

Families **OUT** of **BALANCE**

How a living wage helps working families move from debt to stability





Families OUT of BALANCE



Making ends meet can be difficult for any low-wage worker, but for households saddled with debt, supporting a family on low wages can be next to impossible. Across the country, families are finding that the amount they need to earn to make ends meet — or a living wage — far exceeds minimum-wage incomes. And, when you factor in the debt loads many households face, it is clear that our nation's families are falling short of meeting their basic needs.

A family balance sheet is comprised of income, assets and liabilities. Non-wealthy families are witnessing a steep decline in real earnings, while living wages remain out of reach for many. Meanwhile, systemic inequities allow the affluent to accumulate more wealth, as the rest of America finds itself with fewer assets and more debt, reducing their ability to climb the economic ladder.

As net worth for the non-wealthy declines, families across the nation face increasingly stressful kitchen table conversations, as they must choose what to cut to survive. Ultimately, when off-balance families are unable to gain a firm fiscal foothold, they cannot build a strong financial foundation that allows them to weather financial storms and pursue a life of prosperity.

On a national level, the study examined the Federal Reserve's 2010 Survey of Consumer Finances, specifically examining two groups: those whose incomes amount to \$15 per hour of full-time income or lower, and those with higher incomes.

The study finds that low-income households bear a disproportionate debt burden relative to income; higher-income families have 2-3 times more income per dollar of debt, depending on the type of debt examined, making them better able to pay off their balances. Despite this, the vast majority of

low-income earners continue to prioritize their debt payments.

The 2014 study's key national findings include:

- ▶ When measuring ability to pay, low-income households comparatively lack the resources to handle their debt loads, relative to income. This group bears a disproportionate debt burden.
- ▶ Low-income households have little to fall back on in case of emergencies, and live on the brink of financial insolvency.
- ▶ Nine of 10 low-income households make debt payments a priority, not reporting payments more than 60 days past due.

Getting by on less than a living wage is challenging enough, but, as this study shows, it can be even more difficult when debt is added to the equation. As large as our living wage numbers are, the methodology employed to calculate them does not factor in as a variable debt payments; we examine basic needs only. Debt has become a wide-spread, pervasive and structural phenomenon in the United States, and low-income workers are not exempt.

It is up to Congress and state legislatures to address the pervasiveness of debt and the lack of state investments to help working families by raising the wage floor, strengthening safety net programs, and making investments that help working families thrive.

VIEW NATIONAL FINDINGS & METHODOLOGY

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STATE SUMMARY • WASHINGTON STATE

STATEWIDE 2014 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 years)	Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years)	Household 4: Two adults (one of whom is working) with a toddler and a school-age child	Household 5: Two adults (both of whom are working) with toddler and school-age child
Food	\$205	\$391	\$516	\$752	\$752
Housing & utilities	\$772	\$970	\$970	\$970	\$970
Transportation	\$631	\$577	\$577	\$1,260	\$1,407
Health care	\$115	\$283	\$407	\$465	\$465
Household, clothing & personal (18%)	\$431	\$555	\$617	\$862	\$898
Savings (10%)	\$239	\$308	\$343	\$479	\$499
Child care	\$0	\$322	\$1,228	\$0	\$1,228
State/federal taxes (annually)	\$4,559	\$5,067	\$6,523	\$5,945	\$8,641
Gross income needed (monthly)	\$2,772	\$3,829	\$5,201	\$5,282	\$3,469*
Gross income needed (annually)	\$33,267	\$45,952	\$62,412	\$63,381	\$41,632*
LIVING WAGE (HOURLY)	\$15.99	\$22.09	\$30.01	\$30.47	\$20.02*

* Per working adult

DEBT IN WASHINGTON, BY THE NUMBERS

\$23,293	23%	\$5,269	\$203,175	19%
AVERAGE DEBT AT GRADUATION, 2012	CHANGE BETWEEN 2008 AND 2012	AVERAGE CREDIT CARD DEBT, 2013	AVERAGE DEBT OUTSTANDING PER MORTGAGE, 2012	PORTION OF MORTGAGES UNDERWATER, 2012
<small>Source: The Project on Student Debt</small>	<small>Source: The Project on Student Debt</small>	<small>Source: TransUnion, as reported by the Washington Post</small>	<small>Source: CoreLogic</small>	<small>Source: CoreLogic</small>

MORE ACTION NEEDED TO HELP WASHINGTONIANS MAKE ENDS MEET

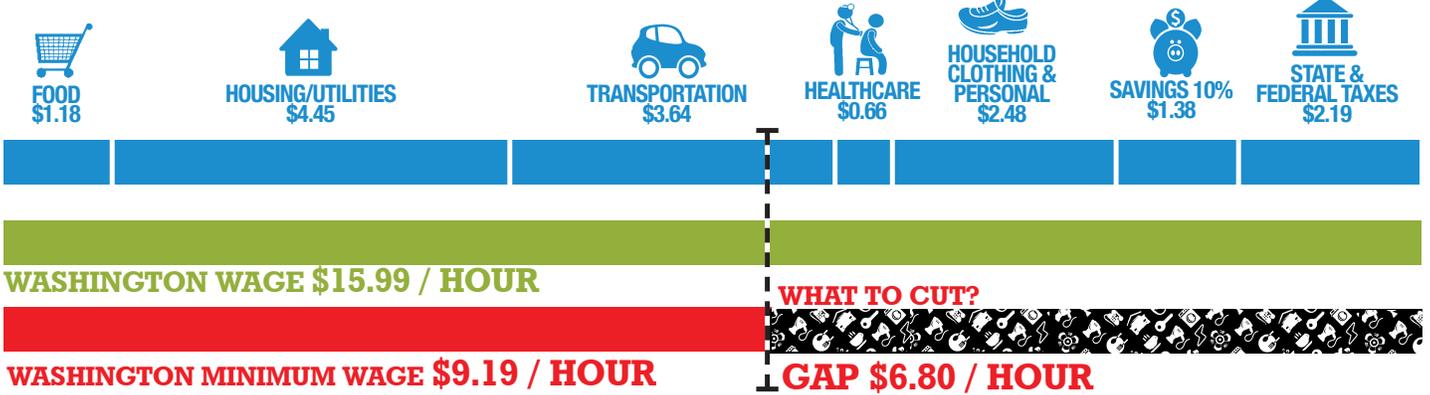
While Washington State's minimum wage is the highest in the country, it is significantly less than our study's living wage standards. In 2013, the state's living wage was \$9.19 per hour, only 57 percent of the living wage for a single adult and just over 30 percent of the living wage for a single adult with two children. Even the current living wage of \$9.32 is well below a living wage.

In addition to higher wages, work supports like paid sick leave can help working families stay healthy and can contribute to job stability. Healthy workers can focus on their jobs and their families, and not on whether or not staying home will mean losing what little income they already have.

Without increased state revenue, though, the state may continue to make cuts to vital programs and services that support working families. Cuts to programs like health care and education threaten the ability of working families to make ends meet, while cuts to higher education mean graduates will continue to be saddled with debt.

\$15.99 LIVING WAGE for single adult

How much you have to make PER HOUR to live in WASHINGTON



INCREASING WAGES

At \$9.32 per hour, Washington State has the highest minimum wage in the country. However, the reality is that the Washington's wage floor still falls short of a living wage, denying workers the ability to support themselves and their families.

Momentum in Washington is building for a minimum wage that closer resembles a living wage. In June, the Seattle City Council passed a citywide minimum wage of \$15 per hour, to be implemented in stages over the next several years. Similarly, a ballot initiative to raise SeaTac's minimum wage to \$15 per hour for hospitality and transportation workers also passed. Passage of these measures illustrates the potential for a higher minimum wage to pass in communities across Washington and at the state level. Even a proposed statewide minimum wage increase to \$12 per hour would be a step toward helping working families move beyond living paycheck-to-paycheck.

PAID SICK LEAVE

Few people want to have dinner where their server is coughing and sneezing, or worse. For most low-income workers, though, taking time off for illness isn't an option. While 65 percent of all workers receive paid sick leave, only 34 percent of low-wage workers receive time off for illness.¹

Paid sick leave is not only good for workers, it's good for business. Businesses with paid sick leave policies see savings from workforce stability, increased productivity, and lower health care costs.²

In 2011, the Seattle City Council passed an ordinance requiring paid sick leave for employees in Seattle, providing sick days for an estimated 150,000 workers who previously did not have access to them.³ Paid sick leave laws have passed in communities across the country, including a statewide law passed in Connecticut in 2011.⁴ Passage of a statewide paid sick leave law in Washington would extend this benefit to 1 million workers.⁵

RAISING REVENUE

Funding for education, healthcare, higher education, and other programs working families depend on are on the chopping block, in large part because of inadequate state revenue. Washington's revenue system does not keep up with the state's needs. Forty years ago, the state's revenue system "generated 6.9 cents of every dollar of personal income produced in the state. Today it generates only 4.9 cents per dollar of personal income."⁶ Additionally, the tax structure in Washington takes more out of low- and middle-income households than from high-income households, restricting the power of low-wages even further. A national report finds Washington's tax structure to be the most regressive in the country.⁷

In recent years, the Legislature has chosen to balance the budget by cutting vital programs and services that support people who are struggling and/or working to provide for their families. The Legislature must seek out progressive revenue sources to shift that balance and support vibrant communities.

SOLUTIONS

Too many Washingtonians are earning poverty-level wages. Even with the highest minimum wage in the country, minimum-wage earners make less than 60 percent of a living wage for a single adult. Wages for working families need to increase, or they will continue to be unable to meet their basic needs.

In addition to increasing wages, Washington's working families need access to paid sick leave. When workers have access to sick days, they can focus on themselves and their families instead of worrying about losing their jobs because of illness. Statewide paid sick leave would help the state's workers and businesses to thrive.

Finally, the state's revenue system isn't working; the Legislature should enact new revenue measures to reinvest in programs and services that have been cut since the recession began. These cuts hurt working families and do long-term damage to the economy. Cuts to higher education and health care, for example, push more and more workers deeply into debt, which limits their ability to spend on goods and services that support thriving local businesses and communities.

REFERENCES

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- 4 National Partnership for Women & Families (2013). State and local action on paid sick days. http://paysickdays.nationalpartnership.org/site/DocServer/NP_PSD_Tracking_Doc.pdf?docID=1922
- 5 Washington Work and Family Coalition. Paid sick days. <http://waworkandfamily.org/paid-sick-days/>
- 6 Washington State Budget and Policy Center (2013). State revenue. <http://budgetandpolicy.org/policy-areas/state-revenue>
- 7 Institute on Taxation and Economic Policy (2013)., <http://www.itep.org/pdf/whopaysreport.pdf>

'A YEAR AFTER MY HUSBAND'S DEATH, I HAD A MEDICAL EMERGENCY THAT LANDED ME IN THE HOSPITAL FOR SIX DAYS. I NOW OWE TWO DIFFERENT HOSPITALS OVER \$200,000.'

I am a mom. I have a grown daughter and an autistic son. I am a widow, and an active member of my church and community. Until 2008, we were far from well off, but we were able to meet our basic necessities without accumulating insurmountable debt. My life in 2014 is very different.

In 2008, I was laid off from my job. My husband, Charly, was on disability at the time because of a back injury, so the loss of our only income was devastating to the family. We couldn't afford our mortgage payments and lost our home to foreclosure.

I was determined to keep moving forward. We found a place we could afford to rent, and I went to school. After completing my associate's degree, I transferred to the University of Washington in Tacoma in 2010 to pursue a bachelor's degree in social work. I paid for tuition with a combination of student loans and federal grants. I was pursuing my dreams that I had put on hold for many years.

It wasn't too long after I transferred to UW that Charly's health began to decline. He lost more than 60 pounds in a few months. He had insurance through disability on Medicare, but we couldn't afford the co-payments. Our medical debt accumulated, and our family doctor at St. Joseph Clinic in Tacoma, where we'd gone to for 20 years, informed us that due to non-payment, Charly could no longer be seen there.

Charly was terrified of acquiring more debt. We had enough of his prescriptions to last a couple months, so we put off going to the doctor. I regret this decision more than anything, but we felt we had no choice. In 2011 Charly's pain became so severe that we rushed him to the ER. They found a tumor in his lower abdomen the size of a tennis ball that turned out to be metastasized, inoperable, pancreatic cancer. He passed away in the ICU just three weeks later.

I was devastated. I had lost the love of my life so suddenly. Unfortunately, Charly's debt survived him. I receive endless bills and calls from collectors for



the debt. The year after my husband's death, I had a medical emergency that landed me in the hospital for six days. I now owe two different hospitals over \$200,000. I have tried negotiating with the collectors, but they demand more money than I can afford. I get harassing, demeaning phone calls every day.

I should be paying \$300 a month for my student loan bills, but I can't afford that. I am drowning in debt with no way out. I can't find a job without finishing my degree — but I am terrified of adding to the debt I have. I skip meals to make sure my son can eat. I ration my prescriptions. I cannot plan and I cannot save. That said, I am doing my best to stay optimistic.

WASHINGTON COUNTIES • 2014 FINDINGS

CLALLAM 2014 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 years)	Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years)	Household 4: Two adults (one of whom is working) with a toddler and a school-age child	Household 5: Two adults (both of whom are working) with toddler and school-age child
Food	\$205	\$391	\$516	\$752	\$752
Housing & utilities	\$734	\$988	\$988	\$988	\$988
Transportation	\$631	\$577	\$577	\$1,260	\$1,407
Health care	\$115	\$283	\$407	\$465	\$465
Household, clothing & personal (18%)	\$421	\$560	\$622	\$866	\$903
Savings (10%)	\$234	\$311	\$345	\$481	\$502
Child care	—	\$293	\$1,057	—	\$1,057
State/federal taxes (annually)	\$4,412	\$5,056	\$5,951	\$6,013	\$8,242
Gross income needed (monthly)	\$2,707	\$3,824	\$5,006	\$5,312	\$3,379*
Gross income needed (annually)	\$32,485	\$45,883	\$60,075	\$63,741	\$40,551*
LIVING WAGE (HOURLY)	\$15.62	\$22.06	\$28.88	\$30.64	\$19.50*

GRAYS HARBOR 2014 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 years)	Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years)	Household 4: Two adults (one of whom is working) with a toddler and a school-age child	Household 5: Two adults (both of whom are working) with toddler and school-age child
Food	\$205	\$391	\$516	\$752	\$752
Housing & utilities	\$536	\$688	\$688	\$688	\$688
Transportation	\$631	\$577	\$577	\$1,260	\$1,407
Health care	\$115	\$283	\$407	\$465	\$465
Household, clothing & personal (18%)	\$372	\$485	\$547	\$791	\$828
Savings (10%)	\$206	\$269	\$304	\$439	\$460
Child care	—	\$293	\$1,057	—	\$1,057
State/federal taxes (annually)	\$3,665	\$3,863	\$4,811	\$4,880	\$7,109
Gross income needed (monthly)	\$2,370	\$3,308	\$4,495	\$4,801	\$3,124*
Gross income needed (annually)	\$28,438	\$39,690	\$53,935	\$57,608	\$37,484*
LIVING WAGE (HOURLY)	\$13.67	\$19.08	\$25.93	\$27.70	\$18.02*

* Per working adult

WASHINGTON COUNTIES • 2014 FINDINGS

KING 2014 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 years)	Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years)	Household 4: Two adults (one of whom is working) with a toddler and a school-age child	Household 5: Two adults (both of whom are working) with toddler and school-age child
Food	\$205	\$391	\$516	\$752	\$752
Housing & utilities	\$912	\$1,119	\$1,119	\$1,119	\$1,119
Transportation	\$631	\$577	\$577	\$1,260	\$1,407
Health care	\$115	\$283	\$407	\$465	\$465
Household, clothing & personal (18%)	\$466	\$592	\$654	\$899	\$935
Savings (10%)	\$259	\$329	\$364	\$499	\$520
Child care	—	\$389	\$1,604	—	\$1,604
State/federal taxes (annually)	\$5,082	\$5,873	\$8,807	\$6,510	\$10,225
Gross income needed (monthly)	\$3,010	\$4,170	\$5,973	\$5,535	\$3,826*
Gross income needed (annually)	\$36,122	\$50,037	\$71,679	\$66,422	\$45,916*
LIVING WAGE (HOURLY)	\$17.37	\$24.06	\$34.46	\$31.93	\$22.07*

PIERCE 2014 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 years)	Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years)	Household 4: Two adults (one of whom is working) with a toddler and a school-age child	Household 5: Two adults (both of whom are working) with toddler and school-age child
Food	\$205	\$391	\$516	\$752	\$752
Housing & utilities	\$755	\$979	\$979	\$979	\$979
Transportation	\$631	\$577	\$577	\$1,260	\$1,407
Health care	\$115	\$283	\$407	\$465	\$465
Household, clothing & personal (18%)	\$426	\$557	\$619	\$864	\$900
Savings (10%)	\$237	\$310	\$344	\$480	\$500
Child care	—	\$290	\$1,081	—	\$1,081
State/federal taxes (annually)	\$4,493	\$5,012	\$5,999	\$5,979	\$8,277
Gross income needed (monthly)	\$2,743	\$3,805	\$5,023	\$5,296	\$3,387*
Gross income needed (annually)	\$32,916	\$45,654	\$60,270	\$63,558	\$40,641*
LIVING WAGE (HOURLY)	\$15.82	\$21.95	\$28.98	\$30.56	\$19.54*

* Per working adult

WASHINGTON COUNTIES • 2014 FINDINGS

SNOHOMISH 2014 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 years)	Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years)	Household 4: Two adults (one of whom is working) with a toddler and a school-age child	Household 5: Two adults (both of whom are working) with toddler and school-age child
Food	\$205	\$391	\$516	\$752	\$752
Housing & utilities	\$912	\$1,119	\$1,119	\$1,119	\$1,119
Transportation	\$631	\$577	\$577	\$1,260	\$1,407
Health care	\$115	\$283	\$407	\$465	\$465
Household, clothing & personal (18%)	\$466	\$592	\$654	\$899	\$935
Savings (10%)	\$259	\$329	\$364	\$499	\$520
Child care	—	\$320	\$1,231	—	\$1,231
State/federal taxes (annually)	\$5,082	\$5,683	\$7,341	\$6,510	\$9,207
Gross income needed (monthly)	\$3,010	\$4,085	\$5,478	\$5,535	\$3,597*
Gross income needed (annually)	\$36,122	\$49,019	\$65,738	\$66,422	\$43,170*
LIVING WAGE (HOURLY)	\$17.37	\$23.57	\$31.60	\$31.93	\$20.75*

SPOKANE 2014 Monthly Family Budgets	Household 1: Single adult	Household 2: Single adult with a school-age child (age 6-8 years)	Household 3: Single adult with a toddler (12-24 months) and a school-age child (6-8 years)	Household 4: Two adults (one of whom is working) with a toddler and a school-age child	Household 5: Two adults (both of whom are working) with toddler and school-age child
Food	\$205	\$391	\$516	\$752	\$752
Housing & utilities	\$590	\$793	\$793	\$793	\$793
Transportation	\$631	\$577	\$577	\$1,260	\$1,407
Health care	\$115	\$283	\$407	\$465	\$465
Household, clothing & personal (18%)	\$385	\$511	\$573	\$817	\$854
Savings (10%)	\$214	\$284	\$318	\$454	\$474
Child care	—	\$277	\$953	—	\$953
State/federal taxes (annually)	\$3,869	\$4,166	\$4,925	\$5,276	\$7,225
Gross income needed (monthly)	\$2,462	\$3,463	\$4,547	\$4,980	\$3,150*
Gross income needed (annually)	\$29,542	\$41,553	\$54,561	\$59,755	\$37,798*
LIVING WAGE (HOURLY)	\$14.20	\$19.98	\$26.23	\$28.73	\$18.17*

* Per working adult

NOTES

NOTES

The Job Gap

Economic Prosperity series

With over 40,000 members, **Washington CAN!** is the state's largest grassroots community organization. Together we work to achieve racial, social, and economic justice in our state and nation. Our strength as an organization depends on our members' involvement. We believe that we can only achieve our goals when people take action for justice.

www.WASHINGTONCAN.org

The **Alliance for a Just Society** is a federation of community-based social, racial and economic justice organizations.

www.ALLIANCEFORAJUSTSOCIETY.org

