”

Because she couldn’t afford the \$104 a month it would have cost to put her kids part time in the Y’s daycare center, her mother watched them after school. In the summer they went to a Boys & Girls Club, where the annual membership fee was \$7 apiece. But the club had a strict 3 p.m. pickup time – except Friday, when it was two hours earlier. One Friday, Christie’s mother forgot the 1 p.m. deadline. Instead of calling Christie at work, the club started the clock running, imposing a fine that began at \$10 apiece for the first five minutes and continued at a lower rate until the tab reached \$80 per child. Christie couldn’t afford it, so her children couldn’t continue. In her life, every small error had large consequences.

‘I Didn’t Even Know the Name of the Machine’

Work didn’t work for Debra Hall either. Like many welfare mothers forced off the rolls into the labor force, she found almost everything in her life changed except her material standard of living. She had to buy a car to get to work, wake up before dawn, and struggle to learn new skills. Her budget had more complexity, but no surplus. Her major gain was emotional – she felt better about herself – and so, on balance, she was glad to be working.

It was the birth of her daughter, when Hall was 18, that launched a 21-year career of welfare checks and “under-the-table-type jobs,” as she put it, including positions as a housekeeper



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and bar hostess that paid her in unrecorded cash. The widespread practice of holding undeclared jobs while getting welfare meant that “welfare-to-work” should have been called “work only,” for it slashed people’s actual incomes. “I got used to that, having the extra money,” Hall explained. “I could make like, per week, probably like \$120 ’cause they would pay you \$30 a night plus tips.”

The 1996 law allowing states to impose time limits and work requirements gave Ohio the right to demand that Hall get a job or do job training. Only at 39, Hall had no skills to speak of. She had dropped out of community college – “I wasn’t puttin’ anything into it,” she confessed. She, too, judged herself “lazy” and had never tried to learn a trade. She had lived off her welfare check, her illicit earnings, and her Supplementary Security Income (SSI) payments from Social Security for her son, a teenager with Down syndrome.

But she found her way to the Cleveland Center for Employment Training, and because she liked wearing jeans and sneakers instead of dressing up, she chose warehouse work – shipping and receiving. As part of its real-life training, the center dispatched UPS packages for companies in a small industrial park, so Hall learned how to type, how to operate the computerized UPS system, how to keep an inventory, and how to run a forklift. The course “settled me down and made me want to learn and want to do something as far as getting into the workforce,” she said. Hall felt motivated: “If they put us into these training centers and show us that we can do it, we can show our kids.”

Things didn’t look as bright once Hall got a job. First, the car she had to buy to avoid a long bus ride to work was not cheap and not reliable. Then, UPS had no openings, so she took her forklift certification, her carefully prepared resume, and her newly acquired interviewing skills to Orlando Bakery. Poised to answer all questions, she never got to speak. A man guided her quickly around the plant, and then asked, “Can you start at seven?”

When she arrived for work her first day, she was put on an assembly line – the “garlic line” – where on-the-job training involved copying the worker next to her from 7 a.m. until at least 5 p.m.

The workers were unionized, but the conditions were unworthy of a union contract. The pay was \$7 an hour, and benefits didn’t kick in until after six months on the job. “The first day I worked there,” she said, “my whole body was sore.”

After a while she was given the chance to move off the garlic line, and she took it, even though it meant getting out of bed at 2 a.m. to pack bread into bags and cartons. But no sooner had she learned the packing job than she was abruptly reassigned



to a new machine. “I didn’t even know the name of the machine,” she said.

A few months later, her wage rose to \$7.90, but she had no confidence she could move up further – in pay or position. She felt doomed to repeat her family’s inability to emerge from low wages. Her cash flow was anemic, compared with her expenses. Her checks from the bakery were deposited directly, but were gone as soon as they hit the ledger. “I have maybe \$8 in the account every week,” she said. “You can’t get less than \$10 from the money machine.”

A Constellation of Solutions

Working poverty is a constellation of difficulties that magnify one another: not just low wages but also low education, not just dead-end jobs but also limited abilities, not just insufficient savings but also unwise spending, not just poor housing but also poor parenting, not just the lack of health insurance but also the lack of healthy households. The villains are not just exploitative employers but also incapable employees, not just bureaucrats who cheat the poor but also the poor who cheat themselves.

If the problems are interlocking, so must the solutions be. Granting a Section Eight housing voucher helps a family move into a better apartment, which may ease a child’s asthma and lead to fewer days of missed school. But it won’t carry the family far if the child is abused, or if the parent has few skills, works near minimum wage, spends huge amounts on transportation and daycare, and can’t get affordable credit. As long as we pick and choose which problem to resolve in crisis, another crisis is likely to follow. If we set out to find only the magic solution – a job, for example – we will miss the complexities.

Government can be neither absent nor all-encompassing. It cannot fail to maintain a safety net, cannot avoid direct grants to the needy, cannot be blind to its role as the community’s

“Many who do find jobs lose other support designed to help them, such as food stamps and health insurance, leaving them no better off – and sometimes worse off – than when they were not working.”

resource. But it also has to blend its power in creative interaction with the profit and nonprofit worlds, with private industry and private charity.

Where to begin tackling the problem of the working poor? There are some clear starting points, although the details need to be developed and the collective will needs to be galvanized. The most evident point of attack is the wage structure. Forty years after Lyndon B. Johnson's War on Poverty, the gap between rich and poor has widened, with wages farther apart than at any time since the Gilded Age of the late 19th century. Furthermore, median net worth has risen to \$833,600 among the top 10 percent and has languished at just \$7,900 for the bottom 20 percent.⁶

One proposal is to raise the minimum wage. Although



lines for different parts of the country based on regional costs of living in that locale. Another approach is the "living wage" law; more than 100 counties and cities now require that private companies with government contracts pay \$6.15 to \$14.75 an hour, levels calculated to support a decent standard of living.⁸ Preliminary results show minimal budget increases for localities, reductions in government subsidies to workers' families, and relief among contractors who no longer have to squeeze employees' pay to compete for low bids.

There are other ways to address the discrepancy between what people can earn in the market and what they need for comfortable living. One method, the Earned Income Tax Credit (EITC), rewards work, and is one of those rare anti-poverty programs that appeal both to liberals and conservatives, invoking the virtue of both government help and self-help. You don't get it unless you have some earned income, and since its payments are linked to your tax return, you don't get it unless you file a return. One year, Christie earned too little to owe taxes, but she got \$1,700 as an earned income credit, enabling her to avoid the Salvation Army's used furniture store and instead buy a new matching set of comfortable black couches and love seats for her living room in public housing.

Enacted in 1975, EITC was expanded under Presidents Reagan, Bush, and Clinton, and in 2002 paid more than \$32 billion to 19 million households. Treasury officials worry about erroneous claims, honest or fraudulent, which may rise to 27 to 32 percent of the total.⁹ On the other hand, an estimated 10 to 15 percent of those eligible don't file for the credit,¹⁰ partly because employers and unions often don't tell workers it exists. The presidents of two local unions in Washington, D.C., for example, one representing janitors and the other parking garage attendants, had never heard of the EITC until I mentioned it to them. I have yet to come across a single worker or boss who knew that with a simple form called a W-5, filed with the employer, a low-wage employee could get some of the EITC payments in advance during the year. When I mentioned the W-5 to Debra Hall, and she then asked at her bakery, the woman who handled the payroll waved her away impatiently and said she knew nothing about it.

While the payment looks like a subsidy of the employee, it acts as much to subsidize the employer, who can pay low wages without causing the worker quite as much pain. Indeed, the program indirectly benefits many large corporations, from Wal-Mart to McDonald's, and helps make them more profitable, by allowing them to pay employees less. Having cleverly invented this tool, however, we haven't mustered the will to give it sufficient impact; aside from year-to-year growth with

"I pay that one one month and don't pay that one and play catch-up on this one, one month ... I rotate 'em around. You got a phone bill. You got to pay that every month. If you miss a payment, pssshhh. It's double the next month and triple the next month. The next thing, you got a disconnect. I live on disconnect notices."

economists disagree over how much it could be raised without harming entrepreneurial risk taking, it is reasonably argued that the federal minimum, which has declined in real dollars against inflation, could probably rise considerably before doing damage. Eleven states and the District of Columbia have demonstrated as much by placing their own minimum wages at \$6.15 to \$7.15 an hour, well above the federal rate of \$5.15.⁷

One idea floating around among some legislators and economists envisions different minimum wages and different poverty

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Political opponents must cross into each other's territory to pick up solutions from the other side.

the cost of living, the program has seen no increases since 1996. In 2003, President Bush asked Congress for \$100 million, not to augment the payments, but to hire 650 new auditors to check for fraudulent claims.¹¹

Ultimately the best way to improve a worker's wage is through promotion and upward mobility. At least two effective methods can help someone starting in the \$5- to \$8-an-hour range move to \$15 or more. One is through sophisticated job training (sidebar, p. 39). The second is through a revival of vocational education in high school and a network of apprenticeships for those who don't go to college. If you're like Christie, your failure to graduate from college may leave you without the technical skills to make you valuable in the hard-nosed labor market. Christie would have done better on a vocational track than by starting college and dropping out.

Wage differences between high school and college graduates have increased sharply since 1980, as many young people fall through a hole in the economy. Because secondary schools feel growing pressure toward a "college-for-all" curriculum, they send higher percentages to college (nearly 60 percent, up from 30 percent in 1970) but leave many of those who don't attend or don't graduate without the abilities required at well-paying levels of industry.

"Doing well in the workplace involves a far more heterogeneous set of skills than doing well in high schools and universities," writes Robert Lerman, an economist at the Urban Institute and professor at American University. Unlike most industrialized countries, he notes, the United States has allowed vocational training to lag, leading to a "weakness in the middle-skill area" that has been cited by foreign manufacturers as reason to avoid investing here. Sweden, Norway, France, England, Japan, Australia, and Germany have spliced technical secondary school courses into industry-sponsored apprenticeships, producing highly qualified personnel. But when industries come to the United States from abroad, they often invoke dramatic measures to address the American failings. BMW, for example, has flown American workers to Germany for instruction.

If a single cause were identified, a remedy might be readily designed. It would fit neatly into a liberal or a conservative prescription. If either the system's exploitation or the victims' irresponsibility were to blame, one or the other side of the debate would be satisfied. If the reasons were merely corporate greed or government indifference or impoverished schools, then liberal solutions would suffice. If the cause were only the personal failures of parents and children, teachers and workers, the conservative views would hold. But, as Salman Rushdie wrote, "Repression is a seamless garment." This is repression of a



kind, and it lacks the clear boundaries that would define the beginning and the end of accountability.

The troubles of the working poor will not be relieved by ideological debate. Solutions must transcend the familiar disagreements. Political opponents must cross into each other's territory to pick up solutions from the opposite side. Just as President Clinton entered conservative territory to impose time limits and work requirements on welfare recipients, so would conservatives do well to step into the liberal arena and back assistance to the working poor – be it through minimum wage increases, a living wage law, or sophisticated job training – that government needs to provide.

Opportunity and poverty in this country cannot be explained by the American Myth that hard work is a panacea or by the Anti-Myth that the system imprisons the poor. Relief will come, if at all, in an amalgam that recognizes both the society's obligation through government and business, the individual's obligation through labor and family, and the commitment of both society and the individual, through education. □

1 For more on the history of the poverty index, see Fisher, G. "The Development of the Orshansky Poverty Thresholds and Their Subsequent History as the Official U.S. Poverty Measure,"

<http://www.census.gov/hhes/poverty/povmeas/papers/orshansky.html>.

2 Short, K; Iceland, J; and Garner, T. *Experimental Poverty Measures* (Washington, D.C.: U.S. Census Bureau, 1988).

<http://www.census.gov/hhes/poverty/povmeas/exppov/exppov.html>.

3 Institute for Research on Poverty, University of Wisconsin,

<http://www.ssc.wisc.edu/irp/faqs/faq3.htm>.

4 Christie asked that her last name not be published.

5 Weil, A. and Finegold, K. *Welfare Reform: The Next Act* (Washington, D.C.: Urban Institute Press, 2002).

6 Crenshaw, A. *The Washington Post* (Jan. 23, 2003).

7 U.S. Department of Labor, <http://www.dol.gov/esa/minwage/america.htm>.

8 The ACORN Living Wage Resource Center, <http://www.livingwagecampaign.org/shortwins.php>.

9 Pear, R. "Aid to Poor Faces Tighter Scrutiny," *The New York Times* (Feb. 5, 2003).

10 According to Robert Lerman, an economist at the Urban Institute.

11 "Aid to Poor Faces Tighter Scrutiny."