

# The Rise of Underemployment: Supporting the Needs of Low-Income Workers

By

Leilani Barnett



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**Leilani Barnett** is a regional manager for community development at the Federal Reserve Bank of San Francisco. Her geographical focus covers the inland areas of California, including the Central Valley and Sacramento, as well as San Diego and Ventura Counties. Through community partnerships, Leilani helps low- and moderate-income communities and families by promoting workforce development, affordable housing, health, education, economic development, financial services, and small business and rural development.

The views expressed are those of the authors and do not necessarily represent those of the Federal Reserve Bank of San Francisco or the Federal Reserve System.

## INTRODUCTION

In the most recent round of the Federal Reserve Bank of San Francisco's (SF Fed) "Vantage Point" survey, which gathers qualitative information on the key priorities in low-income communities, respondents revealed that it has become increasingly difficult for people to find full-time jobs, which can further compound financial challenges. Over the past decade, part-time workers have been just as likely to be living in poverty as those who are unemployed; the poverty rate was 19 percent for both part-time workers and the unemployed in 2014. In contrast, the poverty rate for full-time workers was 3.9 percent.<sup>1</sup> Over six million Americans are currently working part-time involuntarily due to slack in the labor market, meaning these individuals would like to work full-time but are unable to find full-time jobs.<sup>2</sup> This includes people working on call and those hired through third-party temporary staffing or contract firms, among others. Economists now believe that the steady rate of involuntary part-time employment may have more to do with changes in the way workplaces operate, rather than solely the rise-and-fall employment dynamics that tend to accompany recessions.<sup>3</sup>

In 2016, the SF Fed held a series of regional roundtables throughout the Western region to examine the drivers of this recent rise in involuntary part-time employment and the impacts on lower-income households. The discussions focused on involuntary part-time workers and ways to maximize their employment potential, which would create multiple benefits for workers, employers, and the broader community.

The responses from the roundtables highlight several key emerging themes:

- 1. Housing, transportation, and child care play critical roles in allowing workers to secure and retain employment.**
- 2. Rising business costs (e.g. employee benefits, health care, workers' compensation insurance, and minimum wage hikes) and increasingly competitive markets are contributing to employers hiring part-time.**
- 3. Part-time employment may not offer much benefit over unemployment. Workers are concerned about exceeding income thresholds for social service benefits (the "cliff effect") which may impact their employment choices.**
- 4. Increasing household expenses are exacerbating financial challenges for low-income individuals, forcing many to take multiple part-time jobs or engage in the "shadow economy."**

In addition, the roundtables also surfaced some key opportunities, which include:

- 1. Holistically addressing the interrelated issues of housing, jobs, transportation, and child care through better integrated approaches; and**
- 2. Examining public assistance programs to mitigate the potential cliff effect.**

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<sup>1</sup> U.S. Census Bureau, American Community Survey, 1-year Estimates 2014.

<sup>2</sup> Bureau of Labor Statistics, Employment Situation Summary, U.S. Department of Labor, March 2016

<sup>3</sup> Rob Valletta and Catherine van der List, "Involuntary Part-Time Work: Here to Stay?" FRBSF Economic Letter, June 8, 2015; Robert G. Valletta, Leila; Bengali, and Catherine van der List, "Cyclical and Market Determinants of Involuntary Part-Time Employment," Federal Reserve Bank of San Francisco; Working Paper Series, December 2015; Janet L. Yellen, "Labor Market Dynamics and Monetary Policy," Remarks at the Federal Reserve Bank of Kansas; City Economic Symposium, Jackson Hole, August 22, 2014.

## ISSUES OVERVIEW

In 2016, the SF Fed published research examining the issue of part-time and involuntary employment. The paper's main findings are summarized below:<sup>4</sup>

**Changes in the types of available jobs, new policy proposals, and a focus on cost-efficiency around labor appear to be key drivers of the elevated underemployment rate.** While it is not yet entirely clear what is driving these initial and potentially structural changes, they are likely due in part to employers seeking greater cost-efficiency around labor expenses and reacting to new or anticipated changes in policy such as the Affordable Care Act and increases in the minimum wage.<sup>5</sup> The dynamic also appears to be tied to rising employment in service-related industries such as hospitality, retail, health and social services, and customer service, where part-time work that pays lower wages is more common, and an accompanying decrease in typically middle-income jobs in manufacturing and skilled trades. Other factors that could be influencing the unusually elevated rate of involuntary part-time work include: the introduction of new technology to improve and simplify worker supervision; and the emergence of work opportunities in the so-called “gig” or on-demand economy.<sup>6</sup>

**Underemployed workers are more likely to earn low wages, live in the West, and be workers of color.** Part-time employment is most common in service occupations, particularly in hospitality and leisure, retail, personal services, and healthcare support, and jobs that require lower levels of education and skill in these industries are more likely to pay lower wages. Over one-quarter of the country's involuntary part-time employees were working in one of the nine western states in the Federal Reserve's 12th District in 2014, and 28 percent of all part-time workers in the District were working part time involuntarily. Nevada, California, and Arizona had the highest rates of such workers in the country in 2014, with involuntary part-time workers making up 33 percent, 30 percent, and 29 percent of all part-time employees, respectively, compared to the overall U.S. rate of 21 percent. Although women are more likely overall to work part time than men, African American and Latina women are far more likely to be doing so involuntarily. African American and Latino men are the most likely of all workers to be employed in part-time positions for economic reasons, with roughly one-third of those working part time in both groups doing so involuntarily.<sup>7</sup>

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<sup>4</sup> Gabriella Chiarenza, “Economics in the Community Context: Underemployment,” July 2016. Federal Reserve Bank of San Francisco, Special Publication. <http://www.frbsf.org/community-development/publications/special/economics-in-the-community-context-underemployment/>

<sup>5</sup> Borowczyk-Martins, Daniel, and Etienne Lale, “How Bad is Involuntary Part-time Work?” Institute for the Study of Labor, February 2016.

<sup>6</sup> Borowczyk-Martins and Lale 2016; Cappelli, Peter H., and JR Keller, “A Study of the Extent and Potential Causes of Alternative Employment Arrangements,” *ILR Review*, Cornell University, Volume 66, Number 4, July 2013. Valletta, Bengali, and van der List 2015; Poole 2015; Carre, Françoise, “(In)dependent Contractor Misclassification,” Economic Policy Institute, 2015; Weil, David, “Administrator’s Interpretation No. 2015-1, Subject: The Application of the Fair Labor Standards Act’s ‘Suffer or Permit’ Standard in the Identification of Employees Who Are Misclassified as Independent Contractors,” Wage and Hour Division, U.S. Department of Labor, July 2015. Weil, David, “Enforcing Labour Standards in Fissured Workplaces: the US Experience,” *The Economic and Labor Relations Review*, v. 22, no. 2, July 2011. Katz, Lawrence F. and Alan B. Krueger, “The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015,” March 2016.

<sup>7</sup> Lawrence F. Katz and Alan B. Krueger, “The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015,” March 2016.

**Underemployment takes a serious toll on workers' financial, physical, and mental health, and affects their families' well-being and stability as well.** Involuntary part-time work and alternative employment arrangements are by nature less stable and predictable than standard full-time jobs. Involuntary part-time workers are much more likely to be living in poverty (earning roughly half the income level of full-time workers on average), experience dramatic income volatility month to month, and rely on public assistance to make ends meet. Most involuntary part-time employees are ineligible for employer-sponsored health and retirement plans, leading to lower rates of coverage on both fronts. They are also unlikely to be covered under the Fair Labor Standards Act, which establishes worker protections such as overtime pay and the minimum wage. Temporary workers are much more likely to suffer work-related accidents, injuries, and exposure to hazards, which researchers have tied to lower levels of training and workplace safety education provided to nonstandard workers. Studies of the physical and mental health of underemployed workers reveal greater susceptibility to stress, depression, substance abuse, and chronic disease, and children of underemployed workers are more likely to experience learning delays and communication and behavioral problems due to lower levels of supervision and interaction with parents working nonstandard hours.<sup>8</sup>

### **Potential Strategies to Address Underemployment**

Researchers have proposed a number of strategies that could help underemployed workers. For example, employers could make a greater effort to stabilize hours for part-time employees, helping to smooth income volatility. At the same time, savings strategies could be instituted around lump-sum bonuses, tax refunds, and other one-time payments to help part-time workers prepare for emergencies. Finally, experts suggest that as income volatility for underemployed workers is likely to continue in the near future, and that these workers are more reliant on public assistance, subsidy programs should be restructured so they are not based on volatile incomes or ability to pay.<sup>9</sup>

## **REGIONAL ROUNDTABLES**

Although the existing research on the topic is robust, much of it focuses on national trends and does not examine regional variations or opportunities for local action. As a result, the SF Fed embarked on a series of regional roundtables throughout its Western Region footprint to understand local nuances in underemployment; explore additional challenges; and share potential solutions and ideas. The goal of these roundtables was to gather insights from local experts to inform practice and policy, as well as to facilitate future coordination and collaboration around this multi-dimensional issue. The U.S. Department of Labor (DOL) has been a partner in this effort and helped to identify key regional stakeholders to include at the roundtables, and the DOL participated and helped lead a number of roundtables.

The SF Fed's Community Development Regional Managers convened eight roundtables across four states and utilized a consistent set of questions to guide the discussion (see Appendix 1) and better understand underemployment issues in each region. Each facilitated roundtable was 1-2 hours in length with about 15 to 20 participants representing community-based organizations; non-profits serving low-

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<sup>8</sup> Rosenthal, Lisa, Amy Carroll-Scott, Valerie A. Earnshaw, Alycia Santilli, and Jeanette R. Ickovics, "The importance of full-time work for urban adults' mental and physical health," *Soc Sci Med*, November 2012. Benach, Joan, Alejandra Vives, Marcelo Amable, Christophe Vanroelen, Gemma Tarafa, and Carles Muntaner, "Precarious Employment: Understanding an Emerging Social Determinant of Health," *Annual Review of Public Health*, 2014.

<sup>9</sup> Thomas Perez, "Innovation and the Contingent Workforce," U.S. Department of Labor Blog, January 25, 2016

and moderate-income families; local and regional government agencies; employers and small business technical advisors; and lenders. Participants were informed that their responses would be made anonymous, in order to foster objective and candid discussion.

## **ROUNDTABLE FINDINGS**

The roundtable participants surfaced several consistent themes across geographies and their views are synthesized below.

### **1. Housing, transportation, and child care play critical roles in allowing workers to secure and retain employment.**

Participants agreed that the availability and affordability of housing, transportation, and child care options located near employment are all closely linked with employment issues. In the absence of these necessities, working becomes infeasible for employees. “It’s impossible to separate the cost of living from employment in Napa County,” said an employer. Increasingly, individuals are faced with rising costs across all three of these areas and have fewer options. Participants in the Napa and Marin County, California roundtables shared that although there was neither a shortage of full-time jobs nor a significant increase in involuntary part-time employment in this region, housing affordability, transit, and child care were all huge impediments to low-wage workers. In fact, employers in Napa and Marin were challenged with filling their full-time positions and keeping them filled due to the high cost of local housing and the extreme traffic congestion that comes with moving to lower cost areas (such as Vallejo, Fairfield, and Lake County which are about 20 miles away but the commute can take hours). One participant from a non-profit stated, “In Marin, the cost of living is so high that both parents can be working full-time jobs and still can’t make ends meet.”

#### ***Housing Cost Burden***

In many parts of the western region, housing costs have increased at much higher rates than wages since the recession, making it difficult for families to afford to rent, much less own. Respondents indicated that in high cost areas, including Ventura, Napa and Marin Counties, California, workers across many industries were challenged with the cost of housing, including hospitality, retail services, government, education, and health care. Families that were displaced due to the foreclosure crisis have been slow to financially recover and build assets, making them vulnerable during times of unemployment or underemployment, further contributing to housing insecurity. This concern was also surfaced in the Vantage Point survey, in which a respondent stated:

*We provide an eviction prevention program and what we find is that most of the cases referred are due to a loss of employment or change in hours. The people we serve are LMI households that are earning minimum or low wages so when there are changes, and since the majority are liquid asset poor, this places them in a potential housing crisis and [on the] verge of becoming displaced.*

Participants raised concerns about displaced individuals who are often relegated to “couch-surfing,” staying in friends’ garages temporarily, or ending up on the street. In Hawaii, a severe shortage of affordable housing coupled with persistent underemployment is contributing to the rapid rise of homelessness, which disproportionately impacts Native Hawaiian and Micronesian individuals, and the

state has the highest homeless per capita in the nation. In some cases, working families are staying housed through extended family living arrangements, with multiple families under one roof. Although this approach has roots in cultural practice in Hawaii, current trends are pushing past traditional arrangements to unsafe, unhealthy, and overcrowded conditions.

Families with housing insecurity may need additional support services. In the Inland Empire of California, the roundtable participants stated that new jobs are most often seasonal or part-time, with irregular schedules. Participants shared that significant numbers of food banks saw year-over-year increases in demand for food, in some cases as much as double.

As a result of the housing affordability and transportation issues, employers stated they are dealing with a high level of staff turnover. One staffing agency and an employer stated they are using J-1 visas and recruiting and training students from all over the world to fill positions, with students renting rooms and sharing homes.

### ***Transit and Transportation Challenges***

In many regions, areas with strong job opportunities have the highest housing costs, forcing workers to live farther from jobs, and making transportation and child care even more critical and more expensive. In Southern California, many residents moved to the Inland Empire region because housing was more affordable, but must endure a grueling 60 mile commute to Los Angeles for work. Large casinos in the west are challenged to fill jobs due to workers having difficulty getting to late night shifts as a result of poor public transportation or workers not having a car. Challenges related to getting to work or child care, and the cost of a car or lack of public transportation made it difficult for part-time workers to obtain and keep their jobs. During the Phoenix, Arizona roundtable, many participants raised the issue of limited job availability in low-income neighborhoods and the lack of public transportation which limits access to jobs in the broader region.

Public transportation is a particularly acute challenge in rural areas such as central and eastern Washington, the California's Central Valley and Central Coast, and rural Arizona. In Ventura County, respondents noted how the region is geographically spread out and public transit is limited, making it difficult for the many families that cannot afford a reliable car. This issue is particularly challenging for residents of Native American reservations. Agencies serving the Native American population in Arizona stated their clients are unable to find jobs on the reservation and are forced to commute long distances to work, making the lack of public transportation services to reservations a critical opportunity.

### ***Child Care Cost and Challenges***

Child care creates particular challenges for part-time workers due to inconsistent work shifts, early or late hours, transportation issues, and the high cost. Respondents in Ventura, Marin, Napa, and Honolulu Counties stated that the high cost of child care kept many potential workers out of the labor force. Child care workers themselves are often low wage earners and at the Seattle roundtable, participants shared that although new higher minimum wage laws benefit these workers, they have further increased the cost of child care. These child care challenges are interrelated with transportation and housing issues, making it difficult for part-time workers to work consistently and pay their bills. During the Phoenix, Arizona roundtable, participants cited access to affordable childcare as a top employment challenge facing the market. The Vantage Point survey also surfaced this issue in Arizona, with one respondent stating:

*Many low- and moderate-income persons are single heads of household with children and are unable to afford their own transportation. The fact that childcare facilities are geared to people working a typical 8-5 shift limits employment opportunities for this population as many jobs are during the night shift. Public transportation [further limits] access as it is typically unavailable during overnight hours.*

**2. Rising business costs (e.g. employee benefits, health care, workers' compensation insurance, and minimum wage hikes) and increasingly competitive markets are contributing to employers hiring part-time.**

The recent recession required many businesses to adapt to diminished sales, a changing business environment, and new regulatory requirements. As businesses emerged from the recession, many still expressed apprehensiveness about future prospects, while other regions had not yet fully recovered. Participants in the Central Valley of California stated that the local economy has not yet recovered from the recession and as a result, employers are "cautious and tight on funds."

According to a Community Development Financial Institution (CDFI) that offers technical assistance to small business owners, "Part time employees provide more flexibility to the employer—[they] can increase or decrease hours more easily, move schedules around more easily if someone is out sick or is a no show, or if business needs increase or decrease." One participant from the public sector stated that her agency "chose to hire two part-time employees rather than one full-time employee because they could get a lot more hours of work for cheaper with two part-time employees due to much lower cost of benefits."

Increased labor costs are also factoring into employment decisions. One of the biggest industries in the Central Valley is agriculture and roundtable participants stated that labor costs have increased significantly over the last several decades, driving employers to hire fewer workers and invest in more machines and technology. Similar statements were made at the Ventura County forum, in California's central coast. In Hawaii, local experts cited employer concerns around the increase in Hawaii's state minimum wage and the growing "Fight for \$15" movement. Given the high cost of business operations in Hawaii (such as lease, shipping, and energy costs) even incremental increases in labor costs appear to be impacting employer decisions to move toward part-time positions in favor of cutting costs.

Larger business operations and competitive global forces are systematically changing the cost structure for firms and how they make employment decisions. Automation and e-commerce are driving out part-time jobs, according to participants in California's Inland Empire, Central Valley, Los Angeles, and Central Coast. Participants cited self-service kiosks at grocery and retail stores, as well as retail store closures like Gottschalks and Macys, resulting from e-commerce and other factors. Global competition and market factors are impacting regional economics. Larger global forces affecting oil prices have impacted the south Central Valley region in California. One participant, who represented a non-profit organization serving low- and moderate-income families in Kern County, stated that with oil prices on the decline, oil companies were "very cautious and fearful. Not hiring and keeping hours low." Weaker foreign currencies primarily in Asia, Australia and Canada put downward pressure on hiring in Honolulu, Hawaii.

Another significant factor affecting employment decisions was the challenge of employer-provided benefits. In Seattle, participants shared some employers limit the number of working days for employees in order to restrict benefits, and some require non-compete agreements. A representative



from a staffing agency in Marin County, California, stated, “Marin has many small businesses. They hire part-time because they don’t need full-time and because they can avoid the cost of benefits. Small business top costs in Marin is often salaries; then health care; then worker’s comp.” Participants in a Ventura County roundtable echoed this sentiment stating small businesses were nervous about hiring and often started workers at part-time or as independent contractors. Large businesses were also increasingly hiring part-time, and participants attributed this at least in part to the high cost of doing business, particularly the cost of benefits. One participant said a large national bank was hiring part-time in the region to avoid the high cost of benefits. Another participant shared that a city government in the area is using a staffing agency to avoid paying benefits.

The provision of health benefits was a particular concern raised at several roundtables. In Phoenix, Arizona, roundtable participants stated that employers are concerned about having to offer benefits to full-time employees and that the affordable care act (ACA) has negatively impacted small business owners. The ACA Employer Mandate/Employer Penalty is a requirement that all businesses with 50 or more full-time equivalent employees (FTE) provide health insurance to at least 95% of their full-time employees and dependents up to age 26, or pay a fee. The mandate does not apply to employers with 49 or less FTE and does not apply to part-time workers (those working less than 30 hours a week or 130 in a month, with measurement periods considered).

Even in Hawaii, which has had state-mandated employer-provided health insurance since 1974 for employees working more than 20 hours, participants in the Honolulu roundtable stated the increased cost of benefits has been an ongoing challenge for the state and many employers were already limiting hours to avoid healthcare costs even before the ACA. Although there was no roundtable held in Alaska, a respondent to the Vantage Point survey stated:

*Anchorage has a high rate of social service employers who pay near the minimum wage and restrict hours to below 20 [per week] to avoid Affordable Care Act penalties for not providing benefits. For the worker, this means 2-3 jobs to support themselves and their families with no benefits and not enough money to pay for insurance.*

**3. Part-time employment may not offer much benefit over unemployment. Workers are concerned about exceeding income thresholds for social service benefits (the “cliff effect”) which may impact their employment choices.**

With part-time workers experiencing poverty at a similar rate to the unemployed, individuals must carefully weigh whether the additional income puts them at risk of exceeding income thresholds and losing public benefits, sometimes referred to as the “cliff effect.” Such benefits include Temporary Assistance for Needy Families (TANF), food stamps, child care subsidies, and housing assistance. Workers do not want to find themselves working more hours, but being financially worse off. Participants in Seattle noted that an uptick in the number of employers choosing to hire part-time to reduce costs is driving workers who may have been working full-time in the past to seek public assistance when their hours are reduced. Participants in a number of regions, including Napa and Marin County, California shared that low-income workers are being careful not to exceed income thresholds to ensure they do not lose public benefits. In Phoenix, Arizona, one government agency stated that if a person makes more than \$14 per hour, they will lose subsidized childcare.

A Vantage Point Survey respondent from Jefferson County Oregon shared a similar concern, stating:

*Our economy is focused on the service sector due to our tourism. We frequently work with families who are grappling with the loss of benefits and the risk in taking a job that may be insecure, seasonal, or low-wage. There is little desire to risk [giving up] even limited public benefits for work that is only part-time or seasonal.*

Another Vantage Point respondent from Yolo County, California shared:

*A lot of low-income individuals, especially migrant communities in Yolo County, struggle with finding permanent work and therefore don't have a stable source of income. This makes them very reliant on government assistance which often traps them into only making so little money to be able to maintain their assistance which is the only way they can get by.*

**4. Increasing household expenses are exacerbating financial challenges for low-income individuals, forcing many to take multiple part-time jobs or engage in the “shadow economy.”**

Participants across regions stated that stagnant wages, limited opportunities for full-time work, and higher household costs are forcing individuals to take multiple part-time jobs or pursue cash-based or unlicensed businesses in the “shadow economy.” Respondents in Hawaii noted an increase in the number of residents engaging in bartering and unlicensed entrepreneurship, and a representative of a non-profit serving low-income families in the Central Valley of California reported increased participation in the “underground economy” for cash. Respondents also stated that some immigrants feared deportation and therefore stayed within the cash economy. Examples of cash-based activities included an increase in the number of families holding frequent garage sales and selling items at swap meets, and participants in Ventura and Santa Barbara Counties in California and parts of Washington state reported that unlicensed child care facilities were on the rise. Although these cash-based entrepreneurial endeavors provide a necessary source of income to individuals, they also represent a loss of tax revenue, which limits states’ ability to invest in identified needs, such as improved transit or subsidized child care.

In addition, many of the roundtables included discussion on the proliferation of part-time Uber/Lyft drivers and similar “gig economy” activities. For example, to help address the high cost of living in Ventura County, workers are also selling products on Etsy and E-bay, participating in multi-level marketing, renting out rooms on Airbnb, and trying to monetize whatever assets they have.

## **SOLUTIONS TO SUPPORT THE NEEDS OF LOW-INCOME WORKERS**

Roundtable participants discussed potential solutions for addressing the challenges of underemployment and there was shared recognition that no “silver-bullet” exists for addressing the complex and interrelated nature of the underlying issues. Instead, there was a call for holistic solutions that integrate across various aspects of the identified challenges. Specifically, participants agreed that critical next steps must address the interrelated nature of housing, jobs, transportation, and child care, as well as the potential impacts of the cliff effect.

### **Develop holistic approaches that address the interrelated issues of housing, jobs, transportation, and child care.**

Participants raised the need for approaches that integrate across land use planning, investment, and state and local policy to expand the availability of affordable housing near major job centers, transit, and child care. The expansion of these critical resources can help connect low-income workers to regional employment and provide added stability. For example, California’s Cap and Trade Program, which aims to reduce greenhouse gas emissions, has allocated funds for the development of transit-oriented affordable housing throughout the state, making it easier for low-income residents to live in opportunity-rich areas near public transportation. On a smaller scale, in Fresno, California, the City Council adopted an ordinance to legalize the placement of “tiny homes” on residential lots in order to increase the supply of affordable units. Other cities and the State of California have reduced barriers and streamlined the process for homeowners to build and rent out accessory dwelling units or granny units. Programs to help families ensure housing stability, such as Keep Your Home California, were cited as important resources for helping workers maintaining job stability. Respondents also raised the importance of family-friendly workplace policies to address child care needs, including the need for consistent work shifts, on-site child care options, paid maternity and paternity leave for those workers not currently eligible, and paid sick time to care for a sick child. Increased partnerships between employers and transit vanpool services may create solutions for employers and workers, and may create business service opportunities for small businesses. In California, a vanpool program for farmworkers is partially funded by State grants, CalVans; while other vanpool programs are privately funded by employers, employees, or a combination of both.

### **Examine public assistance programs to mitigate the potential cliff effect.**

Given that underemployed workers are likely to be reliant on public assistance, participants stressed the importance of examining public assistance programs to mitigate unintended consequences, such as disincentives to work. In many of the roundtables, participants suggested that income-qualifying programs should not be based on volatile incomes, and should allow workers to continue to receive assistance until they are permanently employed full-time and have reached some level of financial security, in order to avoid the cliff effect and remove disincentives to work full time or build assets. These issues may be particularly relevant in light of federal, state and city minimum wage hikes that may impact households receiving public assistance.

Some public assistance programs, such as food stamps, gradually decrease as income rises. Workers who begin to earn too much for Medicaid, but still can't afford private insurance, often qualify for subsidies under the Affordable Care Act. Housing Choice Voucher (Section 8) recipients and public housing residents also experience gradual decreases in housing assistance as their income rises. Even

with gradual reductions in benefits, roundtable participants raised concerns around the tradeoffs between receiving assistance and working part-time, low-wage jobs with few prospects for upward mobility. Similar tensions were raised around the incentives to underreport income (or avoid reporting altogether) and to work within the cash economy to avoid declines or elimination of benefits.

Participants also suggested there were disincentives to build assets since some benefit programs have low asset thresholds before recipients are no longer eligible, incentivizing some individuals to keep cash rather than putting savings into bank accounts. Some participants suggested income and asset thresholds should be higher and decline more gradually for many benefit programs. Some suggested that benefits should kick in sooner, before a crisis, and that there should be greater emphasis on supporting educational attainment first, before working, to increase the long-term income prospects for workers. Participants also suggested that child care and health care benefit coverage be included in welfare provisions.

### **Additional Solutions**

Other potential solutions that surfaced frequently across roundtables included:

- Cross-sector partnerships to improve educational outcomes, from pre-school to college, and providing more holistic options and solutions to families;
- Expansion of employment readiness and career training programs, including soft skills, English language, and technical skills to prepare underemployed workers for higher quality jobs with a career path. Specific target populations mentioned include youth, formerly incarcerated individuals, and veterans.
- Working more regionally within the workforce development system to share and pool resources.

### **CONCLUSION**

Although many of the solutions that emerged from the roundtables were focused on federal and state policies, one opportunity for local and regional solutions is the development of cross-sector partnerships. There are significant opportunities to connect across sectors such as workforce development, affordable housing, transportation, education, child care, and health, which often work in silos. Integrating across such efforts may lead to greater efficiencies and improved outcomes. The rise of underemployment necessitates innovative workforce solutions that both strengthen family financial stability in the near term and expand career pathways for the future.

## **APPENDIX 1: Roundtable Discussion Questions**

1. Despite overall low unemployment rates, many people are working part-time but would prefer to work full-time if they could (“involuntary part time workers”). What are the key factors preventing them from finding employment in your area?
2. How are workers responding to the shortage of full-time jobs?
3. Are certain communities or racial groups more challenged in finding full-time employment? What might be the underlying causes?
4. What is driving employers to offer part-time versus full-time employment? Are the costs of providing workplace benefits like health insurance a factor?
5. Are certain industry sectors more prone to offering part-time employment than others? Which industry sectors are offering more full-time employment for LMI people?
6. What are the impacts of under-employment for families?
7. Impacts on children, health, financial well-being.
8. How is your organization addressing the under-employment or seasonal employment?
9. Have you identified successful programs outside your market that you would like to replicate?
10. If you could institute policy changes to increase access to full time employment, what would those be? If you had 20 million dollars to increase full-time employment, how would you use it in your region?

## **APPENDIX 2: Regional Roundtable Summaries**

### **ARIZONA**

#### **Phoenix, Arizona**

Roundtable participants stated that there are jobs available in the healthcare, hospitality and retail sectors but these jobs mainly offer part-time employment. Employers are challenged to fill positions due to criminal background, immigration status, lack of high school diploma and basic job skills. The neighborhood of Maryvale observed it has a large Hispanic population with first generation US citizens that have language challenges and lack education. Despite that, one participant stated that there are approximately 8,000 job openings in call centers but the employers cannot find qualified people.

#### **Solutions**

Some employees have issues accessing training and services due to their work schedule so workforce programming is offered after traditional work hours. Workforce programs are now offering training that include soft skills so employees can advance to full-time jobs.

One participant mentioned a new program call SKILLFUL that is being implemented in Maricopa County, Arizona. SKILLFUL provides a set of online and offline tools to connect middle-skill job seekers—those with a high-school diploma and some college experience, but not a four-year degree—with employers, educators and community coaches so they can advance their careers. SKILLFUL focuses on the key skills and training needed for each job, rather than on degrees or certificates. It marries the online platform with on-the-ground engagement to build a grassroots effort to reach jobseekers in their communities. Their initial focus is on advanced manufacturing and IT.

### **CALIFORNIA**

#### **Fresno, California (Central Valley)**

#### **Job Readiness**

Roundtable participants shared that full-time jobs are available in the region in some industries, such as in health care and construction, but that employers found it difficult to find workers with the necessary skills to fill some positions, with some employers citing challenges related to language, reading, and writing skills. For workers who do have the needed skills, employers were experiencing high turnover. One business owner shared they *“can get more energy out of 3-4 people in shorter shifts than 1 person in a long shift,”* and that this increased productivity in part spurred part-time hiring.

A roundtable participant from a career readiness program stated *“job applicants are failing drug tests and more employers are requiring drug tests because of insurance claims. There is concern that if workers get hurt on the job, the insurance companies would not necessarily pay the claim because the worker did not pass a drug test and the employer may be held liable for the employee’s medical bills.”*

Applicants are in some cases providing medical marijuana cards in response to drug testing requirements, but that was not necessarily addressing employers' insurance concerns.

### **Formerly Incarcerated**

Roundtable participants shared people coming out of jail and prison are having an especially hard time securing full-time employment, in part due to lack of id's and connections, as well as health issues. Participants cited an increase in the number of people exiting jail and prison. One employer stated they are conducting criminal background checks because they "don't want the risk and liability of hiring ex-felons or ex-convicts."

### **Solutions**

As far as solutions, there was significant work around promoting self-employment, entrepreneurship, and microbusinesses shared by the participants. One government agency stated they were doing *"targeted outreach to youth of color for summer jobs after finding most of their summer youth employees were white."*

A unique program effort mentioned in the Fresno roundtable was a shared seasonal workforce program. Leaders were trying to bring together employers with different seasons to share employees- food processing and logistics, for example.

## **Inland Empire (Southern California)**

### **Economic Drivers**

College graduates are leaving the region for jobs elsewhere due to a lack of jobs and low wages in the Inland Empire. Many formerly incarcerated return to the Inland Empire, unable to get jobs.

Roundtable participants in the Inland Empire identified several key economic drivers to involuntary part-time employment in the region. There is strong population growth in the area. Education was identified as the largest employer. Participants stated military base closures have severely affected job attainment. Low paying distribution warehouse jobs are abundant. Participants noted a high concentration of minority microbusiness owners.

Low educational attainment and lack of access to the internet inhibit getting work, according to some participants.

### **Causes**

Several participants felt businesses are over-regulated and part-time jobs are the result. Some noted that businesses losing money replace full-time workers with technology, and part-time work.

## **Solutions**

According to participants, local nonprofits engage civic leaders on bringing innovation to the region. Solutions shared by participants from outside the region that are noteworthy include city enterprise zones and innovation centers with special incentives to attract new businesses and reinvent existing ones. Youth training programs and small business resource centers abound in the Inland Empire, per participants. Some participants stated minorities are without a collective voice and there are few public discussions on race, diversity and inclusion.

*“I see no support for self-employment from EDD and WFDs, etc.; I’ve read reports (one from Intuit) that said as much as 40% of the workforce will be freelance by 2020 but no one is stepping up to help or encourage them to be as effective as possible as business owners.”* Small business support center.

## **Marin County (Northern California)**

Participants noted that there was no shortage of full-time jobs in Marin County. Many people working part-time were voluntary, not involuntary, part-time workers, due to school or child care/family obligations. It was noted that workers in the region now must have a college degree and a certificate in order to earn a livable wage.

## **Solutions**

Participants shared successful and extensive re-entry programs with employers like Whole Foods, Peet’s Homeward Bound participating. However, one large employer that participated stated that they “reject 50% of applicants due to criminal background”. They stated the nature of the work for which they were hiring stipulated most criminal convictions were in conflict with the sensitive nature of the job duties for which they hire.

The top solution from participants was to invest in affordable housing in the region, as well as transportation, transit, and education. With regards to education, one participant stated there are about 19 school districts in Marin County alone, which has a population of around 250,000. He suggested more money should go directly to the schools.

## **Napa County (Northern California)**

Many of the same issues that arose in Marin were identified in neighboring Napa County as well. Participants felt incentives needed to be offered to LMI families in Napa County to entice them to stay rather than moving away in order to keep employees closer to their jobs given the extensive commute times immediately outside of the city.



## **Ventura County / Central Coast, California**

Agriculture is a major employment sector in Ventura County, but the agricultural industry faces numerous challenges there. Some of these include water supply issues, especially in light of the drought, and land use issues.

English language ability was a challenge for many low-wage workers in the region.

Participants cited high levels of household stress as a result of underemployment, sometimes resulting in problems such as child welfare issues and child abuse. Participants saw a lack of asset accumulation among families, poor credit ratings, high debt, and sometimes homelessness.

### **Solutions**

Some programs that were effective in the region included Keep Your Home California; lay-off assistance via the Workforce Development Board, including re-training; and self-employment tools through Small Business Development.

Suggested solutions included subsidized employment programs that would allow participants to gain skills while working and training; Policies to ensure farmworkers get paid for overtime were cited as an important solution.

## **HAWAII**

### **Economic Drivers**

Roundtable participants in Honolulu, Hawaii identified several drivers to involuntary part-time employment. The local economic driver is tourism, which creates an abundance of lower-skill, part-time jobs in hospitality, food service, and retail.

Respondents agreed that Hawaii has an abundant supply of labor willing to work part-time and for lower wages because it is such a desirable place to live (the “paradise tax”), reducing pressure on employers to offer higher wage, full-time jobs. However, respondents also noted that the loss of flexibility and the need for high-cost childcare makes it a challenge to find workers willing to take full-time jobs with low-wages.

### **Impacts**

There was also concern that individuals have come to regard underemployment as the norm, and have been forced to “settle for less” and some disadvantaged populations, such as the formerly incarcerated, must “take anything” just to get by. One workforce expert expressed particular concern that this broader shift in attitudes towards work poses a threat to worker productivity and ultimately economic growth.

## **Solutions**

Experts cited similar themes that were identified in other regions, such as the need for better transit, affordable housing near job centers, and lower-cost childcare. Another theme was the need for greater industry diversification, particularly within the innovation sector, and more affordable higher education options that connect workers to well-paying, full-time employment.

A recurring theme in Hawaii was the need for healing and holistic approaches that strengthen a sense of community. There was lengthy discussion about the loss of traditional Hawaiian values of caring for the community and the land, and the lack of attention to the struggles of low- and moderate-income communities. Participants expressed concern about the loss of this “Aloha spirit” and its implications for future generations, citing the need to strengthen social ties and economic opportunities through holistic community building.

## **WASHINGTON**

### **Seattle, Washington**

This roundtable cited similar challenges to full-time work, but also discussed employer’s insurance risks with hiring individuals with criminal records or that fail drug testing, limited operating hours of workforce assistance centers. One issue that arose in Seattle was the narrow employment pathways to certain work due to union rules. Other challenges included access to job-hunting services, and limited employment options.

## **Solutions**

The roundtable participants offered many ideas to help foster full-time employment, such as offering soft/essential skills training, encouraging high schools to offer vocational and college preparation courses and help coordinate internships, establishing additional employment navigators, and equipping libraries with job-hunting resources.