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# Income Changes during the Recession for "Working Poor" Single Parents in Central City Milwaukee

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## Income Changes during the Recession for “Working Poor” Single Parent Families in Central City Milwaukee



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2012

## Summary

One of the most critical labor force problems facing Milwaukee's "working poor" families is the lack of steady, good paying jobs available for single mothers raising children. This report provides an update on the income reported by Milwaukee County family tax filers (with dependents) and analyzes Wisconsin tax records for family filers' 2011 income (based on tax returns filed in 2012) in 9 central city Milwaukee zipcodes compared with prior years before the recession. Census data on occupations of Milwaukee County single mothers with preschool and schoolage children are examined to help explain the low and intermittent earnings of many family heads.

## Findings

The Wisconsin earned income tax credit, established in the 1980s to help lower income employed families, was reduced for families with two or more children under state legislation passed in 2011. As a result, Milwaukee County families saw a \$7.7 million loss in credit income. Inner city Milwaukee "working poor" single parents took the brunt of the state-legislated cuts with their credits dropping by 26% (from \$15.1 million in 2010 to \$11.2 million in 2011).

Over half (59%) of working age state income tax single filers with dependents in 9 central city zipcodes had less than \$20,000 annual income in 2011, suggesting low wages, part-time jobs, high job turnover, and less than year-round employment.

In Milwaukee County 42% of all working age single income tax filers (with dependents) had income below poverty in 2011, and three-fourths (76% or more) had income below 185% of poverty.

The number of inner city single parents filing state tax returns (in 9 central city zipcodes) declined by only 5% during the economic recession with many parents remaining in the workforce in spite of low wages and often intermittent employment.

In zipcode 53206, arguably Milwaukee's poorest neighborhood, the average income for single filers with dependents was \$17,600 in 2011. In zipcode 53202 in the downtown area the average income for single filers with dependents was \$110,000.

In zipcode 53206 only 8% of state income tax filers with dependents were married, compared to 81% of filers with dependents in 53217 on the "North Shore." The cost of housing limits lower-income families to areas of the city where rents are lower or where they can double up with relatives. The extremely high incarceration rates in central city Milwaukee also contribute to the high number of families headed by single mothers.

The low earnings of most single parents can be largely explained by the sectors of employment in which they are concentrated. According to Census data (ACS2010) single mothers in Milwaukee County with preschool children and incomes below 200% of poverty showed highest concentrations of jobs in child care centers, hospitals, department and discount stores, restaurant and food service establishments, and nursing homes. Many of the jobs in these sectors have variable or irregular hours and seasonal swings in employment.

Among Milwaukee County women who had lost their jobs and were receiving unemployment insurance benefits in Fall of 2009, five sectors showed very heavy concentrations of low-earning workers (that is, workers earning less than \$3,000 a quarter, or \$12,000 annualized): food, drink and accommodation firms (59% of the laid-off women had earned less than \$3,000/qtr.); day care (55%); temp agencies (45%); administrative support firms (42%); and retail trade (41%).

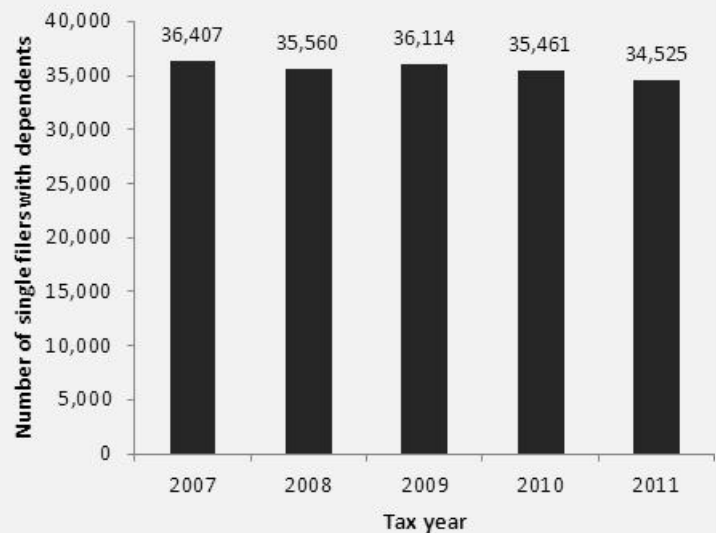
## I. Income of Central City Single Parent Families: 2007-2011

### Single Parents' Persistence in the Workforce

Wisconsin Department of Revenue data were used to track income changes among tax filers in Milwaukee County.<sup>1</sup>

The number of inner city single parents in the workforce during the recession dropped only slightly, according to the state tax returns filed by single filers with dependents in 9 central city Milwaukee zipcodes. There was a decline of only 936 working age families reporting income (or 2.6%) from 2010 to 2011, and a drop of 1,882 families reporting income between 2007 (before the recession hit) and 2011.

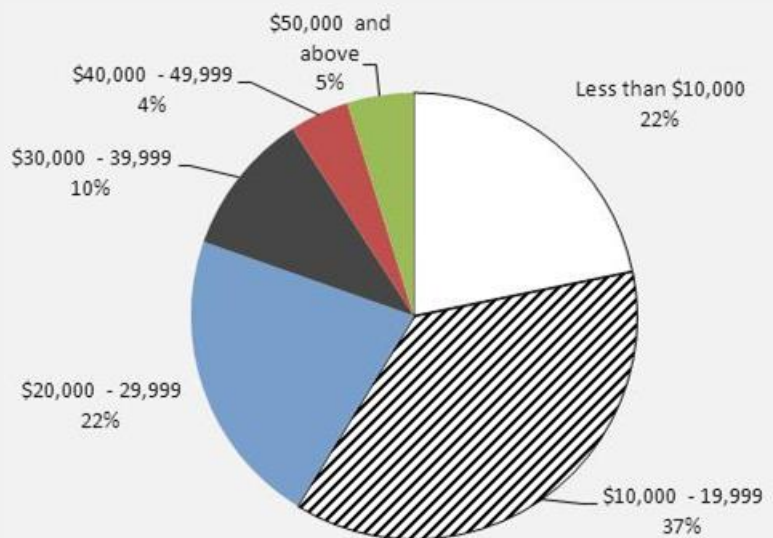
Single parents remaining in the workforce during the recession, based on tax filers in the 9 central city zipcodes



Over half (59%) of the central city single tax filers with dependents had income of less than \$20,000 in 2011, suggesting high job turnover, low wages, part-time jobs, and less than year-round employment.

Less than a fifth (19%) of single tax filers with dependents from the 9 ZIP codes earned \$30,000 or more. Most currently and recently employed single parents are ineligible for "W-2" (TANF, Temporary Assistance for Needy Families) cash assistance.

2011 income of 34,525 single tax filers (with dependents) in 9 Milwaukee central city zipcodes



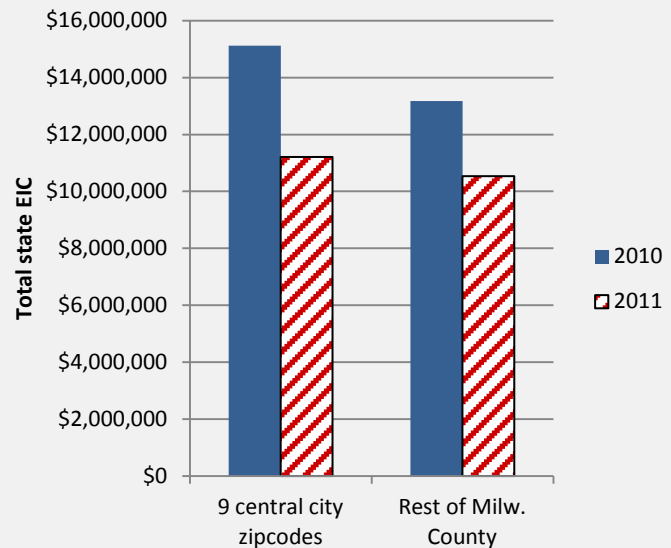
<sup>1</sup> This analysis of "working age" tax filers excludes elderly filers, individuals claimed as dependents on another tax return, and filers with negative income. The 9 central city Milwaukee zipcodes analyzed include 53204, 53205, 53206, 53208, 53210, 53212, 53216, 53218 and 53233. (See map, p. 8.) Note: This income and poverty estimate analysis of Wisconsin state income tax filers is limited to the tax filing unit and does not reflect other income sources available to support family members. In some cases the married or single adult with dependents may be supporting other persons not qualifying as dependents for income tax purposes. In other cases other adults in the household (or a noncustodial parent) may be contributing to support of the family. Poverty levels are estimated based on data showing the number of dependents claimed (up to 3) and underestimate poverty levels for families with more than 3 children.

## Reductions in State Earned Income Tax Credits

Wisconsin earned income tax credits decreased by 26% (from \$15.1 million in 2010 to \$11.2 million in 2011) for single parents in the poorest neighborhoods. Central city “working poor” single parents took the brunt of the state-legislated cuts in EIC in 2011. (Single parents in the 9 zipcodes had 60% of the Milwaukee County EIC losses for single parents.)

The Wisconsin earned income tax credit, established to help lower income employed families, was reduced for families with two or more children under state legislation passed in 2011. As a result, Milwaukee County families saw a \$7.7 million loss in credit income, with a 23% drop in EIC for single parent families and a 16% drop for married parent families.

**Decline in Wis. Earned Income Tax Credits to Single Parents**



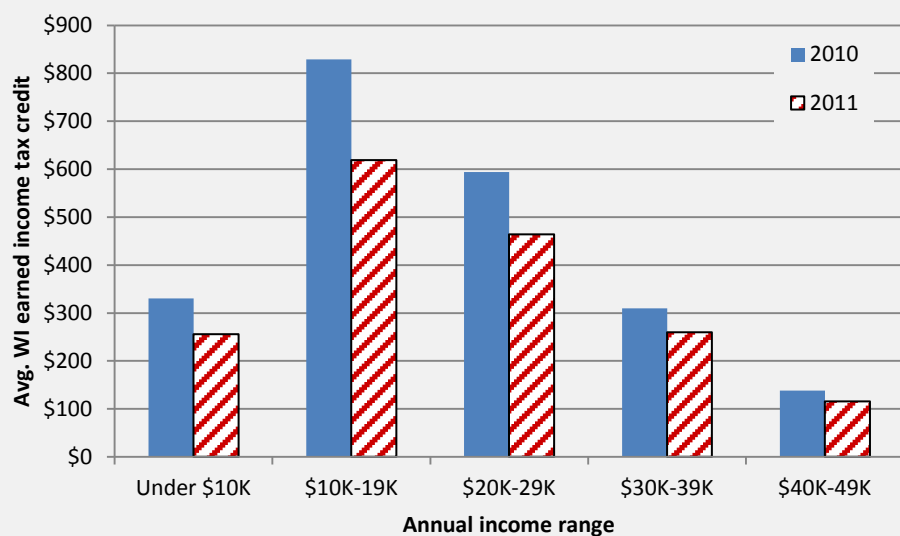
**Declines in Wisconsin Earned Income Tax Credits for “Working Poor” Families in Milwaukee County: 2010-2011**

Employed parents with qualifying children	9 central city Milwaukee zipcodes				Milwaukee County (all zipcodes)			
	2010	2011	1-yr decrease	% loss	2010	2011	1-yr. decrease	% loss
Single filers	\$15,123,097	\$11,202,697	-\$3,920,400	-26%	\$28,294,062	\$21,737,199	-\$6,556,863	-23%
Married filers	\$2,120,183	\$1,698,681	-\$421,502	-20%	\$6,865,304	\$5,733,487	-\$1,131,817	-16%
Total	\$17,243,280	\$12,901,378	-\$4,341,902	-25%	\$35,159,366	\$27,470,686	-\$7,688,680	-22%

The 2011 state budget cuts in earned income tax credits had the greatest impact on single parent families earning \$10,000 to \$19,999 where the average state credit dropped from \$829 in 2010 down to \$619 in 2011 in the 9 innercity Milwaukee zipcodes.

Single parent families with \$20,000-29,999 income saw average EIC drops from \$594 in 2010 to \$464 in 2011.

**Avg. state earned income credit drops for single parent tax filers in 9 central city zipcodes**



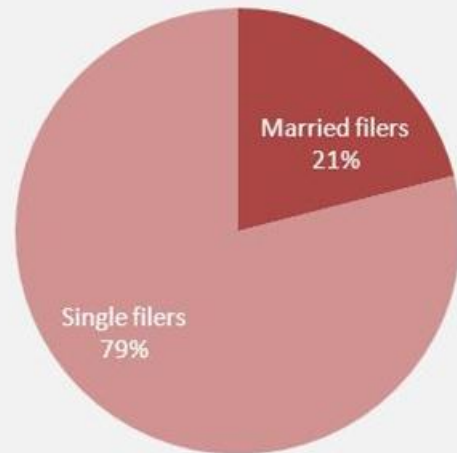
### Single vs. Married Filers

Only 21% of the working age filers with dependents are married in the 9 Milwaukee central city zipcodes.

In zipcode 53206, arguably the poorest neighborhood of the city, only 8% of working age filers with dependents are married filers. (See graph, p. 10.)

The cost of housing limits lower-income families to areas of the city where rents are lower or where they can double up with relatives. The extremely high incarceration rates in central city Milwaukee also contribute to the high number of families headed by single mothers.

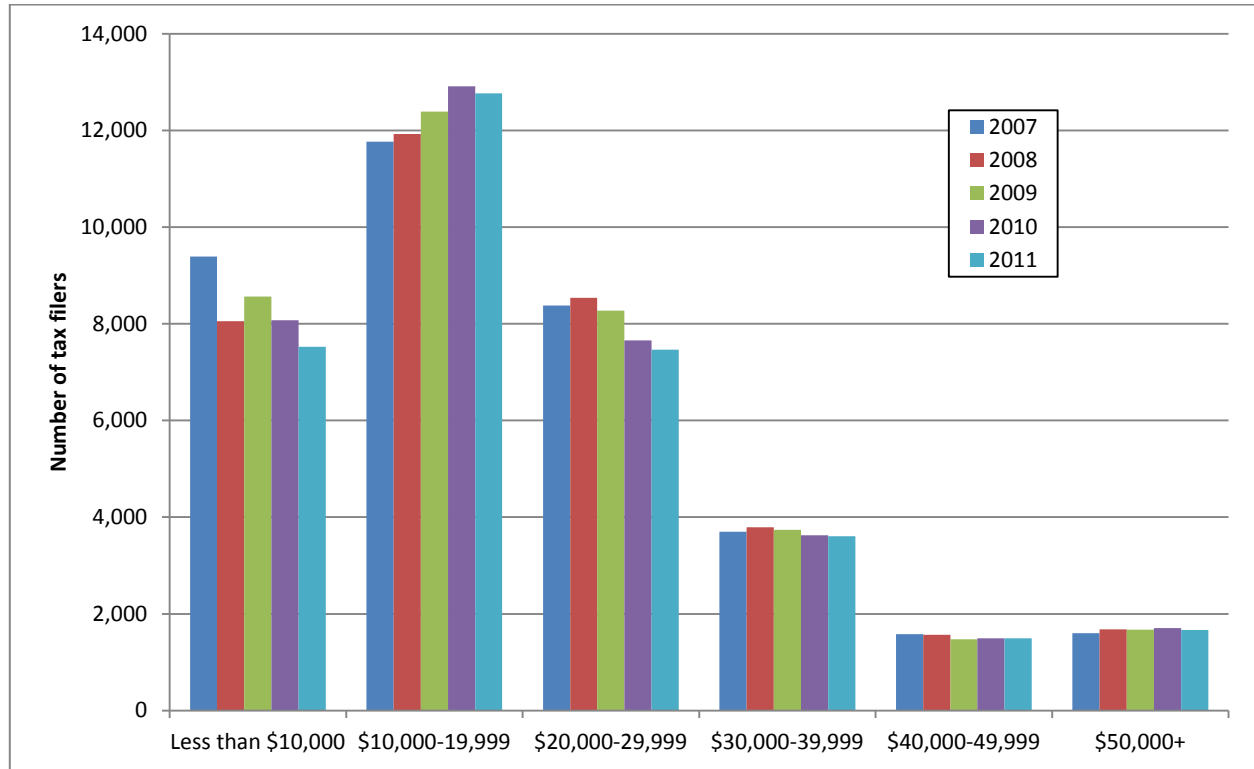
Working age tax filers with dependents: Married vs. single  
(in 9 Milwaukee central city zipcodes)



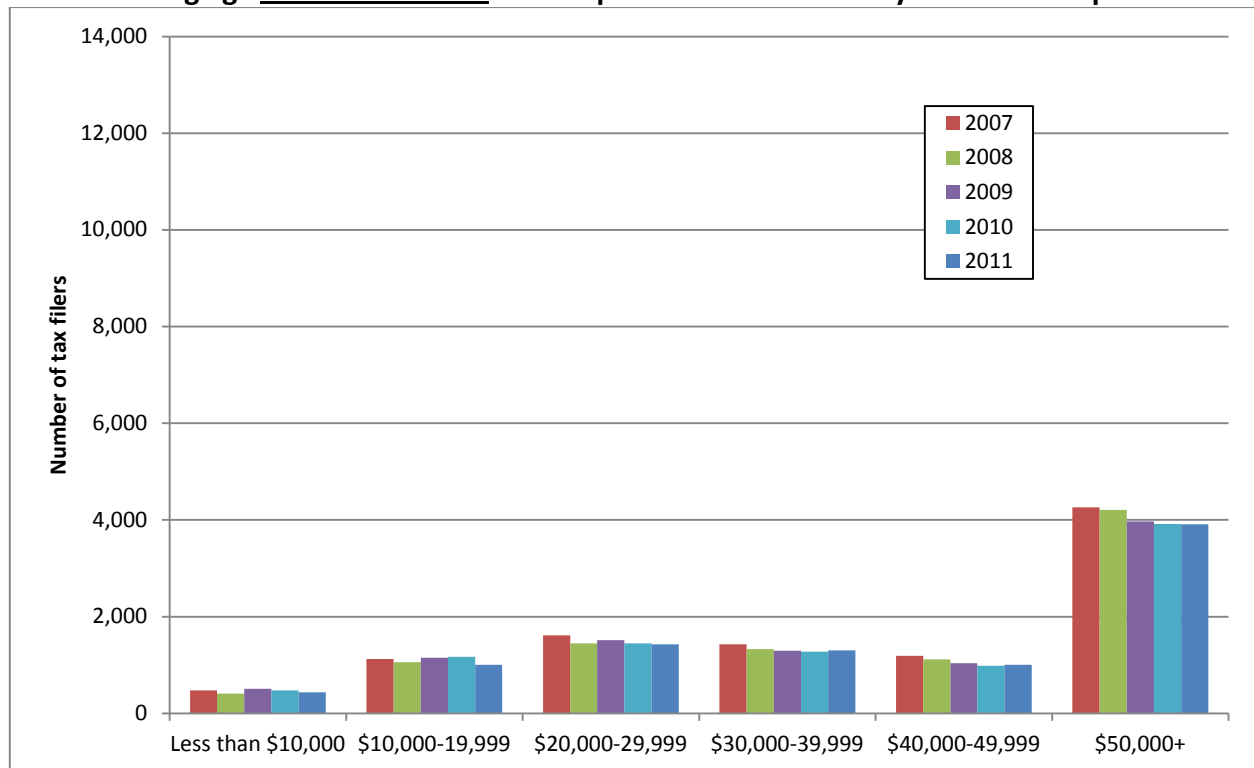
The graphs below show the income ranges of working age tax filers from 2007 through 2011. Very low incomes are evident both before and during the recession.

- Married couple families show higher incomes (54% had incomes of \$40,000 or above), but there are far fewer of them living in the 9 central city zipcode neighborhoods.
- Nearly all (93%) of the families earning under \$20,000 were single parents.

### Working age single tax filers with dependents: 9 central city Milwaukee zipcodes



### Working age married tax filers with dependents: 9 central city Milwaukee zipcodes



Note: The Wisconsin Department of Revenue data are not adjusted for inflation. According to the Bureau of Labor Statistics, in the Milwaukee-Racine area the purchasing power of the dollar decreased by 10.5% from 2007 to 2011.

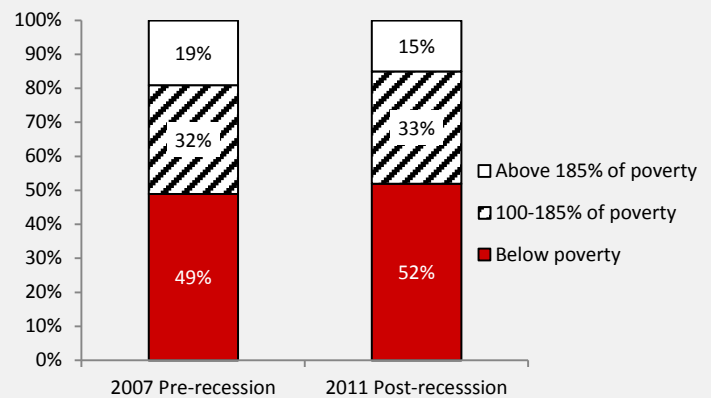
## Impact of the Recession on the “Working Poor”

The income of families was also examined by number of dependents claimed (1, 2, or 3 and more) to estimate the number of single filer families with income earnings below poverty and below 185% of poverty.

While slightly fewer single parent families were filing state tax returns after the recession hit, more families reported income below the poverty level. The estimated percentage of employed single parent families with earnings below poverty increased from 49% in 2007 to 52% in 2011.

The percent of families with “middle class” income (i.e., above 185% of poverty) dropped from 19% in 2007 to 15% in 2011.

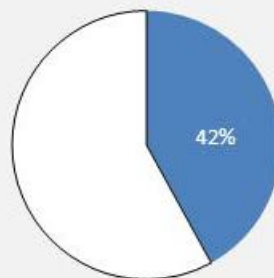
**Increase in Single Parent Tax Filers Who Are “Working Poor”**



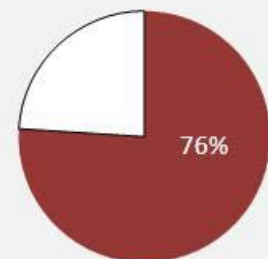
Low annual income and “working poor” earnings are problems for single parent families throughout the county. In 2011 at least 42% of single tax filers with dependents had income below the poverty level for their family size, and an estimated 76% (or more) had income below 185% of poverty.

*In 2011 the federal poverty level for a mother and 2 children was set at \$22,350, for a mother and 3 children at \$26,170.*

**Nearly half of Milwaukee County single tax filers have family income below 100% of poverty**



**Three-fourths of Milwaukee County single tax filers have family income below 185% of poverty**

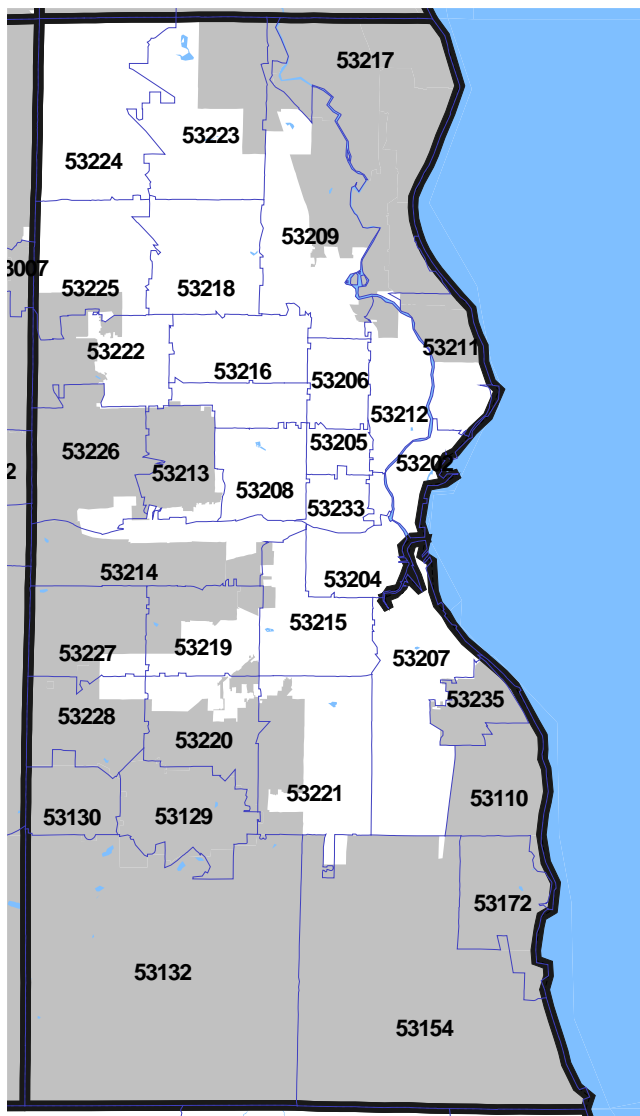


## Income Differences by Neighborhood

The state income tax data showed extreme disparities among family incomes by neighborhood. The average income of single parent families (i.e., working age single tax filers with dependents) ranged from a low of \$17,604 per family in Milwaukee zipcode 53206 to four times that amount (\$71,952) in the “North Shore” 53217 suburban zipcode and six times the amount (\$109,996) in the downtown Milwaukee 53202 zipcode. See graphs below for data on each Milwaukee County zipcode.

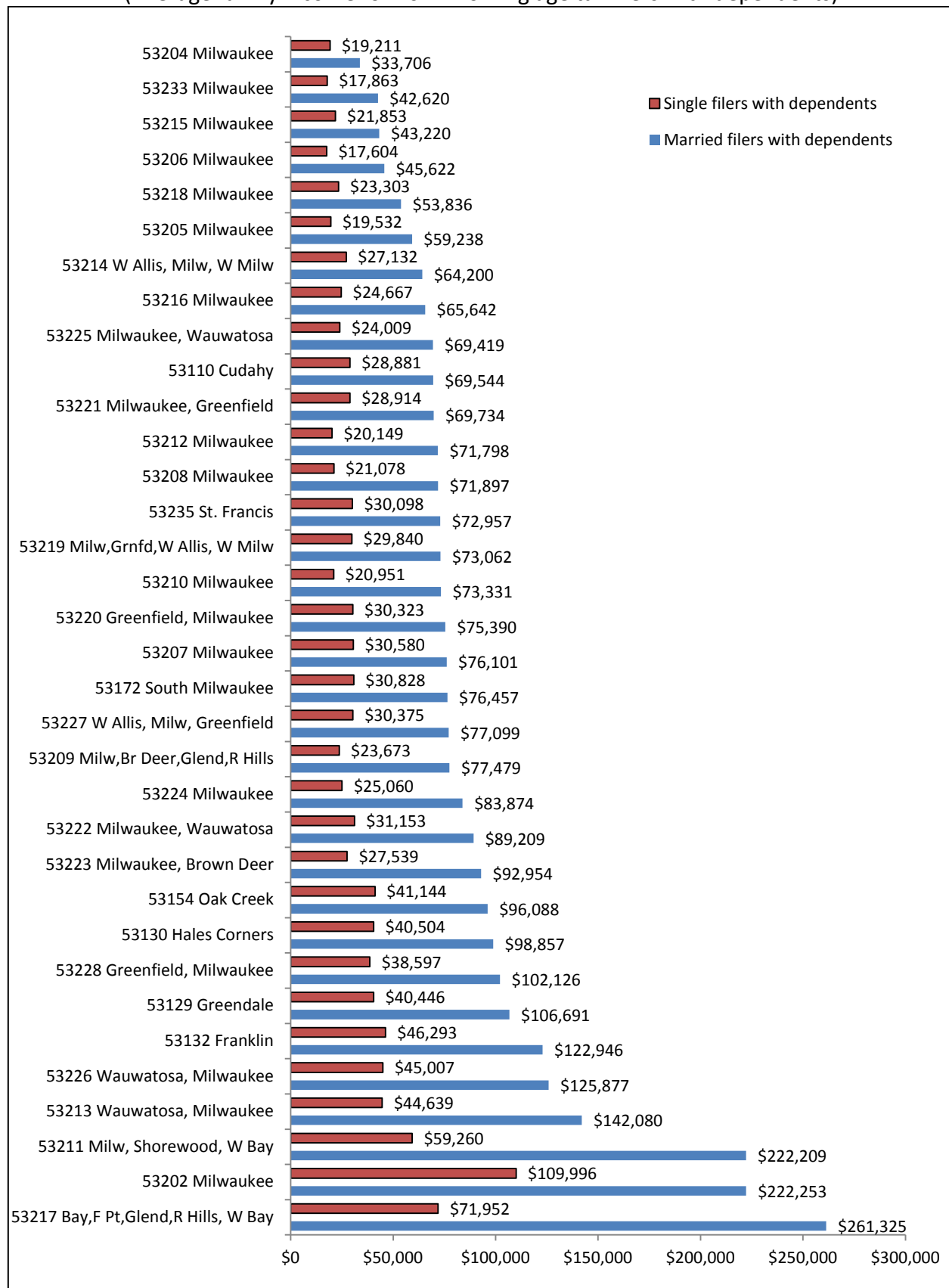
The income gaps are even more startling for married tax filers with dependents. The lowest average family income (\$33,706 in 2011) was reported by married couples in zipcode 53204. By contrast, the highest average income for married couples with dependents (\$261,325) was reported in the “North Shore” zipcode 53217.

In 4 Milwaukee zipcodes the average family income for single parents was below \$20,000 in 2011: 53206, 53233 and 53205 on the northside and 53204 on the southside. In 8 Milwaukee County zipcodes married couple families had average income above \$100,000.

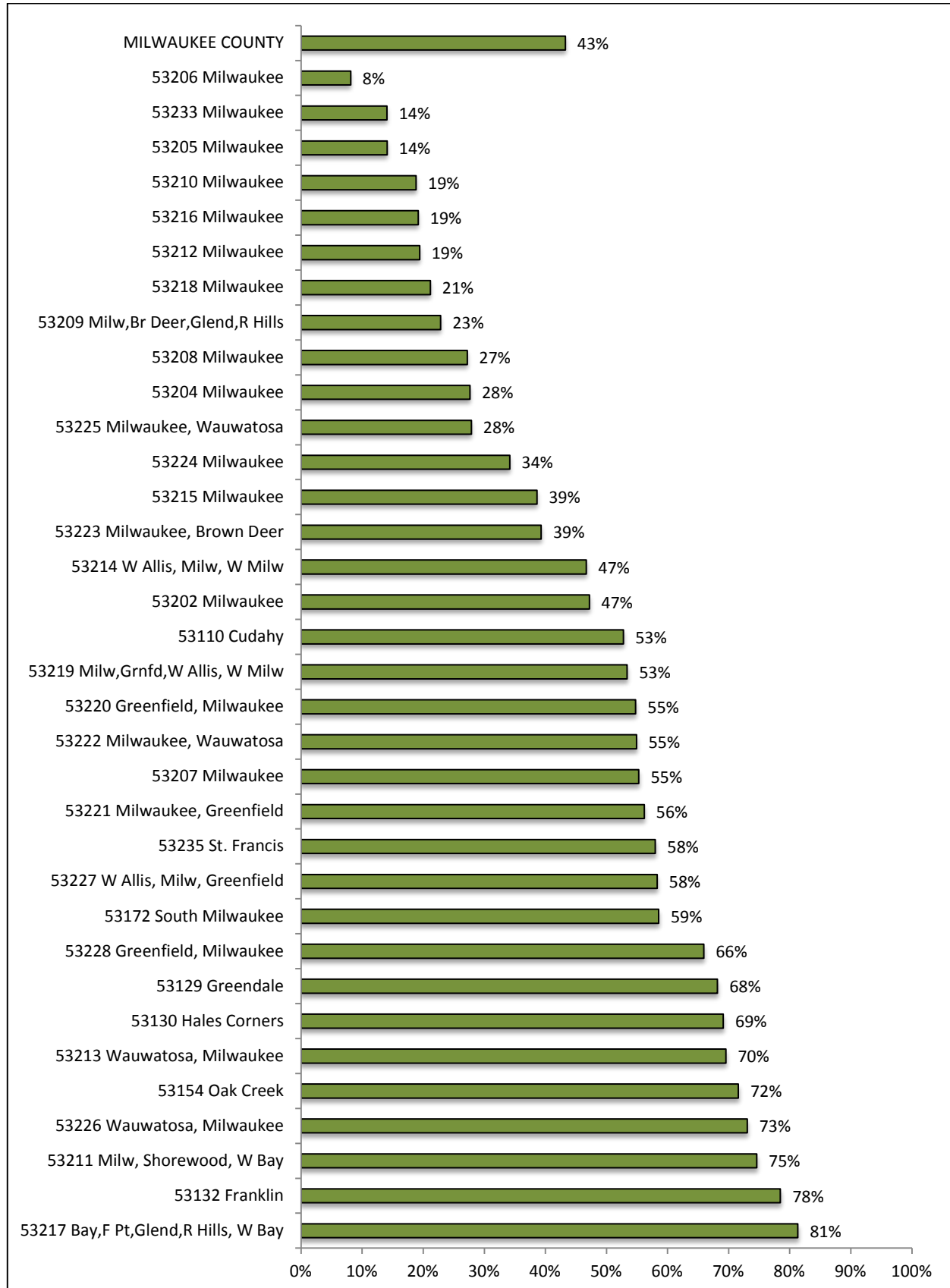


*Milwaukee County ZIP codes  
(City of Milwaukee in white,  
suburbs shaded)*

**Single parent income is less than half that of married filers in most Milwaukee County zipcodes**  
(Average family income for 2011 working age tax filers with dependents)



## Married tax filers as a percent of all working age family filers (with dependents)



## II. Employment Sectors for “Working Poor” Single Parents

### Census Bureau Data

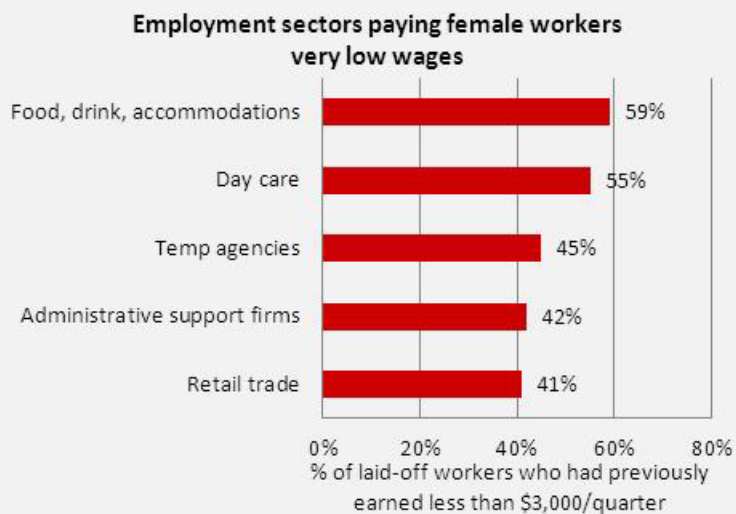
Using the Census Bureau’s American Community Survey (ACS2010), industries were identified that employed single mothers with preschool and schoolage children and whose annual income was below 200% of poverty. These employment sectors included medical and health establishments (led by hospitals, nursing homes, outpatient care centers, residential care facilities, and home health care services), child care and social service agencies, retail trade (dominated by department and discount stores, building supply stores, groceries, and pharmacies), finance establishments (including real estate, insurance, credit unions and banks), and manufacturing firms.

“Working poor” single mothers in Milwaukee County with preschool children showed high concentrations of jobs in child care centers, hospitals, department and discount stores, restaurant and food service establishments, and nursing homes. Many of these jobs have variable or irregular hours and seasonal swings in employment. “Working poor” single mothers with schoolage (only) children showed highest concentrations of jobs in hospitals, child care centers, elementary and secondary schools, real estate firms, nursing home facilities, insurance companies, and home health care services. While some these fields may offer flexible work schedules, others (including many jobs in hospitals, child care, nursing homes, and home health care) typically have variable or irregular shifts and hours.

### Milwaukee County Workers Receiving Unemployment Insurance

An examination of the 47,000 Milwaukee County workers receiving unemployment insurance benefits in Fall of 2009 showed many innercity women with very low UI benefits because of the low and intermittent wages they had received before they were laid off.<sup>2</sup> Of 7,541 women from the 9 central city zipcodes receiving unemployment insurance payments, 72% had earned less than \$5,000/quarter in their recent quarters of employment. The inner city women’s UI checks reflected these low earnings: 32% received UI payments of less than \$150/week and only 15% received UI checks at the maximum levels of \$350+/week.

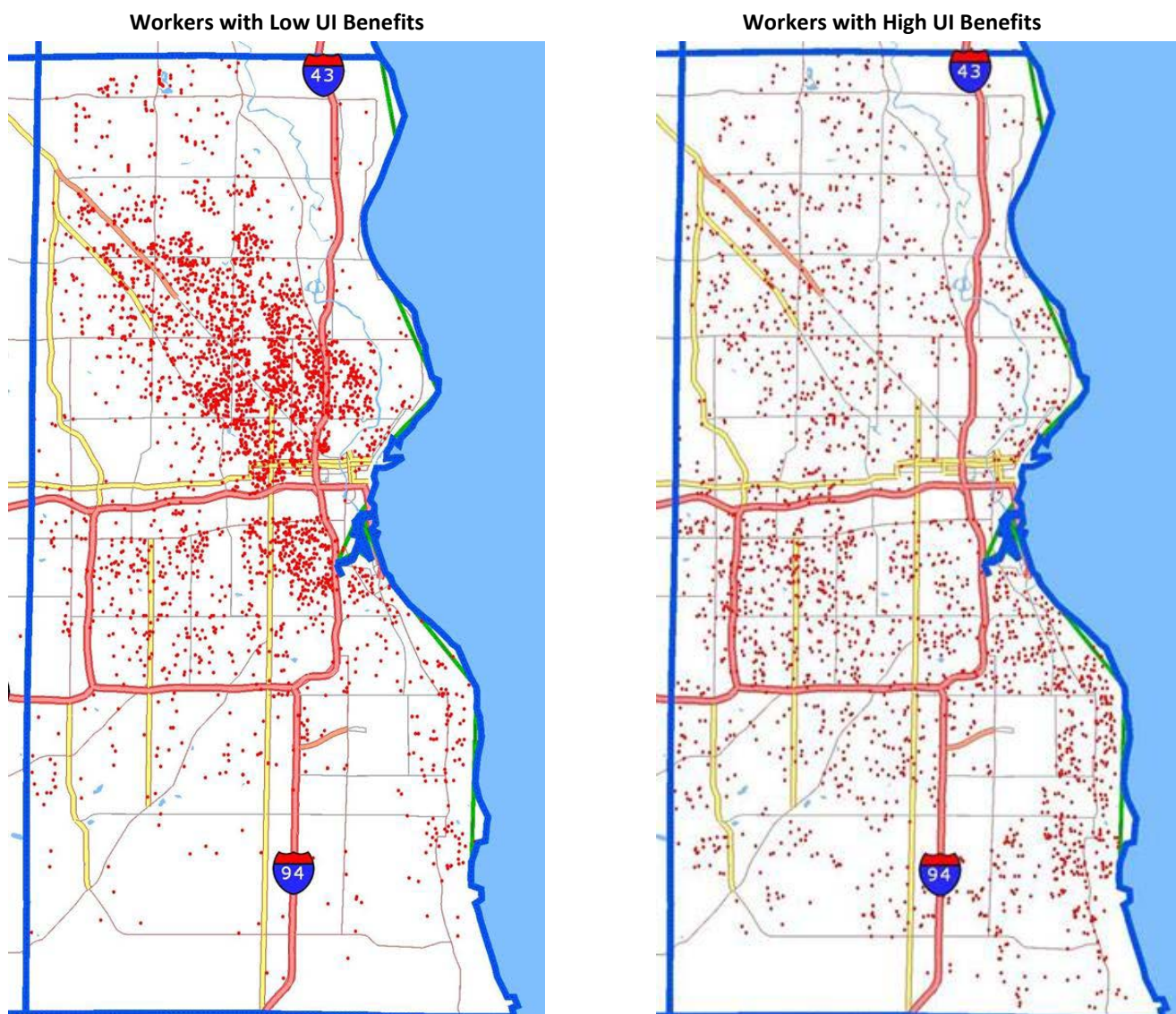
Five sectors had high concentrations of low-earning female workers, according to the UI data records: **food, drink and accommodation** firms (where 59% of laid-off female workers had prior income below \$3,000/quarter, or \$12,000/year annualized); **day care** (where 55% had earned less than \$3,000/quarter); **temp agencies** (where 45% had earned below \$3,000/quarter earnings); **administrative support** firms (42% had earned below \$3,000/quarter); and **retail trade** (41% had earned below \$3,000/quarter).



<sup>2</sup> **Understanding the UI Population in Milwaukee County** prepared by John Pawasarat, University of Wisconsin-Milwaukee Employment and Training Institute, for the Milwaukee Area Workforce Investment Board, March 2010, posted online at [www.eti.uwm.edu/2010/UIWorkforce.pdf](http://www.eti.uwm.edu/2010/UIWorkforce.pdf).

The two maps below illustrate differences in geography for the UI populations of Milwaukee County between poorly paid and higher paid workers. The first shows the concentrations of workers who had very low average weekly UI benefits (i.e., below \$150 a week) and whose state UI benefits had expired in Fall of 2009. Heavy concentrations of these workers are seen in the lowest income neighborhoods of the northside and near southside of Milwaukee. (For women on UI, 31% in the 9 central city zipcodes had very low UI benefits, compared to 18% of women on UI in the rest of the county. For men on UI, 21% in the 9 zipcodes had very low benefits, compared to 9% of the men on UI in the rest of the county.) The second map shows the neighborhoods of UI workers who had prior quarterly earnings of \$10,000 or more (i.e., \$40,000+ per annum) and who were continuing to receive UI benefits in Fall 2009. The higher-paid workers are spread throughout the county, including concentrations in the western and southeastern portions of the county.

### More inner city workers had low unemployment insurance benefits, status as of Fall 2009



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