
The Missing Class: The Near Poor

by Victor Tan Chen and Katherine S. Newman

Wearing an ankle-length black skirt and a matching jacket with gold trim, her hair wrapped tightly in a bun beneath her black scarf, Danielle shuttles over to her desk at the New York City Human Resources Administration office. She trades pleasantries with her boss, helps a co-worker complete a claim form and joins another office mate in complaining about all the “crazy” people who work there. It’s a typical day for Danielle—a typical day for any other administrative assistant in America—but just a few years ago, it was more than Danielle Wayne would have dreamed possible.

Back then, Danielle was sitting on the other side of her desk: an African-American single mother of three young children, unemployed and unskilled, a recipient of welfare checks for more years than she cared to remember. Her job experience was limited to stints packing food trays for airlines and cleaning bed pans in a mental hospital. The father of her children had physically and emotionally abused her during their tumultuous years together, and though he was now gone, she still suffered from clinical depression and a stifling lack of self-esteem.

But then President Clinton signed a bill to “end welfare as we know it,” and Danielle was pushed—like hun-

dreds of thousands of other women—into the workforce. Fortunately, the late 1990s were a time of booming stock markets, quiescent inflation and surging wages, when employers were so desperate for help that they were turning to neglected groups—the poorly educated and chronically unemployed among them—to staff their stores and agencies and offices. Danielle was fortunate enough to be drafted into the city’s welfare bureaucracy as a clerical assistant. It was her first office job, and she immediately impressed the higher-ups with her dedication. Learning she could play the part of a professional—and play it convincingly—gave Danielle a much-needed boost of self-confidence. She

actually enjoyed getting up every morning, dressing for work and joining the throngs of commuters on the subway—it made her proud to be part of working America, all those hurried masses yearning to make a buck.

Unfortunately, Danielle’s gain was in some ways her children’s loss. Before she started working, she was volunteering most days at her children’s elementary school, where she clocked in countless hours as a hall monitor and PTA officer. Spending so much time at the school meant she got ample face time with her kids’ teachers. “There ain’t nobody here that don’t know me,” she boasted. But since she began her new job, Danielle has been

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Carolyn Goodman, Vernon Bellecourt, and Oliver Hill

We dedicate this issue of *P&R* to three greats:

Carolyn Goodman, mother of Andy Goodman, assassinated in Neshoba County, MS, June 1964, along with companion civil rights workers James Chaney and Michael Schwerner, who up until her death in August kept the Movement legacy alive in many ways, establishing the Andrew Goodman Foundation in 1996 and even testifying in the 2005 trial of Edgar Ray Killen, convicted in the death of the three men and sentenced to three consecutive 20-year prison terms.

Vernon Bellecourt, an Ojibwa Indian and long-time campaigner for native rights, battling particularly the insensitive use of Indian nicknames (Redskins, Chiefs, Indians) for sports teams and their mascots (the Cleveland Indians’ Chief Wahoo), who died in October. In 1972, he was principal spokesman for the American Indian Movement, which organized a cross-country Trail of Broken Treaties Caravan to Washington, where members occupied the offices of the Bureau of Indian Affairs. And in 1974 he helped organize, under UN auspices, an international conference of native peoples to proclaim their rights. In 2005, the NCAA barred Indian mascots from its post-season tournaments.

Oliver Hill, the Virginia lawyer who helped overturn legal segregation in his native state, the Prince Edward County case subsequently incorporated into the Supreme Court’s 1954 *Brown* decision, died in August at age 100. At one point, he had 75 civil rights cases pending and is estimated over the course of his career to have won \$50 million in better pay and infrastructure needs for Virginia’s black teachers and students. Pres. Clinton in 1999 awarded him the Presidential Medal of Freedom.

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They are co-authors of The Missing Class: Portraits of the Near Poor in America (Beacon Press, 2007). The names used in this article and in the book have been changed to protect the families’ privacy.

too busy to volunteer. What's more, she can't afford private daycare, so she has to put her youngest child under the care of her mother-in-law, who lives in a housing project where drug addicts routinely walk in and out. It's no surprise that, growing up under these less-than-enriching conditions, Safiya is more reluctant to engage adults than most other two-year-olds. She has a vocabulary of only two words—"NO! SHUDDUP!"—shouted with the kind of vehemence that makes you wonder whom she might be imitating.

Who Are the Near Poor?

Danielle Wayne is no longer poor, but she is not truly middle-class. She is part of a group that is often invisible in our national debates—ignored by social scientists and social policy, which focus on those living below the poverty line, but neglected by politicians, who, at the very least, heap adulation upon the middle class in their speeches and campaign platforms. In our new book, *The Missing Class: Portraits of the Near Poor in America*, we describe in detail the challenges faced by people like Danielle. These hard-working Americans struggle to support their families with little help from the government, even while their incomes fail to pay for adequate childcare, healthcare, housing and other foundations of a middle-class lifestyle.

As we define it, the "Missing Class"—also known as the "near poor"—live on incomes between one and two times the poverty line. A household of four that brings in \$20,000- \$40,000 a year falls into this category.

The near poor are a much larger group than the poor. More than 50 million Americans fall into this category, compared to 37 million who are poor. That means that nearly *one out of three* Americans is poor or near-poor.

As we know, America's poor

households are disproportionately comprised of racial and ethnic minorities, and for the near poor, these ratios are fairly similar. The near poor are 54% non-Hispanic white, 15% non-Hispanic black, 4% Asian and 24% Hispanic, according to 2006 Census data. (Among poor households, the proportions are 46% white, 23% black, 4% Asian and 24% Hispanic.)

Race complicates the situation of near-poor households in predictable ways. For example, many Missing Class families live in urban areas or inner-ring suburbs segregated along racial, ethnic and socioeconomic lines, the product of the exodus of middle-class families and raging epidemics of crime and drug use. When the economy soared in the late 1990s, employment trickled back into these neighborhoods. Improved policing tactics helped clean the corners and offered hope for neighborhood change. Meanwhile, high real estate prices elsewhere in the city sent young white professionals in search of more affordable rents—eventually lur-

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ing them into near-poor neighborhoods.

For the families who were already living there, the results are mixed. On the one hand, gentrification means a higher quality of life for all, thanks to reduced crime, better schools, and greater investment in transportation and other services. On the other hand, it raises the rents for near-poor families already struggling to make do, and likewise pushes out the low-margin pharmacies and stores and eateries that catered to their needs. Those old-timers who don't leave may wonder if their newly integrated, newly Yuppified neighborhood is still home.

Of course, upwardly mobile workers like Danielle who previously knew poverty may have more difficulty dealing with this sort of neighborhood upheaval than another segment of the Missing Class: once middle-class households that have fallen *down* the economic ladder. The latter group in-

cludes people like Rita Gervais, a single mother who supports herself, her mother and her young daughter on a \$20,000 annual income, the profits of a daycare business housed in her northern Manhattan apartment. Rita found herself instantly in the Missing Class after her husband divorced her several years ago. Suddenly, she was toiling nonstop to stay a month ahead of the bill collectors, racking up huge credit card debts and drafting her mother to help keep her fledgling business alive.

Shifts in the Economy

Unfortunately, the situation of the Gervais family is becoming all too familiar to many American households. The economy's shifting center of gravity—from the manufacturing sector to the service sector—has meant a sharp reduction in union power (with its wage-lifting pressures) and a dearth of high-paying jobs (with benefits) for those without education. Meanwhile, the broad-based integration of markets that goes under the name of globalization—most noticeable in offshoring and outsourcing trends—has led to an intense international competition that keeps wages low.

The result is that a growing economy has not translated into significant wage increases for middle-class workers. (For racial and ethnic minorities, who suffer from higher rates of unemployment than their white counterparts, the situation is even more grim.) Median household income went up in the past year, but this was largely because people were working more, rather than being paid more. A recent report sponsored by the Pew Charitable Trusts, for instance, noted that men in their 30s now make 12% less than their fathers did at their age; the main reason family incomes are rising is because more women are going to work.

The trade-off of relying on more hours than higher wages, of course, is that middle-class incomes have become increasingly precarious. When a household loses a worker for whatever reason—in Rita's case, divorce—the result can be a quick descent into

PRRAC needs your support!

Later this month, we will be mailing you our annual fundraising request. Even if you don't receive a letter, we hope you will consider making a tax-deductible contribution to the Poverty & Race Research Action Council this year. We are grateful for the foundation support we receive, but for almost 20 years we have also depended on the support of individuals to keep our work going.

In addition to our regular publication of *Poverty & Race*, PRRAC has been pursuing important project work in housing, education and health. Some of the highlights of our work in 2007 include:

- We provided timely civil rights analysis of federal housing policy proposals – including the Section 8 Voucher Reform Act, the HOPE VI public housing program reauthorization and the Low Income Housing Tax Credit Program. These programs have huge civil rights implications that are often overlooked by policymakers.
- We played an important role in developing two “shadow reports” to the U.N., on health disparities and housing segregation, as part of the U.N.’s review of U.S. compliance with the Convention on the Elimination of All Forms of Racial Discrimination (see March/April 2007 *Poverty & Race*).
- We hosted three forums highlighting recent research on housing mobility, with a goal of more effectively connecting families who move to better opportunity in education, employment and health (see www.prrac.org/projects/housingmobility.php).
- We have continued to provide technical assistance to coalitions working to support regional desegregation efforts in Baltimore and Hartford. In both cities, innovative community-based coalitions have formed to support and expand the reach of housing and school desegregation lawsuits filed by the ACLU and the NAACP Legal Defense Fund. This type of litigation and community coalition partnership (involving both city and suburban constituencies) is a promising model for supporting change in segregated regions.

All of this work—and much more—is accessible on our website (along with archives of all past issues of *Poverty & Race*). We hope that you will consider a generous donation this year. Please send your tax-deductible donation to PRRAC, 1015 15th St. NW, #400, Washington, DC 20005.

Thank you for your support!



Philip Tegeler, Executive Director

poverty or near poverty.

As for the rest of the Missing Class, their financial situation may be stable or even improving. Like Danielle Wayne, many used to be poor and lived off welfare. Looking back, they are grateful for the progress they have made, which means not having to submit to invasive questions from case-workers about their lifestyle, not having to plow through bewildering government paperwork and not being as concerned about when the next paycheck will come.

Loss of Government Benefits

At the same time, their more-than-minimum wages place them above the

government thresholds for many important benefits. For example, Medicaid covers poor households; the State Children's Health Insurance Program (SCHIP) does cover near-poor children, but currently in the vast majority of states adults—childless or not—are left uninsured.

Family incomes are rising because more women are going to work.

The lack of public insurance may account for the disproportionate number of poor and near-poor families who go without insurance: The ratio is 25% among people in households that make less than \$25,000 a year, and 21%

among those in households just one income bracket above. That means that 29 million of the 47 million Americans who are uninsured have household incomes of less than \$50,000 a year, which includes the poor and near poor.

In terms of income support, too, the near poor are neglected. The Earned Income Tax Credit, a government subsidy for low-wage workers, pays out its maximum benefit of \$4,500 when a family with two or more children makes between roughly \$11,000 and \$15,000 a year (\$17,000 for married couples filing jointly); the benefit lessens with more income and phases out completely at a household income of a little more than \$36,000 (\$38,000 for married couples). That

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means that many near-poor households get no or little help from this crucial income-support program.

This situation is even worse for workers without dependent kids. Take Tomas Linares. A divorced father of two adult children, Tomas works two jobs at centers for people with disabilities. He makes \$20,000 a year by toiling seven days a week. Officially, he no longer has dependents (tell that to his daughters, though, who keep hounding him for cash), so he does not qualify for the Earned Income Tax Credit, which for childless workers phases out at an annual income of

\$12,000 (\$14,000 for married couples).

Lack of Health Coverage

When they lack health coverage or high wages, just one crisis—a divorce,

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lay-off or illness—can send Missing Class families hurtling into poverty.

Gloria Hall, a divorced mother of two young children, worked in law enforcement and enjoyed a decent salary with benefits. But then she was diagnosed with a rare cancer, which quickly spread from a gland behind her breastbone to her diaphragm, requiring the removal of part of her lungs.

Gloria believes that the cancer would have been detected earlier if her HMO had been willing to pay for a test her doctor had recommended. Then, when Gloria's situation became dire, the HMO refused to cover treatment at Memorial Sloan-Kettering Cancer Center, a world-class cancer treatment and research facility just a borough away from Gloria's Brooklyn home. In any case, once Gloria stopped working, she was able to apply for Medicaid, which did cover her treatment.

In Gloria's case, the problem was not being uninsured, but *underinsured*: She didn't have the kind of extensive, no-nonsense coverage that wealthier families, paying higher premiums, can obtain. In this, she is hardly alone. The Kaiser Family Foundation estimates that a fifth of insured Americans are underinsured, making do with sharply limited coverage or significant out-of-pocket medical expenses when faced with illness.

Education Impacts

If our government gives short shrift to the near poor in regards to health insurance and income support, it has intervened quite intensively—but not always for the better—in the domain of education. The No Child Left Behind Act demands that today's children pass a battery of standardized tests in order to progress, but with teachers and school administrators already overburdened in our public schools, the responsibility for meeting the new requirements has largely fallen on parents, who are expected to supply their kids with the extra help in reading and math that they need to prevail.

High-stakes testing in effect requires an auxiliary teaching force of parents, but in near-poor households,

2007 Edith Witt Internship Grant

PRRAC is proud to announce the winner of its 2007 Edith Witt Internship Grant: The Manilatown Heritage Foundation and its intern, José Toledo.

The award is particularly appropriate, given Edith Witt's role, as housing mediator/investigator for the San Francisco Human Rights Commission, in the huge late 70s International Hotel controversy. Edith helped defuse tensions between the tenants and the building's owners, and negotiated a pact with the owners that gave the tenants the time to build a massive citywide movement. The "hotel"—in actuality, long-time home for some 150 elderly primarily Filipino men—located between the city's financial district and Chinatown, was threatened with takeover and demolition by developers, and became the focus of massive demonstrations by housing activists (whose pressure was so great that SF Sheriff Richard Hongisto at first refused to carry out the court-ordered eviction and went to jail for 5 days). The August, 1977 midnight eviction, by 200 police and sheriff's deputies pushing and clubbing their way through 3,000 defenders forming a human barricade, was traumatic for the city. (For the full, up-to-date story, see the just-published book by Estella Habal, *San Francisco's International Hotel: Mobilizing the Filipino-American Community in the Anti-Eviction Movement* [Temple Univ. Press].)

Although the tenants were evicted and the building demolished, during the next two-and-a-half decades the struggle continued over what would be built on this valuable land. Happily, the result was a 104-unit, beautifully designed 15-story high-rise, which opened in 2006. And on the ground floor is The Manilatown Heritage Center, documenting the role of Filipino immigrants in the city's and state's history—created by a group of original activists in the anti-eviction struggle, headed by Emil DeGuzman, now President of the Foundation. Their selected intern, José Toledo, a San Francisco State graduate with ten years' experience as a tenant organizer, has been working for the Foundation as an Affirmative Action Coordinator (assisting applicants to the new IH Senior Housing Bldg.) and Special Education Assistant (he is now completing work for his teaching credential).

Congratulations to the Foundation, Emil and José!

the parents are working too hard to be of any use, and can't afford to pay for professional tutoring. For the Guerras, another family profiled in our book, the fact that the two parents were always away working contributed to some very unfortunate outcomes for their sons. The middle son—once praised by his teacher as one of the two “most brilliant kids” in the class—started receiving reprimands for subpar performance in his third-grade subjects. The oldest son skipped classes regularly, failed his classes and eventually got arrested for sexual assault.

The children's decline occurred around the time that the mother, Tamar, started working at a New Jersey factory an hour away. Before, Tamar had been a regular presence at home, but she needed a job to pay off the family's growing pile of unpaid bills.

Lack of Financial Knowledge

Another major problem facing the near poor is their lack of basic financial knowledge—how credit cards work, how to get a home mortgage, how to spot predatory lenders. Poor households are also vulnerable, but because they have less money they often won't contemplate getting a credit card or home mortgage to begin with. For example, six out of ten near-poor households own credit cards, about double the rate among the poor.

Missing Class families are cash cows for the credit card industry because they tend to use their credit cards less judiciously than their wealthier counterparts. Rather than paying off their balances every month, they are more likely to drag out their payments, subjecting themselves to exorbitant interest rates. Julia Coronado, one of the near-poor workers profiled in our book, has found herself caught in this limbo of revolving balances and crushing debt. At one point she had 17 credit cards and had accumulated \$9,000 in unpaid charges. The minimum payments alone amounted to \$300 a month.

Julia is the first to blame herself, and clearly she is responsible for the wanton spending sprees that in large part brought about her financial crisis. At the same time, it's also obvious that Julia was woefully ignorant of how credit cards worked. While the credit card companies tacked on finance charge after finance charge onto her unpaid balance, Julia was actually putting away money every week into an informal savings arrangement run by members of the Dominican community—money that could have gone to paying off her high-interest debt. Especially for immigrants like Julia, who often do not have much exposure to banks and other financial institutions in their home countries, the ways of credit can be arcane.

29 million of the 47 million Americans who are uninsured live in families that make less than \$50,000 a year.

On the other hand, native-born Americans show a worrisome lack of financial literacy, too. John and Sondra Floyd—a near-poor couple who are raising seven grandchildren—used to be the proud owners of their own home. But then an unscrupulous contractor convinced them that they needed to have repairs done. They signed paperwork they didn't understand, and when the contractor came back with a bill for \$92,000—almost twice what the work was supposed to cost—the Floyds suddenly found themselves in a legal struggle over ownership of their one asset, their home. They eventually lost their fight, and since then they have sorely missed the financial stability provided by homeownership, which would have allowed them to borrow money and build savings for retirement.

What Can Be Done?

What can be done to help the Missing Class? In our book, we offer some proposals. The first is expanding edu-

Remember to send us items for our Resources Section.

cational opportunities. It can take many years for adults in this class to complete their education, in part because our financial-aid system was never designed to support the kind of intermittent learning that fits their schedules and needs. We could do more to help these workers get the training and credentials they need. Supporting community colleges and expanding financial aid for low-income students are sensible first steps. For the nearly one out of six Americans over 25 without a high-school degree, we also need to promote so-called second-chance high schools that offer intensive tutoring and flexible scheduling.

For young children, we need to establish a comprehensive, public-supported network of daycare and kindergarten, so that working parents like Danielle Wayne don't have to worry about what happens to their kids during the workday. For the older children, we need to improve public schools through not only higher teacher pay and smaller class sizes, but also a greater degree of public-school choice, including charter schools that receive greater control over teacher hiring and curriculum in exchange for more accountability and oftentimes less funding. Though evaluations of the performance of charter schools vis-à-vis traditional public schools have so far been mixed, greater competition and choice will spur needed reforms across all schools while preserving the public character of the system.

Beyond education, we need a serious attempt to establish universal health coverage in this country, so that families are not at risk of falling into poverty or near poverty because of preventable or treatable illnesses. We also should do more to make work pay, by making it easier for workers to form unions and raising subsidies for low-wage work.

In the neighborhoods where near-poor families live, we need to establish
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lish public-private partnerships to entice stores with affordable prices to stay or locate there. In particular, near-poor workers would benefit from having more banks nearby; major banks have shunned these neighborhoods in recent years, meaning that these families have to resort to check-cashing outlets, loan sharks and other unsavory financial options.

Helping the near poor to save would also make a huge difference, given that they—unlike the truly poor—are in a position to sock away some money every month. We can provide them with incentives to do this—and thus make it less likely they'll have to turn to public support when times get tough—by expanding programs that provide matching government contributions to low-income families who save toward retirement, education and other long-term goals.

A major problem facing the near poor is their lack of basic financial knowledge.

Finally, we need to do more to help near-poor families get—and keep—title to their own homes. The possibilities here include stiffer penalties and tougher enforcement of laws against predatory lending; housing vouchers that cover not just rent but also home purchases; and property-tax rebates for low-income families as well as homeowners who make improvements on their properties. We also need to support initiatives to assist first-time home buyers with mortgage financing.

Are these proposals feasible? They entail more spending, but the kind of spending that is a long-term investment in our country's future—an investment that will eventually pay huge dividends. For example, an Economic Policy Institute study finds that the benefits of universal early-childhood education would outweigh the costs by \$31 billion by 2030 if we factor in the expected returns on lifetime earnings and decreased criminal behavior alone.

As we consider the prospects of the near poor, we might find it helpful to look back to another group in American history that also struggled, at times in obscurity: the generation who survived the Great Depression and fought in World War II. Intelligent investments in the form of the G.I. Bill and related legislation sent these veterans to college and provided them with low-

interest home loans.

From that foundation of equal opportunity, this country created a strong middle class. Today, facing as we are an uncertain economy that has eroded the gains won by past generations, we would be wise to make similar investments in the promise of the hardest-working Americans among us, our modern Missing Class. □

New PRRAC Grants

The following seven awards were recently made under PRRAC's Small Grants Program, using funds made available to us from the Annie E. Casey Foundation. All, per our requirements, are tied to a planned advocacy agenda. Future issues of *P&R* will feature results of these research efforts and the advocacy work that research supports. (There is a possibility some additional grants will be made.)

"The Current State of Union Organizing at the Turn of the Millennium: Unionization as an Anti-Poverty Strategy and Successful Strategies for Organizing Workers of Color"

Asst. Prof. Dorian T. Warren, Columbia Univ. Political Science & Public Affairs & Kate Bronfenbrenner, Director of Labor Education Research, Cornell Univ. School of Industrial & Labor Relations.

"Indicators of School Re-Segregation in Response to United States Supreme Court Decisions Concerning Consideration of Race in School Assignment"

Cedar Grove Inst. for Sustainable Communities, Mebane, North Carolina.

"Resisting the Raids: A Community Documentation, Action Research and Advocacy Project"

Community Writing & Research Project, PRAIRIE Group, College of Education, Univ. of Illinois-Chicago & The Telpochcalli Community Education Project-Chicago.

"Technology of Mobilization Project"

Work with Bronx-based Sistas and Brothas United (SBU) - National Center for Schools and Communities, Fordham Univ.

"Zoning Barriers to Fair Housing & Educational Equity in Metropolitan Boston"

Fair Housing Center of Greater Boston.

"Moving Forward: Supporting Voucher Portability in Illinois"

John Bouman, Sargent Shriver Center on Poverty Law & Housing Action Illinois.

"Empowering Poverty Advocates: Support for Hands-On Training for Legal Services Advocates in GIS Race Mapping"

Legal Services of Northern California.