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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.

THE CONTRIBUTION OF UNEMPLOYMENT AND LOW WAGES TO HOMELESSNESS

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.

WAGES AND INCOME

While the last few years have seen growth in real wages at all levels, these increases have not been enough to counteract a long pattern of stagnant and declining wages.

Low-wage workers have been particularly hard hit by wage trends. As recently as 1967, a year-round worker earning the minimum wage was paid enough to raise a family of three above the poverty line (Sklar, 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). Full-time year-round minimum-wage earners currently earn \$1,778 less than the 2004 poverty line for a family of two (Chasanov, 2004). Contrary to popular belief, the majority of minimum-wage workers are not teenagers: 72% are age 20 or older (The Economic Policy Institute, 2005).

In addition to the erosion in the value of the minimum wage, factors contributing to wage declines include a steep drop in the number and bargaining power of unionized workers; a decline in manufacturing jobs and the corresponding expansion of lower-paying service-sector employment; globalization; and increased nonstandard work, such as temporary and part-time employment (Mishel, Bernstein, and Schmitt, 1999).

Declining wages, in turn, have put housing out of reach for many workers: in every state, more than the minimum wage is required to afford a one- or two-bedroom apartment at Fair Market Rent (National Low Income Housing Coalition, 1998).¹ 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 from 2001 reports that there were over five million households with worst-case housing needs (Children's Defense Fund, 2005).

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 27 U.S. cities found that thirteen percent of homeless persons are employed (U.S. Conference of Mayors, 2005). In a number of cities not surveyed by the U.S. Conference of Mayors - as well as in many states - the percentage is even higher (National Coalition for the Homeless, 1997).

In a recent study, it was revealed that yearly growth of hourly wages for blue collar jobs dropped from 4% in January 2000 to below 1% in May 2006 (Economic Policy Institute, 2006). If this percentage continues to drop, it will become harder for a blue collar worker to support his or her family.

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. The share of workers in "long term jobs" (those lasting at least 10 years) fell sharply between 1979 and 1996, with the worst deterioration taking place since the end of the 1980s (Mishel, Bernstein, and Schmitt, 1999). Another measure of job stability, involuntary job loss, has increased in recent years. 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).

Another trend impacting job security is non-standard work. Almost 30% of workers in 1997 were employed in non-standard work arrangements -- for example, independent contracting, working for a temporary help agency, day labor, and regular part-time employment (Mishel, Bernstein, and Schmitt, 1999). These kinds of work arrangements typically offer lower wages, fewer benefits, and less job security.

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. In 2004, the underemployment rate stood at 9.6%, substantially higher than the 5.5% unemployment rate (Datazone, 2005). 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 13% 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. In such a competitive environment, the difficulties of job seeking as a homeless person can be almost insurmountable barriers to employment.

Much has been learned from programs designed to help homeless people obtain and maintain employment in recent decades. In 1988, the U.S. Department of Labor began administration of the Job Training for the Homeless Demonstration Program (JTHDP). Authorized by the Stewart B. McKinney Act, the JTHDP program provided funds for basic skills and literacy instruction, job training, referral, and job search activities. A national evaluation of the JTHDP program found that barriers to employment experienced by homeless people include lack of education or competitive work skills, lack of transportation, lack of day care, and disabling conditions (U.S. Department of Labor, 1994). The evaluation found that successful employment programs must provide access to a wide array of services, including housing, to help homeless persons overcome obstacles to employment. The evaluation concluded that if national employment and training initiatives (such as the Job Training Partnership Act, or JTPA) are to serve effectively America's homeless population, they must specifically target their outreach and enrollment efforts to homeless individuals.

POLICY ISSUES

Although funding for the JTHDP program was terminated in FY1995, Congress has indicated that it expects the U.S. Department of Labor to use the expertise gained from the JTHDP program to enhance the capacity of national employment programs such as the JTPA to serve homeless individuals (Foscarinas, 1996). As lessons from the JTHDP make clear, if homeless persons are to benefit from national employment and training programs, those programs must include specific components to meet their needs.

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.

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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