

## Employment and Homelessness

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This fact sheet examines the relationship between work and homelessness, including the contribution of unemployment, underemployment, and low wages to homelessness. It also assesses the employment barriers faced by homeless people, and strategies for overcoming those barriers. A list of resources for further study is also provided.

### IMPACT OF UNEMPLOYMENT AND LOW WAGES ON HOMELESSNESS

In recent years, media reports of a growing economy and low unemployment mask a number of important reasons why homelessness persists, and, in some areas of the country, is worsening. These include stagnant or falling incomes, and less secure jobs that offer fewer benefits. Now, as the United States experiences the worst financial crisis since the Great Depression, the homeless population has increased significantly. The worsening economy and rising unemployment numbers emphasize a number of reasons why homelessness continues to exist and grow in exponential numbers in the United States.

### Wages and Income

While past years have seen growth in real wages at all levels, wage growth has collapsed over the past six months. Nominal hourly wages of production workers grew at only one-sixth the rate from December 2007. Also workers also face a cut in hours and nominal weekly earnings have declined. As the recent growth in wages has declined, it illustrates that the recession affects everyone including those able to keep their jobs while adding pressure to the consumption growth which experts estimate will further delay economic recovery (Economic Policy Institute, 2009).

Low-wage workers have been particularly hard hit by wage trends. More than four decades ago in 1967, a year-round worker earning the minimum wage was paid enough to raise a family of three above the poverty line (Solar, 1995). From 1981-1990, however, the minimum wage was frozen at \$3.35 an hour, while the cost of living increased 48% over the same period. Congress raised the minimum wage to \$5.15 per hour in 1996, and it has not been raised until 2007. In 2007, President Bush signed into law a plan that would increase the minimum wage to \$7.25 an hour, over two years. This increase has not kept up with the ground lost to inflation in the last 20 years; thus, the real value of the minimum wage today is 26% less than in 1979 (The Economic Policy Institute, 2005), worth only \$4.42 in real dollars (AFL-CIO, 2005). In today's current market, a full-time minimum wage worker working 40 hours a week and 52 weeks per year would earn \$13,624. This puts him nearly 25% below the \$18,310 (US Department of Health and Human Services, 2009) poverty level for a family of three. This worker falls below the poverty line even after factoring in the earned income tax credit, which was created to bring low-wage workers up to the poverty line (The Economic Policy Institute, 2007). The Economic Policy Institute estimates that by 2009, the minimum wage increase will raise full-time minimum wage workers above the poverty line for a family of two for the first time in more than ten years (The Economic Policy Institute, 2007). Even after

the next wage increase to \$7.25, a family of three will remain about \$3,000 below the poverty line, and a family of four will be more than \$6,000 below it [U.S. Health and Human Services]. Contrary to popular belief, the majority of minimum-wage workers are not teenagers: approximately 79% of minimum wage workers are 20 or older (The Economic Policy Institute, 2008).

In addition to the erosion in the value of the minimum wage, there are other factors that contribute to the decline in wage decline. As more countries compete against each other, the result may be adding a downward pressure on wages. Also, the weakening in union power and labor policies may have some affect on the wage decline (International Labor Organization, 2008).

Declining wages, in turn, have put housing out of reach for many workers: a household would need more than one full time minimum wage worker to afford a two-bedroom rental apartment at fair market rent (National Low Income Housing Coalition, 2009).<sup>1</sup> In fact, in the median state a minimum-wage worker would have to work 87 hours each week to afford a two-bedroom apartment at 30% of his or her income, which is the federal definition of affordable housing. In addition, 40% of households with "worst case housing needs" -- households paying over half their incomes for rent, living in severely substandard housing, or both -- have at least one working person. The most recent HUD report (2005) shows that there were nearly six million households with "worst-case housing needs" in America.

The connection between impoverished workers and homelessness can be seen in homeless shelters, many of which house significant numbers of full-time wage earners. A survey of 23 U.S. cities found that eleven of the cities reported an increase in the number of employed homeless people, one city reported a decrease and seven other cities reported no change from the previous year (U.S. Conference of Mayors, 2008).

In today's economy, one of the hardest burdens for workers is the continued dramatic decline in wage growth. For the first year of the recession, wage growth remained relatively strong; nominal (non-inflation adjusted) hourly wages for production/nonsupervisory workers (who comprise over 80% of payroll employment) grew 3.9% from December 2007 to December 2008. Since that time, however, wage growth has slowed abruptly; in May 2009, wages grew at a 1.3% annualized rate, one-third the earlier pace (Economic Policy Institute, 2009). If this percentage continues to drop, it will become harder for a blue-collar worker to support his or her family. Additionally, rising costs of gasoline and food are taking large portions of these workers' pay checks (Economic Policy Institute, 2008).

### **Job Security and Underemployment**

Not only have wages stagnated or declined over the last two decades, but also job stability and job security have deteriorated. One measure of job stability, involuntary job loss, has increased in recent years. The economy has lost nearly six million jobs since the recession began in December 2007. Household Survey reports that the unemployment rate increased from 8.9% to 9.5% in June 2009, which according to the Bureau of Labor Statistics added over three-quarters of a million workers to the unemployed list (Economic Policy Institute, 2009). Additionally, people are falling victims to long term unemployment at greater rates. The number of people out of work for 27 weeks or more is approximately 4.4 million (3 in 10 unemployed workers). The workforce dropped from 155.1 million in May to 154.9 million in June (U.S. News & World Report).

Displaced workers face difficulty finding new employment; when they do find work, their new jobs pay, on average, about 13% less than the jobs they lost. And more than one-fourth of those who had health insurance on their old jobs don't have it at their new ones (Mishel, Bernstein, and Schmitt, 1999). Additionally, reports indicate that from 2001-2003, about 30% of people who had involuntarily lost jobs were not employed when they were surveyed again (Farber, 2005). As professional and managerial jobs have become increasingly vulnerable to downsizing, higher socioeconomic groups are experiencing increased job instability, and the risk of job loss is becoming more equally distributed by socioeconomic status (Farber 2005).

Another trend impacting job security is non-standard work... In 1997, almost 30% of workers were employed in non-standard work arrangements (i.e. independent contracting, working for a temporary help agency, day labor, or regular part-time employment) (Mishel, Bernstein, and Schmitt, 1999). Temporary employment has increased by 11% since 1972 (Kalleberg, Reskin, & Hudson, 2000). These non-standard work arrangements typically offer lower wages, fewer benefits, and less job security. Even temporary jobs are being affected by the worsening economy, with monthly losses that averaged 73,000 during the previous six months (Bureau of Labor Statistics, 2009).

A useful measure of the decline in job security is underemployment. Unlike the unemployment rate, measures of underemployment reflect not only individuals who are unemployed, but also involuntary part-timers and those who want to work but have been discouraged by their lack of success. As of March 2009, the underemployment rate is 15.8%, substantially higher than the 9.4% unemployment rate which translates into 24.4 million people who are underemployed or one out of every six American workers is either unemployed or underemployed. (Economic Policy Institute, 2009). The number of involuntarily part-time workers has nearly doubled since the start of the recession, from 4.6 million to 9.0 million. One reason for the higher level of underemployment is the increasing number of involuntary part-time workers -- workers who want to work full time but have only been able to obtain part time work.

Thus, for many Americans, work provides no escape from poverty. The benefits of economic growth have not been equally distributed; instead, they have been concentrated at the top of income and wealth distributions. A rising tide does not lift all boats, and in the United States today, many boats are struggling to stay afloat.

## **BARRIERS TO EMPLOYMENT FACED BY HOMELESS PEOPLE**

As bad as it is for the 44% of homeless people who have jobs and can't escape homelessness, climbing out of homelessness is virtually impossible for those without a job. For those with limited skills or experience, opportunities for jobs that pay a living wage are very limited. Additionally, many members of the homeless population have to combat barriers such as limited transportation and reduced access to educational and training programs (Long, Rio, & Rosen, 2007). In such a competitive environment, the difficulties of job seeking as a homeless person can be almost insurmountable barriers to employment.

Mental or physical illnesses also play vital roles in the employment participation of homeless individuals or those at risk for becoming homeless. Research statistics illustrate that a disability, mental or physical, can result in difficulty acquiring work. In addition to mental illness and substance abuse, incarceration also serves as a barrier for employment. Incarceration can decrease the types of employment available to

an individual after release from jail or prison. Along with the previously mentioned barriers, the lack of access to technology serves as a handicap for the homeless searching for work. In this job market, some knowledge of computers and technology is essential for every field. Although there are computers available through public access, some homeless individuals lack computer knowledge and fear failure.

Much has been learned from programs designed to help homeless people obtain and maintain employment in recent years. Studies indicate that mainstream programs, where the homeless are a minority population, may meet some of the basic needs of some homeless individuals but struggle to encourage employment by these individuals and provide income and support. This shortcoming also highlights that other groups of the homeless receive little income or employment support, i.e. single adults. Programs directly targeted to homeless populations such as the programs funded by the U.S. Department of Housing and Urban Development, The Department of Health and Human Services (Transitional Living Program for homeless youth), or The Department of Labor which funds Homeless Veterans' Reintegration Program (focusing on employment) are from descriptive accounts fairly more successful in the homeless population than mainstream initiatives. In addition to these programs, mainstream federal employment programs and demonstrations have particular local grantees that target homeless people.

Because of past legislation, a variety of government funded programs exist to assist the homeless. Studies show that programs designed to assist the homeless should be implemented to cover a variety of concerns. An evaluation of the Job Training for the Homeless Demonstration Program (JTHDP), authorized by the Stewart B. McKinney Act in 1988, found that successful employment programs provide access to a wide variety of services including housing to help the homeless overcome employment barriers. In addition, the evaluation concluded that in order for employment programs to be most successful, they must directly target the homeless or those at risk of becoming homeless.

In 2003, in support of the goal of ending chronic homelessness, and building upon previous efforts of the 1988 – 1995 Job Training for the Homeless Demonstration Program, the U.S. Department of Labor (DOL) and U.S. Department of Housing and Urban Development, partnered together to launch the *Ending Chronic Homelessness through Employment and Housing* (ECHEH) initiative. The initiative was funded by three branches within DOL - the Office of Disability Employment Policy (ODEP), the Employment and Training Administration (ETA), and the Veterans Employment and Training Service (VETS) - and by HUD's Office of Special Populations. In this five year initiative, DOL and HUD awarded a combined total of \$23,615,367 to five local workforce investment boards and their respective housing partners. A major goal of this initiative was to develop sustainable and effective direct service partnerships between housing providers, homeless assistance agencies, and the mainstream workforce system.

## **POLICY ISSUES**

Although funding for the JTHDP program was terminated in FY1995, Congress mandated that the U.S. Department of Labor use the expertise gained from the JTHDP program to enhance the capacity of national employment programs such as the Job Training Partnership Act (JTPA) to serve homeless individuals (Foscarinas, 1996). In 1998, the Work Investment Act (WIA) passed and required governments to establish employment and training systems and adequately disperse information within their community. Congress appropriated \$5.37 billion for WIA to be implemented by 2000 (CRS Report for Congress).

According to the Center for Law and Social Policy, under the American Recovery and Reinvestment Act, the WIA should be able to implement work-force education and training strategies that can assist low-skilled adults and youth gain access to jobs critical to local economies. In addition, the Economy Recovery Act gives State and Local Workforce Investment Boards (WIBs) an opportunity to implement new innovations such as aligning federal and state workforce education and training programs. Under ARRA, state and local areas can involve employers, unions and other job creation efforts to create skilled workers for these jobs and sustainable careers as the economic recovery continues (Center for Law and Social Policy).

While employment and training programs geared to homeless people have proven to be effective in helping homeless persons obtain work, successful completion of an employment program by a homeless person does not necessarily end his or her homelessness. He or she still needs a decent job and a place to live. Therefore, transitional housing programs such as Sound Families in Seattle have become very beneficial. By giving these families a place to live, they appear to be better able to find housing. In this program, employment upon entry into the transitional housing was 27%; when these people exited their employment rate was 50% (Long, Rio, & Rosen, 2007).

Also the U.S. Interagency Council on Homelessness was created to organize the federal response to homelessness to reduce and ultimately end homelessness in America. The council focuses on federal investments and ensuring that allocations are being dispersed to programs via public or private sectors targeting the homeless population.

Ending homelessness will require closing the gap between incomes and housing costs. In such an equation, jobs that pay a living wage are critical. Government, labor, and the private sector must work in concert to ensure that all Americans who can work have an opportunity to obtain a job, which pays a living wage, and the necessary supports, such as child care and transportation, to keep it.

## FOOTNOTES

1. FMRs are the monthly amounts "needed to rent privately owned, decent, safe, and sanitary rental housing of a modest (nonluxury) nature with suitable amenities." Federal Register. HUD determines FMRs for localities in all 50 states. [[Back](#)].

2. The poverty line for a family of three is \$12,750; for a family of four, the poverty line is \$16,813. See <http://www.census.gov/hhes/www/poverty.html> for details. [[Back](#)].

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