



Improving Work Supports

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Defining the Challenge

Too many low-paying jobs

- A quarter to a third of US workers—35 to 46 million—hold low-wage jobs that provide few prospects for advancement and growth.
- Over a fifth of children in the US—16 million—live in low-income families despite having a parent who works full time, year round.
- Low-wage jobs typically lack benefits that higher-income workers take for granted: health insurance, paid sick leave, and retirement plans.



Defining the Challenge

What it takes to make ends meet

- NCCP's Basic Needs Budgets, EPI's Basic Family Budgets, and WOW's Self-Sufficiency Standards all make the same point:

Families need an income of 1.5 to 3 times the poverty level to cover basic family needs.

- ◆ \$26,000 to \$52,000 for a family of 3
- ◆ \$31,000 to \$62,000 for a family of 4



Basic Needs Budgets for a family of four, in selected urban, suburban, and rural localities*

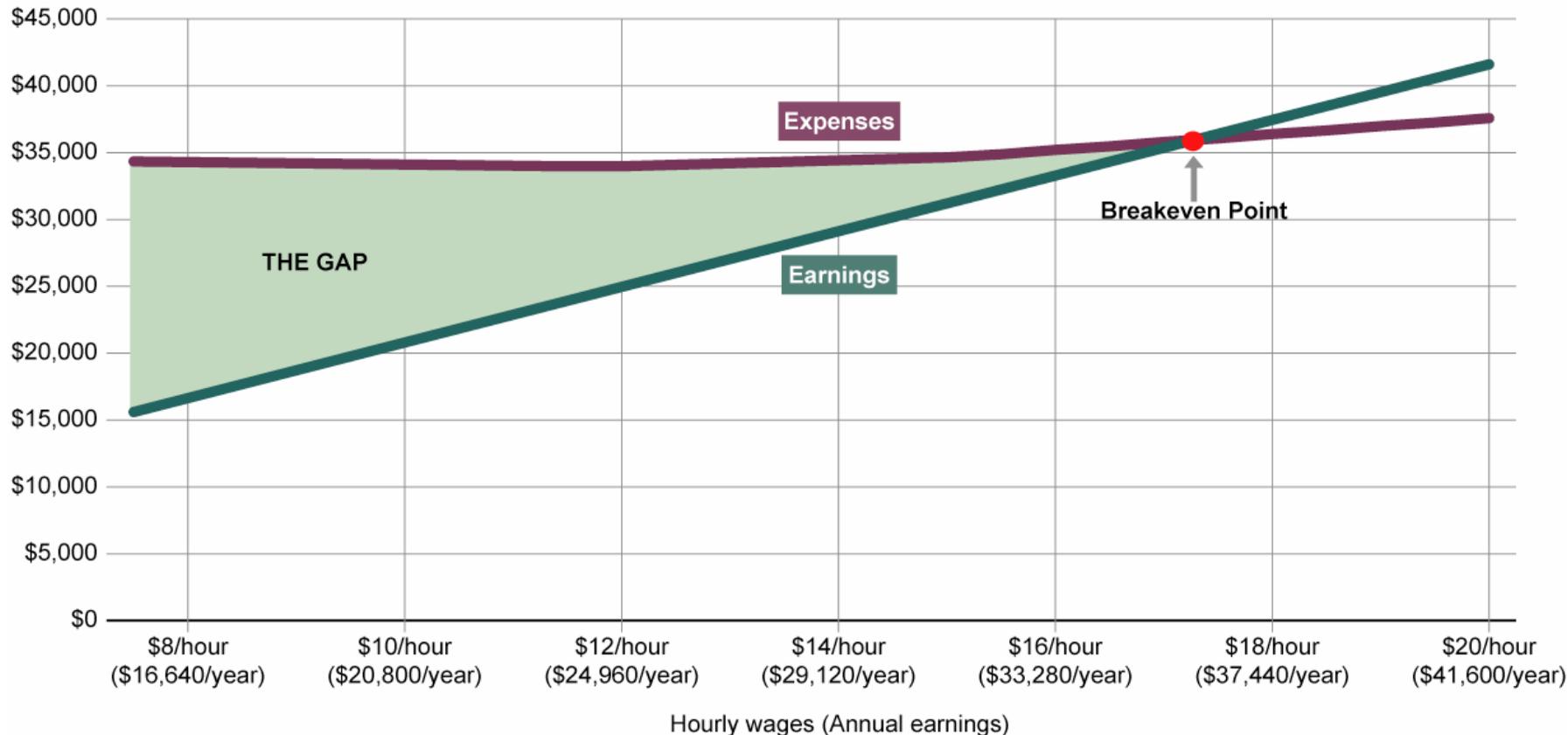
	New York, N.Y. (Urban)	Houston, Tx. (Urban)	Aurora, Ill. (Suburban)	Alamosa County, Colo. (Rural)
Rent and utilities	\$13,596	\$ 8,916	\$10,812	\$ 6,228
Food	7,295	7,295	7,295	7,295
Child care	16,896	8,060	9,924	5,481
Health insurance	1,812	2,568	2,212	2,768
Transportation	1,680	3,570	4,618	5,257
Other necessities	5,641	4,377	4,889	3,651
Payroll and income taxes	8,221	716	3,330	775
TOTAL	\$55,140	\$35,502	\$43,079	\$31,455

*Assumes two-parent family with one preschool-aged and one school-aged child.



Gap Between Earnings and Expenses for Single-Parent Family of 3, Chicago

Annual earnings and expenses



Source: Analysis based on NCCP's Family Resource Simulator, Illinois 2006; single parent with two children, ages 3 and 6.

Defining the Challenge

“Work supports” can help close the gap between low wages and basic expenses

- Government benefits can help low-wage workers make ends meet.
 - ◆ Earned income tax credits
 - ◆ Child care assistance
 - ◆ Health insurance
 - ◆ Housing assistance
 - ◆ Food stamps
 - ◆ Transportation

Family resources and expenses with full-time employment at \$8/hour, Chicago

	Employment alone (no work supports)	Employment <i>plus</i> • EITCs • food stamps • public health insurance	Employment <i>plus</i> • EITCs • food stamps • public health insurance • child care subsidy
Annual Resources			
Earnings	\$16,640	\$16,640	\$16,640
Federal EITC	\$0	\$4,158	\$4,158
State EITC	\$0	\$208	\$208
Food Stamps	\$0	\$3,977	\$3,005
Total Resources	\$16,640	\$24,983	\$24,011
Annual Expenses			
Rent & Utilities	\$10,812	\$10,812	\$10,812
Food	\$5,266	\$5,266	\$5,266
Child Care	\$9,924	\$9,924	\$962
Health Insurance	\$2,212	\$0	\$0
Transportation	\$900	\$900	\$900
Other Necessities	\$4,341	\$4,341	\$4,341
Payroll and Income Taxes	\$791	\$791	\$791
Total Expenses	\$34,246	\$32,034	\$23,072
Net Resources: Resources minus Expenses	-\$17,606	-\$7,051	\$939

Source: Analysis based on NCCP's Family Resource Simulator, Illinois 2006; single parent with two children, ages 3 and 6.

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Making "Work Supports" Work: Improving Policies for Low-Wage Workers and Their Families

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The Need for Reform

We need to expand access to work supports

- Few families and individuals receive the work supports for which they are financially eligible.
- Overall funding levels are inadequate and current funding mechanisms (e.g., fixed block grants and state matching requirements) also constrain benefit access.
- Other access barriers: burdensome application procedures, complex rules and delivery systems, and lack of coordination among programs.

The Need for Reform

Work support programs are limited by their association with welfare

- Work support benefits are often still accessed through welfare offices, which increases stigma and discourages applications.
- Single mothers and their children remain the primary recipients of work supports. Benefits for non-custodial parents, low-wage workers without children, and two-parent families are not widely available and tend to be less generous.

The Need for Reform

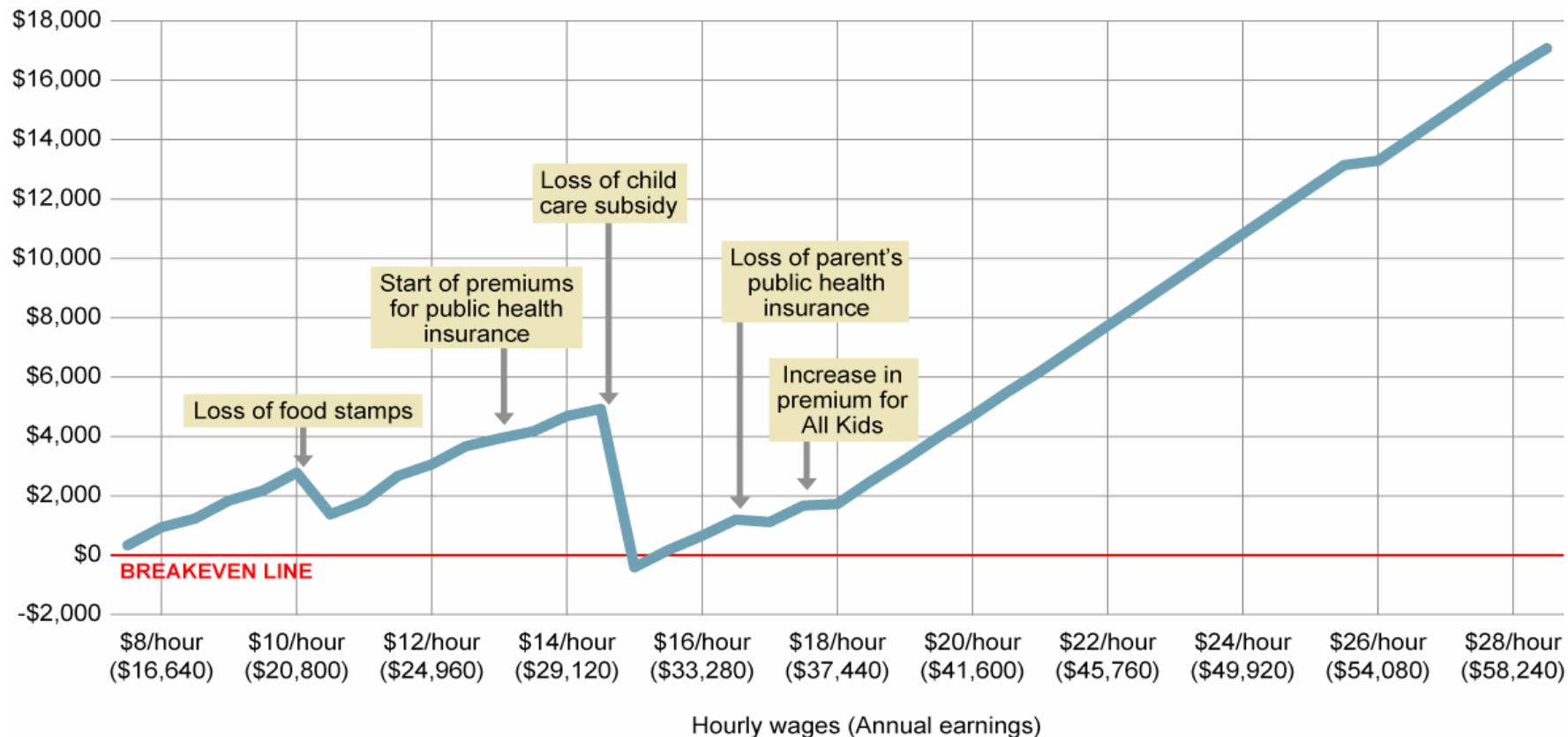
Families who do receive multiple benefits face a paradox

- Most benefits are means-tested so as earnings increase, families begin to lose eligibility even though earnings are not yet adequate.
- In some cases, just a small increase in earnings can trigger a sharp reduction in benefits.
- The result? Despite earning more, families may be no better off—or even worse off—than before.



Net Family Resources as Earnings Increase, Chicago

Annual net resources



Source: Analysis based on NCCP's Family Resource Simulator, Illinois 2006; single parent with two children, ages 3 and 6.

Finding Solutions

Goals for a modernized work support system

1. Full-time work combined with public benefits should be sufficient to cover basic family expenses.
2. Earning more should always improve a family's bottom line.
3. Funding for work supports should expand during economic downturns and be adequate to serve all eligible applicants.
4. Work supports should be efficiently administered and easily accessible.
5. Work supports should provide a bridge to the middle class.

Finding Solutions

Specific policy recommendations

Earned Income Tax Credit (EITC)

- ◆ Increase the maximum benefit for non-custodial parents and childless workers.
- ◆ Extend benefits to younger workers (under 24) unless they are full-time students.
- ◆ Reduce marriage penalties.
- ◆ Increase benefits for larger families.

Child Tax Credit (CTC)

- ◆ Make the CTC fully refundable.



Finding Solutions

Specific policy recommendations (cont.)

Child care assistance

- ◆ Guarantee access to child care assistance to low- and moderate-income families through the subsidy system.
- ◆ Require the federal government to assume a larger share of the costs to reduce inequities across states and to ensure access during economic downturns.
- ◆ Eliminate the Child Care Tax Credit and use savings to: (1) expand child care subsidies, and (2) expand the CTC to provide additional child care benefits to both employed and stay-at-home parents.

Finding Solutions

Specific policy recommendations (cont.)

Housing vouchers

- ◆ Only a quarter to a third of eligible individuals and families receive assistance (about 2 million).
- ◆ Double or triple the number of vouchers in circulation.
- ◆ Increase incentives for public housing authorities to offer the homeownership option through the voucher program (e.g., provide administrative funds to support start-up and implementation).
- ◆ Consider placing restrictions on the home mortgage interest deduction to fund an expansion of low-income housing assistance.

Finding Solutions

Specific policy recommendations (cont.)

Food stamps

- ◆ Eliminate the gross income test, which would eliminate the food stamp “cliff.”
- ◆ Eliminate asset tests which make small amounts of savings a barrier to receiving benefits.

Transportation assistance

- ◆ Provide tax credits to subsidize the costs of commuting for low- to moderate-income workers.
- ◆ Increase incentives for expanding mass transit.

The Biggest Challenge: Political Will

We have to make the case that:

- Millions of Americans are working hard yet still not able to make ends meet.
- In the absence of higher wages and better jobs, government has an obligation to help low-wage workers (especially those working full time) to at least get by, if not to get ahead.
- If the American Dream is to live on, government needs to provide work supports while we empower workers (and others) to fight to turn “bad” jobs into “good” jobs.