



A Profile of the Working Poor in Philadelphia in 2016

Over 53,000 Philadelphians in the labor force (working or looking for work) are working poor – that is they work 27 weeks or more in a year but earn less than the poverty income level.

Background

Starting from 1997, Bureau of Labor Statistics (BLS) has been releasing an annual report¹ on the “working poor” on their demographic characteristics, educational attainment, occupations, families, and potential reasons. In BLS reports, “working poor” are defined as people who spend at least 27 weeks in a year in the labor force (that is, working or looking for work) but whose incomes still fell below the poverty line. Using data collected in the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS), BLS report shows that the 7.6 million individuals were among the “working poor” in 2016 nationwide and the working-poor rate – the ratio of working poor to all individuals in the labor force for at least 27 weeks – was 4.9 percent.

In this report, we focus on Philadelphia residents and show the profile of the working poor living in Philadelphia city in a similar structure. There are, however, two major differences between our report and BLS report:

1. The data source is different: we use ACS PUMS 5-year data instead of CPS supplement. The reason for this change is that CPS survey are designed specifically to produce estimates for the entire nation. Consequently, estimates for States and even smaller geographic areas are not as reliable as national estimates due to large sampling variability. By contrast, ACS PUMS provide us more stable and reliable data in small geographic areas.
2. The definition of “working poor” is modified: we define “working poor” as people who worked for 27 weeks or more in a year but still fell below the poverty line. This is a subset of people who were in labor force for 27 weeks or more but still live in poverty. ACS includes questions about work and search for work so that some measures of labor force status are available. However, the ACS questions relating to labor force activity are less detailed than those in the CPS. For example, using ACS data we can know if this person has been actively looking for work during the last 4 weeks (it’s a YES or NO question). However, we don’t know how many weeks exactly this person has actively looked for work during preceding year. Consequently, we cannot estimate how many weeks an individual was in the labor force.

¹ See latest BLS report “A profile of the working poor, 2016”, July 2018. Working poor reports for previous years back to 1997 are archived here: <https://www.bls.gov/opub/reports/archive.htm>.

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Both ACS and CPS use the poverty line defined by Census Bureau², which varies depending on the family size. Therefore, the poverty line we refer in this report is the same as that in BLS report.

Based on PUMS 2012-2016 5-year data and our modified definition of working poor, 53,053 Philadelphia residents were classified as “working poor” in 2016. The working poor rate – the ratio of the working poor to all individuals who worked for at least 27 weeks in a year– was 8.3 percent (**Table 1**).

Demographic Characteristics

Among those who worked for 27 weeks or more in 2016, more women were classified as working poor (31,944) than men were (21,109). The working poor rate was also higher for women, at 9.6 percent, than that for men, at 6.8 percent (**Table 1 and Chart 1**).

In 2016, the working-poor rate of Whites was the lowest among other race/ethnic origins, at 5 percent. Blacks and Asians were about twice as likely as Whites to be among the working poor, and the rates were little different from each other: 10 percent and 9.7 percent, respectively. Notably, 22,980 Blacks who were classified as working poor accounted for 43 percent of all working poor workers living in Philadelphia (53,053). Hispanics³ had the highest working-poor rate: at 15 percent, they were 3 times as likely as Whites to be among the working poor (**Table 1 and Chart 1**).

Working-poor rates also varied considerably across age groups. As shown in Chart 1, working-poor rate went down as age went up: young workers were more likely to be below the poverty line since they earned less with entry level jobs and the percentage of young workers working part time was higher. The working poor rate of workers 16 to 24 years old was 19 percent in 2016, considerably higher than the rates for prime-age workers 25 to 54 years old (7.6 percent). Workers age 55 and older had a working-poor rate of 4.2 percent (**Table 1 and Chart 1**).

Educational Attainment

People with higher education tend to be employed in high-skill jobs with higher pay and therefore are less likely to live in poverty. This hypothesis is supported by our data by and large. In 2016, workers without a high school diploma had the highest working-poor rate, at 17 percent. By obtaining a high school degree, the incidence of living in poverty was declined to 10 percent. However, data show that the working-poor rate went down by only 0.7 percent for individuals further pursuing some college education or having an associate degree. Working-poor rate among people with a BA or a higher degree was the lowest, only at 3.9 percent (**Table 1 and Chart 1**).

Working Status and Occupation

The universe of “working” people in this report is defined as people who worked for 27 weeks or more. This includes both people who worked full time jobs or worked part time jobs⁴. When distinguishing

² See <https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>.

³ People whose ethnicity is identified as Hispanic or Latino may be of any race.

⁴ There is a variety of thresholds to distinguish between full-time jobs and part-times. While BLS defines part-time workers as those who work less than 35 hours per week, we use a different threshold used by federal government

between these two groups of workers, we find that part-time workers were much more likely to be among the working poor than full-time workers. In 2016, of people who worked for 27 weeks or more, only 5.6 percent of full-time workers were classified as working poor, compared with 25.9 percent of part-time workers (**Table 2 and Chart 2**).

The working-poor rates also varied widely across occupations. Comparing 6 major occupation groups⁵ defined by BLS, we find that workers in service occupations were most likely to live in poverty while workers employed in management, professional and related occupations were much less likely to be among the working poor. The working-poor rate for this two groups were 15 percent and 4.1 percent, respectively. With 22,453 working poor, workers in service occupations accounted for 42 percent of all those classified as working poor living in Philadelphia. The vast difference between groups are partly due to the different education requirement and earning level. Another possible reason is that there were far more part-time jobs in service occupations than were in management, professional and related occupations. Another occupation group with relatively low working-poor rate was construction, extraction, and maintenance occupations with 6.5 percent workers who worked 27 weeks or more in a year living in poverty (**Table 2 and Chart 2**).

Challenges for the Working Poor in Philadelphia

Why there were more than 50 thousand Philadelphia residents who spent at least half the year working but still fell below the poverty line? By comparing this working poor population to “non-poor” workers (those who worked at least 27 weeks and stayed above the poverty line), we find that several reasons may help to explain: 1. many of the working poor worked part time; 2. the earnings were extremely low; 3. multiple children in the family; and 4. they were the only worker in the family.

In 2016, 41 percent of the working poor worked part time. In comparison, only 10 percent of “non-poor” workers worked part time (**Chart 3A**).

Wages are lower. The wage or salary income for “non-poor” workers was also substantially higher than that of “working poor”: the average income for “non-poor” workers was \$45,661 in 2016, compared to only \$9,156 for “working poor” (**Chart 3B**).

Since the poverty line is determined by the family structure, the number of children and the number of workers in the family can also influence the risk of poverty. By comparing the number of children in the family of “working poor” to that of “non-poor” workers, we find that 34 percent of “working poor” had multiple children (2-11 children) in the family, while only 16 percent of “non-poor” workers had multiple children. (**Chart 3A**).

In the meanwhile, 40 percent of the “working poor” were the only worker in the family and only 23 percent of the “working poor” had 2 or 3 workers in the family (which means their spouse or children also worked) in 2016. In comparison, more than 50 percent of “non-poor” workers had 2 or 3 workers in the family (**Chart 3A**).

to determine the eligibility for healthcare benefit: workers who work an average of less than 30 hours per week are classified as part-time workers. See <https://www.healthcare.gov/glossary/full-time-employee/>.

⁵ https://usa.ipums.org/usa/volii/acs_occtooocsoc.shtml.

Highlights from 2012-2016 5-year PUMS data:

- Over 53,000 working Philadelphians made less than poverty level income. This is 8.6 percent of workers in the labor force as compared to the national number of 4.9 percent.
- In 2016, among people who worked for 27 weeks or more, women are more likely to be working poor than men.
- Whites had the lowest working-poor rate, at 5 percent. The working-poor rate for Blacks and Asians doubled to about 10 percent and tripled to 15 percent for Hispanics.
- In Philadelphia, working-poor rates by race/ethnic group don't follow the pattern shown in national data. Nationwide, Whites and Asians had the lowest working-poor rate while Blacks and Hispanics were twice as likely to be among the working poor. In contrast, Asians living in Philadelphia were twice as likely as Whites to be among the working poor and Hispanics were 3 times as likely as Whites to be among the working poor.
- Young workers were more likely to live in poverty than are old workers. The working-poor rate for workers age 16 to 24 was as high as 19 percent in 2016.
- Part-time workers were more than 4 times more likely to be among the working poor compared to full-time workers. The working-poor rates were 25.9 percent and 5.6 percent, respectively.
- At 15 percent, service occupations had the highest working-poor rates in all major occupational groups. Working poor employed in service occupations made up 42 percent of the all working poor living in Philadelphia.

Table 1: Summary of Philadelphia "Working Poor", 2016

| | People WORKED for 27 weeks or more | In poverty | Rate |
|-----------------------------------|---|-------------------|-------------|
| Total | 640,133 | 53,053 | 8.3% |
| <u>Gender:</u> | | | |
| Male | 308,667 | 21,109 | 6.8% |
| Female | 331,466 | 31,944 | 9.6% |
| <u>Race/Ethnic Origin:</u> | | | |
| Whites | 279,368 | 14,075 | 5.0% |
| Blacks | 230,758 | 22,980 | 10.0% |
| Asians | 45,957 | 4,472 | 9.7% |
| Hispanics | 69,783 | 10,462 | 15.0% |
| <u>Age:</u> | | | |
| 16 to 24 years | 73,038 | 13,890 | 19.0% |
| 25 to 54 years | 449,181 | 34,166 | 7.6% |
| 55 years and older | 117,914 | 4,997 | 4.2% |
| <u>Education:</u> | | | |
| Less than HS | 56,346 | 9,594 | 17.0% |
| HS, no college | 190,004 | 18,912 | 10.0% |
| Some college or associate | 172,667 | 15,981 | 9.3% |
| BA and higher | 221,116 | 8,566 | 3.9% |

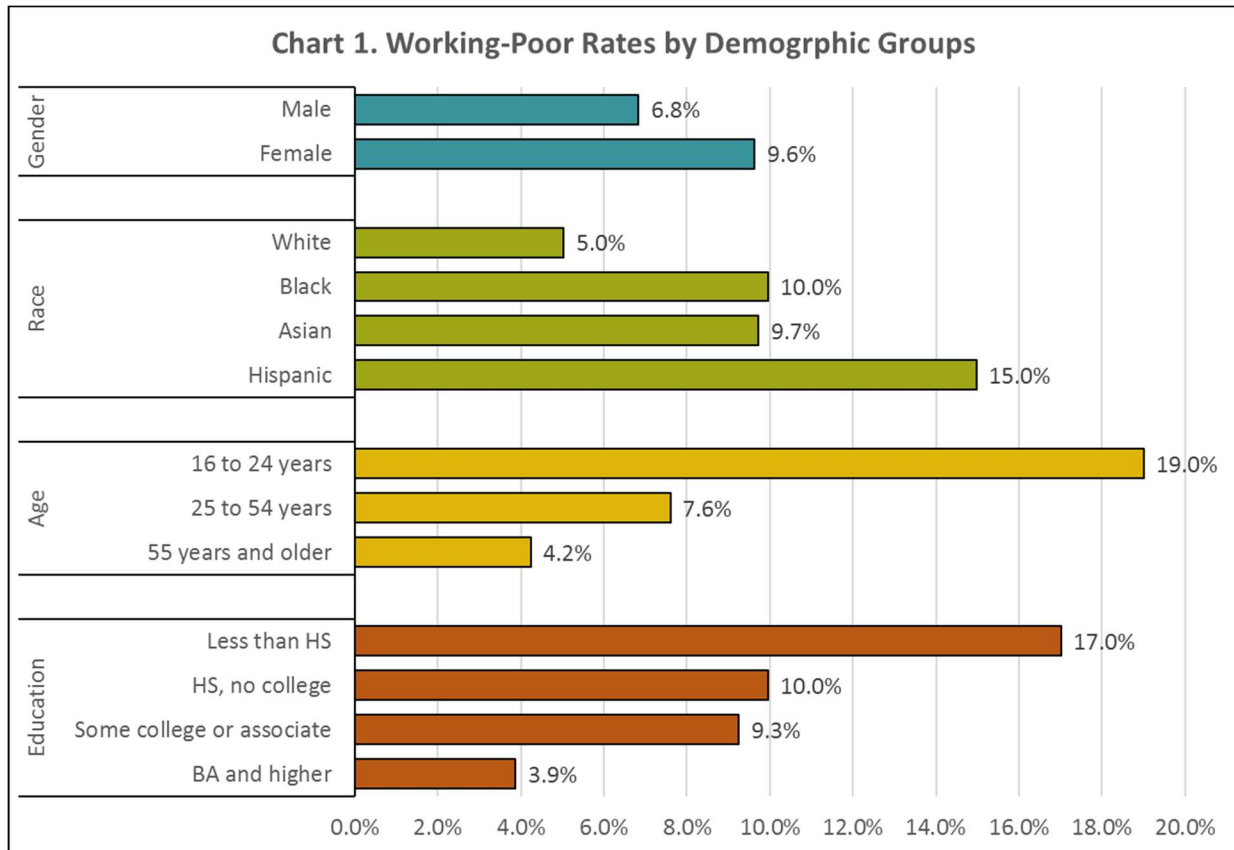
Data Source: ACS PUMS 2012-2016 5-Year Data.

Table 2: Philadelphia "Working Poor" by Working Status and Occupation, 2016

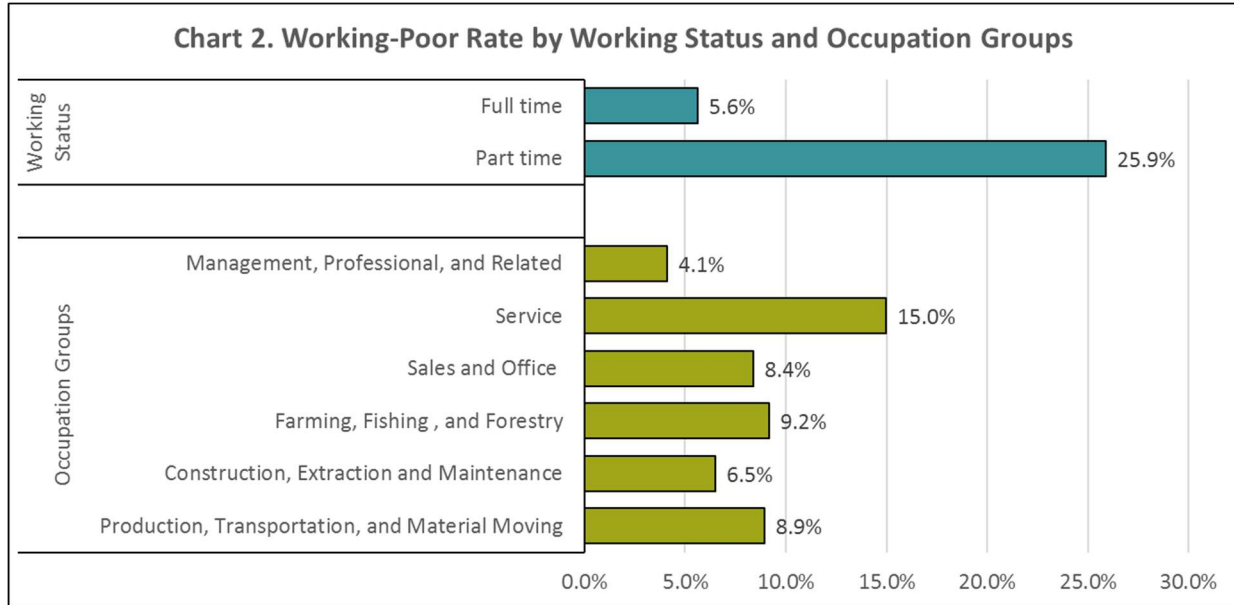
| | <i>People WORKED for 27 weeks or more</i> | <i>In poverty</i> | <i>Rate</i> |
|---|---|-------------------|-------------|
| Total | 640,133 | 53,053 | 8.3% |
| <i>Gender:</i> | | | |
| Full time | 556,631 | 31,441 | 5.6% |
| Part time | 83,502 | 21,612 | 25.9% |
| <i>Occupation Groups:</i> | | | |
| Management, Professional, and Related | 239,296 | 9,798 | 4.1% |
| Service | 150,060 | 22,453 | 15.0% |
| Sales and Office | 145,061 | 12,164 | 8.4% |
| Farming, Fishing, and Forestry* | 1,660 | 152 | 9.2% |
| Construction, Extraction and Maintenance | 35,520 | 2,311 | 6.5% |
| Production, Transportation, and Material Moving | 67,446 | 6,026 | 8.9% |

* Note: Sample size for this occupational group is very small. Therefore the sampling variability is very large and estimates should be interpreted with extreme caution.

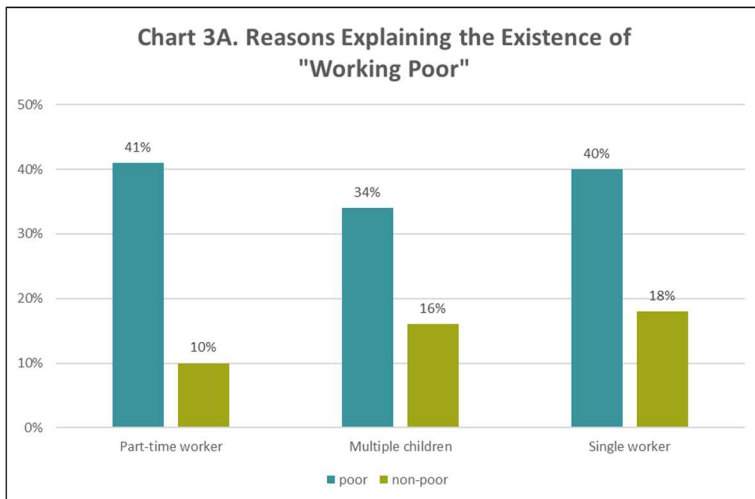
Data Source: ACS PUMS 2012-2016 5-Year Data.



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