WHY ARE MORE AMERICANS SUFFERING ECONOMICALLY AND HOW CONSERVATIVES AND SOME POLITICIANS ARE MAKING IT WORSE

FINANCIAL SERVICES INNOVATION COALITION AND SOUTHERN CHRISTIAN LEADERSHIP GLOBAL POLICY INITIATIVE PRESENT:

A Compendium of select news articles making the case that a majority of Americans are struggling to make ends meet yet conservatives continue to oppose any meaningful remedy

FSIC

Assembled By:
Financial Services Innovation Coalition (FSIC)
and
Southern Christian Leadership Global Policy Initiative (SCL-GPI)

SOUTHERN CHRISTIAN LEADERSHIP
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'An economic divide that is widening': Almost a third of Americans earning $150,000 a year or more say they're living paycheck to paycheck and many rely on credit cards to close the gap

Serah Louis
Fri, September 15, 2023 at 8:00 AM EDT·4 min read
Yahoo Finance

It’s not just low-income Americans drowning under inflation and interest rates — some higher-income folks are feeling the strain on their wallets as well.

Data from a June survey conducted by personal finance software company Quicken revealed that 32% of Americans earning at least $150,000 a year are currently living paycheck to paycheck, while 36% of folks earning $50,000 to $150,000 and 55% of households earning less than that reported the same.

"Our research shows an economic divide that is widening among Americans — there is a large group of hard-working people who are still struggling financially,” Eric Dunn, CEO of Quicken, said in a press release.

“I’m troubled by the compounding problems facing this group — many of them are living paycheck to paycheck and relying on credit cards they may not be able to afford.”

Higher-income Americans relying on credit cards now more than ever

Credit card usage has been escalating amid high inflation.

In fact, according to the New York Fed, credit card balances topped $1 trillion in the second quarter of 2023.

With some Americans waiting for their next payday to afford everyday expenses, credit cards may be the only tool left at their disposal. But relying on them too heavily comes at a cost.

The Quicken survey found that 46% of higher-income groups are more dependent on their credit cards than they’ve ever been — compared to just 40% of middle- and 39% of lower-income groups. About a third of folks earning $150,000 a year or more also admitted they won’t be able to pay off their balances before the end of the year.

If you’re unable to pay off your credit card bill in full and on time each month, you risk accumulating a massive pile of interest that becomes more difficult to pay off over time. Plus, you’re hurting your credit score, which lenders and other companies look at when you apply for things like loans or insurance.

Here’s how to fix up your finances and get out of this cycle ASAP.

Build a budget

It may be time to revisit your budget — or make one, if you haven't already.

Make a list of your income and all your fixed expenses and figure out how much you can set aside for things like groceries, dining out and recreational activities, as well as your savings for retirement and emergencies.

Keep track of how much you're spending each month. Consider using the cash-stuffing technique to allocate funds to each of your spending categories — and put whatever's leftover after each month into your savings.

Pay down your debts

While you're making a budget, make sure you're factoring in all of your monthly bills, including your credit cards.

Consider setting up automatic payments on your cards to make sure you're never missing any deadlines. Or, if you're struggling to afford payments in the first place, figure out a strategy to pay off a few of your balances at a time.

For example, you could use the avalanche method to start with your highest-interest debt and work your way down (so that you're paying less interest over time).

Create an emergency fund

The best way to avoid getting caught up in the paycheck-to-paycheck lifestyle is to always prepare for the unexpected.

Whether you've just lost your job, are dealing with some pricey car repairs or grappling with a big medical bill, it's important to have savings set aside to provide some cushioning so you're not waiting on your next paycheck to cover the expense.

It's generally recommended to put three to six months' worth of expenses into an emergency fund.

You can sock the cash away into a high-interest savings account, which can help to build your fund, but keep in mind any penalties for early withdrawals.

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58% of Americans are living paycheck to paycheck after inflation spike — including 30% of those earning $250,000 or more

Published Mon, Jun 27 202211:02 AM EDTUpdated Mon, Jun 27 202212:06 PM EDT
Jessica Dickler@jdickler
CNBC

Key Points

- With inflation still near 40-year highs, more than half of all Americans are living paycheck to paycheck, according to one report.
- Consumers who are struggling to afford their day-to-day lifestyle tend to rely more on credit cards and carry higher monthly balances making them financially vulnerable.
- Even top earners say they are stretched thin, the report found.

With inflation at 40-year highs, workers across all income levels are having a harder time making ends meet.

As of May, 58% of Americans — roughly 150 million adults — live paycheck to paycheck, according to a new LendingClub report. That's down slightly from 61% who reported living paycheck to paycheck in April but up from 54% in May 2021.

Even top earners say they are stretched thin, the report found. Of those earning $250,000 or more, 30% are living paycheck to paycheck. (Another recent survey, from consulting firm Willis Towers Watson, estimated 36% of those earning $100,000 or more are living paycheck to paycheck.)

"Consumers have experienced a tough last couple of years as different factors have affected their financial lifestyle, and there seems to be little relief in sight," said Anuj Nayar, LendingClub's financial health officer.

With inflation, paychecks don't stretch as far

The consumer price index, a key inflation gage, rose 8.6% in May from a year ago, the highest increase since December 1981, spurred by surging housing, gasoline and food costs.

Those rising prices meant workers took another pay cut during the month.

When wages rise at a slower pace than inflation, paychecks won't stretch as far at the grocery store or the gas pump — making it more difficult to cover monthly expenses and set some money aside.

Credit card balances contribute to financial vulnerability

Those struggling to afford their day-to-day lifestyle tend to rely more on credit cards and carry a higher monthly balance, making them financially vulnerable, the survey said.

Overall, credit card balances rose year over year, reaching $841 billion in the first three months of 2022, according to a separate report from the Federal Reserve Bank of New York.

At this rate, balances could soon reach record levels amid higher prices for gas, groceries and housing, among other necessities, according to Ted Rossman, a senior industry analyst at CreditCards.com.

For its part, the Federal Reserve has been hiking its target federal funds rate in an effort to calm runaway inflation.

However, anyone carrying a balance will also see the annual percentage rate on their credit card head higher as the Fed continues to raise rates to try and tamp down rising prices.

Kids could fill labor shortages, even in bars, if these lawmakers succeed

By Harm Venhuizen
Published 3:49 PM EDT, May 25, 2023

MADISON, Wis. (AP) — Lawmakers in several states are embracing legislation to let children work in more hazardous occupations, for more hours on school nights and in expanded roles, including serving alcohol in bars and restaurants as young as 14.

The efforts to significantly roll back labor rules are largely led by Republican lawmakers to address worker shortages and, in some cases, run afoul of federal regulations.

Child welfare advocates worry the measures represent a coordinated push to scale back hard-won protections for minors.

“The consequences are potentially disastrous,” said Reid Maki, director of the Child Labor Coalition, which advocates against exploitative labor policies. “You can’t balance a perceived labor shortage on the backs of teen workers.”

Lawmakers proposed loosening child labor laws in at least 10 states over the past two years, according to a report published last month by the left-leaning Economic Policy Institute. Some bills became law, while others were withdrawn or vetoed.

Legislators in Wisconsin, Ohio and Iowa are actively considering relaxing child labor laws to address worker shortages, which are driving up wages and contributing to inflation. Employers have struggled to fill open positions after a spike in retirements, deaths and illnesses from COVID-19, decreases in legal immigration and other factors.

The job market is one of the tightest since World War II, with the unemployment rate at 3.4% — the lowest in 54 years.

Bringing more children into the labor market is, of course, not the only way to solve the problem. Economists point to several other strategies the country can employ to alleviate the labor crunch without asking kids to work more hours or in dangerous settings.

The most obvious is allowing more legal immigration, which is politically divisive but has been a cornerstone of the country's ability to grow for years in the face of an aging population. Other strategies could include incentivizing older workers to delay retirement, expanding opportunities for formerly incarcerated people and making child-care more affordable, so that parents have greater flexibility to work.

In Wisconsin, lawmakers are backing a proposal to allow 14-year-olds to serve alcohol in bars and restaurants. If it passed, Wisconsin would have the lowest such limit nationwide, according to the National Institute on Alcohol Abuse and Alcoholism.

The Ohio Legislature is on track to pass a bill allowing students ages 14 and 15 to work until 9 p.m. during the school year with their parents' permission. That's later than federal law allows, so a companion measure asks the U.S. Congress to amend its own laws.

Under the federal Fair Labor Standards Act, students that age can only work until 7 p.m. during the school year. Congress passed the law in 1938 to stop children from being exposed to dangerous conditions and abusive practices in mines, factories, farms and street trades.

Republican Arkansas Gov. Sarah Huckabee Sanders signed a law in March eliminating permits that required employers to verify a child's age and a parent's consent. Without work permit requirements, companies caught violating child labor laws can more easily claim ignorance.

Sanders later signed separate legislation raising civil penalties and creating criminal penalties for violating child labor laws, but advocates worry that eliminating the permit requirement makes it significantly more difficult to investigate violations.

Other measures to loosen child labor laws have been passed into law in New Jersey, New Hampshire and Iowa.

Iowa Republican Gov. Kim Reynolds signed a law last year allowing teens aged 16 and 17 to work unsupervised in child care centers. The state Legislature approved a bill this month to allow teens of that age to serve alcohol in restaurants. It would also expand the hours minors can work.

Reynolds, who said in April she supports more youth employment, has until June 3 to sign or veto the measure.

Republicans dropped provisions from a version of the bill allowing children aged 14 and 15 to work in dangerous fields including mining, logging and meatpacking. But it kept some provisions that the Labor Department says violate federal law, including allowing children as young as 14 to briefly work in freezers and meat coolers, and extending work hours in industrial laundries and assembly lines.

Teen workers are more likely to accept low pay and less likely to unionize or push for better working conditions, said Maki, of the Child Labor Coalition, a Washington-based advocacy network.

“There are employers that benefit from having kind of docile teen workers,” Maki said, adding that teens are easy targets for industries that rely on vulnerable populations such as immigrants and the formerly incarcerated to fill dangerous jobs.

The Department of Labor reported in February that child labor violations had increased by nearly 70% since 2018. The agency is increasing enforcement and asking Congress to allow larger fines against violators.

It fined one of the nation’s largest meatpacking sanitation contractors $1.5 million in February after investigators found the company illegally employed more than 100 children at locations in eight states. The child workers cleaned bone saws and other dangerous equipment in meatpacking plants, often using hazardous chemicals.

National business lobbyists, chambers of commerce and well-funded conservative groups are backing the state bills to increase teen participation in the workforce, including Americans for Prosperity, a conservative political network and the National Federation of Independent Business, which typically aligns with Republicans.

The conservative Opportunity Solutions Project and its parent organization, Florida-based think tank Foundation for Government Accountability, helped lawmakers in Arkansas and Missouri draft bills to roll back child labor protections, The Washington Post reported. The groups, and allied lawmakers, often say their efforts are about expanding parental rights and giving teenagers more work experience.

“There’s no reason why anyone should have to get the government’s permission to get a job,” Republican Arkansas Rep. Rebecca Burkes, who sponsored the bill to eliminate child work permits, said on the House floor. “This is simply about eliminating the bureaucracy that is required and taking away the parent’s decision about whether their child can work.”

Margaret Wurth, a children’s rights researcher with Human Rights Watch, a member of the Child Labor Coalition, described bills like the one passed in Arkansas as “attempts to undermine safe and important workplace protections and to reduce workers’ power.”

Current laws fail to protect many child workers, Wurth said.

She wants lawmakers to end exceptions for child labor in agriculture. Federal law allows children 12 and older to work on farms for any amount of time outside of school hours, with parental permission. Farm workers over 16 can work at dangerous heights or operate heavy machinery, hazardous tasks reserved for adult workers in other industries.

Twenty-four children died from work injuries in in 2021, according to the Bureau of Labor Statistics. Around half of deadly work incidents happened on farms, according to a report from the Government Accountability Office covering child deaths between 2003 and 2016.

"More children die working in agriculture than in any other sector," Wurth said. "Enforcement isn't going to help much for child farm workers unless the standards improve."

Republicans In Washington Block Biden's Vital Minimum Wage Increase

Richard McGahey Contributor
Feb 27, 2021,04:55pm EST
Forbes

UNITED STATES - FEBRUARY 25: Activists call on Congress to pass the $15 federal minimum wage hike. ... [+] CQ-Roll Call, Inc via Getty Images

Bad news this week for low income workers. This week, complex parliamentary rules stopped the Senate from including a $15 minimum wage in President Biden's relief package. So even though polls show a $15 minimum wage is one of the most popular policy ideas in the country, Republicans seem to have successfully blocked it.

The federal minimum wage has sat at $7.25 per hour since 2009. Democrats want an increase up to $15 per hour, phased in over several years. But they can't vote on it due to the threat of a Republican Senate filibuster, which needs 60 votes to overcome. They hoped to include the increase under special budget reconciliation procedures, which can't be filibustered. But the Senate parliamentarian ruled the increase isn't sufficiently relevant to the budget for inclusion, due to the so-called "Byrd rule," named after legendary Senator Robert Byrd (D-WV).

Clear as mud so far? Basically, the Senate has become anti-democratic (the political philosophy, not the party) where you need 60 votes to do anything substantive, because the filibuster's use has risen sharply. Because each state gets two Senators, and Republicans increasingly control elections in smaller states, the Republicans' current 50% of seats only represents 43.6% of the population. Republican Senators haven't represented a majority of the population since 1996, but they controlled the chamber 57% of the time until now.

Well, if Washington WRE +0.8% can't act, what about the states? 29 states and the District of Columbia exceed the federal minimum wage, covering a little over 60% of the U.S. workforce. Red states like Missouri, Arkansas, and Florida have higher minimums, but those came through ballot initiatives. For states without ballot options, such as Texas, Wisconsin, and North Carolina, higher minimums are very unlikely due to Republican control of state legislatures.

Maybe businesses will raise wages? Amazon AMZN -1.7%, which already pays a $15 hourly minimum, has endorsed Biden's proposal. Costco has announced a minimum wage of $16 per hour, and Wal-Mart says its workers will soon "average" $15 per hour, although their starting hourly wage remains at $11. It supports some unspecified increase in the hourly federal minimum, but not to $15.

But companies have their own reasons for raising wages. Amazon wants to continue its long and successful track record of blocking unionization, mobilizing against a current vote at an Alabama warehouse (including posting anti-union messages in workers' bathrooms.). Wal-Mart is headquartered in Arkansas, where voters approved a phased-in $11 per hour minimum in a 2018 ballot initiative. But businesses usually show a lot of solidarity in resisting government mandates, especially in the employment arena, so they aren't the solution for the worst-off workers.

Amazon's case does show another road for raising wages—unions. For decades, U.S. labor law has been tilted heavily against unionization. Organizers are fired illegally, companies hire "consultants" that infiltrate worker groups, spying on and messaging constantly against unions, and spend huge sums on lawyers who delay and fight underfunded organizing drives.

President Biden, a self-described "union guy," wants to change that, but he will be limited to executive actions, not significant legislation. Decades of unfair treatment have weakened private sector unions in particular, so there's a long hill to climb. And the same Republican Senators now blocking a higher minimum will strongly oppose legislative efforts to level the playing field for unions.

Will the market itself fix the wage problem? There is some potential help if we run a "high pressure" economy, with high levels of continuing growth and not worrying about inflation. (Fed chairman Jerome Powell has endorsed that policy.). That can eventually pressure employers to raise wages. Prior to the pandemic, we had historically low levels of unemployment and that was finally beginning to move labor income upward, although we need years of tight markets to make substantial improvement.

But even tight markets didn't always benefit low-wage workers. Brookings Institution researchers found that prior to the pandemic, a majority of white male workers had "upward occupational transitions" to better jobs. But black and Hispanic men, and women of all races and ethnicities, did not. The researchers identified "53 million low-wage workers" who were "churning through low-wage jobs." (That churning costs employers, so a higher minimum wage can help employers reduce turnovers costs, even though many of them—especially small businesses—don't see that.)

So while our lowest-paid workers continue to bear disproportionate burdens from Covid-19, job and income loss, evictions, and poor health care, they aren't getting help on their low wages. Women have taken on more unpaid care work, leading more of them to drop out of the labor force altogether, in what Vice-President Harris has called a "national emergency." And non-white workers are disproportionately hit, due to their concentration in bad jobs and structural racism and discrimination.

A minimum wage increase would help those at the bottom of the labor market, help push up wages for the many just above them who also are struggling, and reduce turnover costs for businesses. But Republicans seem to have blocked it for now, and states and market forces alone won't solve the problem.

Lawsuit filed to stop new student debt relief plan

by Lexi Lonas - 08/04/23 3:54 PM ET
The Hill

Correction: The New Civil Liberties Alliance is challenging the Biden administration's forgiveness of student loans for more than 804,000 borrowers. The nature of the legal challenge was incorrect in an earlier version of this story.

The New Civil Liberties Alliance (NCLA) filed a lawsuit Friday against the Biden administration's new student debt relief plan.

The lawsuit comes after the Department of Education said it would cancel the student loans for more than 804,000 borrowers, totaling $39 billion. The forgiveness comes through an adjustment under income-driven repayment (IDR), and the borrowers in question have been paying on their student loans for more than 20 years.

The NCLA, on behalf of the Cato Institute and the Mackinac Center for Public Policy, filed a suit in the U.S. District Court for the Eastern District of Michigan to stop the implementation of this plan.

The NCLA is arguing the plan violates the Constitution's Appropriations Clause, which allows Congress to be in charge of what debt owed to the Treasury can be canceled.

"The Biden-Harris Administration is fighting every day to fix the broken student loan system and make sure borrowers get the relief they earned, need, and deserve. This lawsuit is nothing but a desperate attempt from right wing special interests to keep hundreds of thousands of borrowers in debt, even though these borrowers have earned the forgiveness that is promised through income-driven repayment plans," an Education Department spokesperson said. "We are not going to back down or give an inch when it comes to defending working families."

Under IDR, borrowers get student debt relief after making payments for a certain number of years. The core of the argument in the case is if the department is allowed to count years where a borrower was in forbearance or deferment, therefore, not making payments on their loans.

NCLA is arguing the department would have had to go through the negotiated rulemaking process and offered a public comment period to implement the action.

“In the Nebraska case, the Supreme Court struck down the Department of Education’s brazen attempt to pull a billion-dollar ‘elephant’ out of a statutory ‘mousehole.’ This time the Department’s loan-cancellation scheme does not even pretend to have a statutory ‘mousehole,’” said Sheng Li, Litigation Counsel for NCLA.

“The [Public Service Loan Forgiveness] and IDR statutes require borrowers to make a certain number of monthly payments before earning forgiveness. By trying to count non-payments as payments, the strategy seems to be to cancel $39 billion faster than a court can review and stop this blatantly unlawful act,” Li continued.

NCLA says the plan would allow debt to be canceled for 2.8 million more IDR borrowers in the future.

“Instead of promulgating the plan through the required notice-and-comment and negotiated rulemaking process under the Administrative Procedure Act, the Department simply issued a press release that did not identify any laws to justify it,” the NCLA wrote.
The challenge comes as borrowers will be set to begin repayment on their student loans in October, with interest starting up in Sept.

This story was updated at 10:50 a.m. on Aug. 7.

Financial Services Innovation Coalition (FSIC)

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