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**AS CONGRESS CONSIDERS INCREASES TO FEDERAL MINIMUM WAGE, DATA SHOWS  
THAT FULL-TIME WORK FAILS TO LIFT MANY FAMILIES OUT OF POVERTY**

**Working Poor Forced to Put Children at Risk as Increased Wages Often Lead to  
Fewer Supports and Less Overall Income**

*June 20, 2006* – As Congress considers whether to increase the federal minimum wage from \$5.15 to \$7.25 an hour, data from the National Center for Children in Poverty (NCCP) shows that a full-time job at low wages often does not provide nearly enough to support a family. NCCP releases a report today, *When Work Doesn't Pay: What Every Policymaker Should Know*, that reveals that even though the government provides “work support” benefits to help minimum-wage and other low-wage workers provide for their children, the structure of these benefits can result in unintended consequences—families can actually end up worse off when they earn more. This is because extra income can cause a family to lose a benefit that’s of greater value than additional earnings.

“It’s time for Congress to acknowledge that the minimum wage is fundamental to the survival of many families. It is a lifeline to help hard-working parents provide for the basic needs of their children,” said Dr. Nancy K. Cauthen, report author and Deputy Director of NCCP. “After nearly a decade of inaction, we urge policymakers to increase the minimum wage and to ensure that other supports for working families actually reward work rather than take away from their income.”

Work supports such as earned income tax credits, child care subsidies, health care coverage, food stamps, and others are means-tested benefits, so as earnings increase—particularly as they rise above the official poverty level—families begin to lose eligibility even though they are not yet self-sufficient. For example, a single mother with two small children living in Philadelphia and earning \$8.00 an hour—more than the suggested new minimum wage—would still be at the official poverty level, even though this level is widely acknowledged to be an outdated and inadequate standard of need. NCCP’s Family Resource Simulator (available online at [www.nccp.org](http://www.nccp.org)) reveals that the same single mother of two would need to earn \$40,600 a year to cover her family’s most basic expenses without the help of government benefits, or work in excess of 90 hours a week.

Policymakers should use this data to understand the dilemmas faced by low-income parents who may be forced to:

- Select cheaper child care that may be less safe or less stable
- Go without health insurance or medical care
- Live in an unsafe neighborhood or in overcrowded housing
- Go hungry at the end of the month

NCCP’s report reveals that the current structure of work support programs falls into two categories: the “cliff” occurrence in which benefits are completely terminated when the family reaches the eligibility limit

and the “phase out” occurrence in which benefits are gradually reduced as earnings increase. The Food Stamp Program has both elements—the amount of a family’s food stamp benefit is reduced as earnings increase, but the family eventually faces a cliff. For the single mother in Philadelphia, an additional \$1,000 in yearly earnings—from \$19,000 to \$20,000—would lead her family to *lose \$2,125 a year* in food stamps, leaving her family worse off even though she’s earning more.

The report outlines a four-prong solution towards ensuring adequate family resources and rewarding progress in the workforce. These include:

- Phasing benefits gradually to avoid steep cliffs
- Raising eligibility limits
- Serving a greater share of eligible families
- Being mindful of how different programs might affect one another

This report is part of the *Making “Work Supports” Work* initiative designed to help policymakers explore policy challenges and identify feasible solutions. For more information about the initiative, please visit [www.nccp.org/mwsw\\_index.html](http://www.nccp.org/mwsw_index.html).

To view the report “*When Work Doesn’t Pay: What Every Policymaker Should Know*,” please visit [http://www.nccp.org/pub\\_wdp06.html](http://www.nccp.org/pub_wdp06.html).

*The National Center for Children in Poverty (NCCP) is the nation’s leading public policy center dedicated to promoting the economic security, health, and well-being of America’s low-income families and children. Using research to inform policy and practice, NCCP seeks to advance family-oriented solutions and the strategic use of public resources at the state and national levels to ensure positive outcomes for the next generation. Founded in 1989 as a division of the Mailman School of Public Health at Columbia University, NCCP is a non-partisan, public interest research organization.*