Making Work Pay in Illinois

Current Policies and Recommendations for Reform

Sarah Fass
Policy Associate, NCCP

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Who We Are

- NCCP is a public policy research center dedicated to the economic security, health, and well-being of low-income children and families.

- Part of Columbia University’s Mailman School of Public Health, NCCP promotes family-oriented solutions at the state and national levels.

- Our ultimate goal: Improved outcomes for the next generation.
Today’s Presentation

♦ The Challenge: Making Work Pay

♦ Policy Recommendations
The Challenge:
Making Work Pay
The Challenge

♦ Even many full-time workers can’t make ends meet.

♦ “Work supports” - such as earned income tax credits, child care assistance, health insurance, and food stamps - can help.

♦ These benefits encourage, support, and reward employment.
The Challenge (cont’d)

♦ But available supports often aren’t enough, and few families receive all of the benefits for which they’re eligible.

♦ Moreover, most work supports are means-tested so families lose benefits as earnings increase - often before they’re able to make ends meet.
NCCP’s Family Resource Simulator

- The Family Resource Simulator is an online policy tool designed to assess the effectiveness of work support policies.

- The Simulator illustrates how:
  - Federal and state work supports can fill the gap between low wages and expenses.
  - Work supports fall short as family earnings increase.
  - Policy improvements can address “cliffs” and ensure that families are always better off as parents work and earn more.
A Comprehensive Work Support System Should:

- **Provide adequate family resources.** If parents work full time, their earnings combined with public benefits should be sufficient to cover basic family expenses.

- **Reward progress in the workforce.** When parents increase their earnings, their families should always be better off.
What it Takes to Make Ends Meet in Illinois

♦ A single parent with two children in Chicago needs to earn about $23 an hour (about $48,000 a year) to cover basic necessities.

♦ That’s three times the state minimum wage ($7.75 an hour) and almost three times the official poverty level for a family of three ($17,600).
Basic Needs Budgets: Five Localities, Illinois
Single parent with two children, ages 3 and 6

Total budget

- **$53,543**
  - **Aurora**: $26/hour
- **$48,350**
  - **Chicago**: $23/hour
- **$41,759**
  - **Peoria**: $20/hour
- **$43,664**
  - **Rockford**: $21/hour
- **$40,504**
  - **Springfield**: $19/hour

Legend:
- **Rent and utilities**
- **Food**
- **Child care**
- **Health care**
- **Transportation**
- **Other necessities**
- **Payroll taxes**
- **Income taxes (includes credits)**
Work Supports Can Help

- Work supports include earned income tax credits, child care assistance, health insurance, food stamps, and housing assistance.

- Illinois’ work support policies can significantly narrow - and in some cases, close - the gap between low wages and the rising cost of basic needs.

- But for low-wage workers, it takes multiple benefits in addition to a full-time job to make ends meet.
### Impact of Work Supports: Chicago, IL (2008)

Single parent with two children, ages 3 and 6 (assumes full-time employment at $8/hour)

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<thead>
<tr>
<th></th>
<th>Employment alone (no benefits; no tax credits)</th>
<th>Employment plus</th>
<th>Employment plus</th>
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<tbody>
<tr>
<td></td>
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<td>food stamps</td>
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<td>public health insurance</td>
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<td><strong>Annual Resources</strong></td>
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<td>Earnings</td>
<td>$16,640</td>
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<tr>
<td>Food Stamps</td>
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<td>Federal EITC</td>
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<td>Federal Child Tax Credit</td>
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<td>Federal Child and Dependent Care Tax Credit</td>
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<td>$0</td>
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<tr>
<td>State EITC</td>
<td>$0</td>
<td>$223</td>
<td>$223</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>$16,640</td>
<td>$26,462</td>
<td>$24,490</td>
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| **Annual Expenses**          |                                              | $11,328         | $11,328         |
| Rent and utilities           | $11,328                                     | $11,328         | $11,328         |
| Food                         | $5,691                                       | $5,691          | $5,691          |
| Child care                   | $17,361                                      | $17,361         | $962            |
| Health insurance premiums    | $2,265                                       | $0              | $0              |
| Out-of-pocket medical*       | $456                                         | $0              | $0              |
| Transportation               | $900                                         | $900            | $900            |
| Other necessities            | $4,595                                       | $4,595          | $4,595          |
| Payroll taxes                | $1,273                                       | $1,273          | $1,273          |
| Income taxes (excludes credits) | $319                                     | $319            | $319            |
| **Total Expenses**           | $44,188                                      | $40,734         | $25,068         |

**Net Resources: Resources minus Expenses**

- Employment alone: $-27,548
- Employment plus: $-15,006
- Employment plus: $422

*When all family members have free public health insurance, we assume that out-of-pocket medical expenses are minimal.

Benefit “Cliffs” Keep Families Struggling

- As parents advance in the workforce, the loss of critical supports keeps them struggling to get ahead.
- The loss of certain benefits leads to “cliffs” that leave families worse off than they were before, despite increased earnings.
- Results are similar across the state.
Net Family Resources as Earnings Increase: Chicago, IL
Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

Hourly wages (annual earnings)

$8/hour ($16,640) $10/hour ($20,800) $12/hour ($24,960) $14/hour ($29,120) $16/hour ($33,280) $18/hour ($37,440) $20/hour ($41,600) $22/hour ($45,760) $24/hour ($49,920) $26/hour ($54,080)

Loss of food stamps
Loss of child care subsidy
Loss of parent’s public health insurance
Loss of federal and state EITCs
Increase in premium for children’s public health insurance

Source: National Center for Children in Poverty’s Family Resource Simulator, Illinois 2008 <www.nccp.org/tools/frs>. When eligible the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
Net Family Resources as Earnings Increase: Five Localities, Illinois
Single parent with two children, ages 3 and 6

Source: National Center for Children in Poverty’s Family Resource Simulator, Illinois 2008 <www.nccp.org/tools/frs>. When eligible the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
Policy Recommendations
Notable Policies in Illinois

♦ **Public health insurance:** All Kids made Illinois the first state to offer public health insurance to all children, regardless of income.

♦ **Child care subsidies:** Illinois is the largest state to provide subsidies to all eligible applicants.

♦ **State Earned Income Tax Credit:** Illinois has a refundable credit (5 percent of the federal).

♦ **Minimum wage:** $7.75 (federal: $6.55).
Strategies for Making Work Pay

- Phase benefits out gradually to avoid steep cliffs.
- Raise eligibility limits.
- Be mindful of program interactions so families don’t lose multiple benefits simultaneously.
- Also need to serve a greater share of eligible families.
Reducing Benefit Cliffs in Illinois

- The **food stamp** cliff could be eliminated by taking advantage of the federal food stamp option to expand “categorical eligibility.”

- The **child care** cliff could be minimized by increasing the income limit for child care subsidies (from 200% FPL to 275% FPL).
Impact of Hypothetical Policy Reforms: Chicago, IL
Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0

$-2,000
$-4,000
$-6,000
$-8,000
$-10,000
$-12,000

Current policies
Waive the gross income limit for food stamps
Increase income eligibility limit for child care subsidies
BREAKEVEN LINE

Hourly wages (annual earnings)

$8/hour ($16,640)
$10/hour ($20,800)
$12/hour ($24,960)
$14/hour ($29,120)
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Work Supports Make a Difference at the Lower End of the Income Spectrum

Two reforms to the state’s TANF program:

- Increase the TANF earned income disregard from two-thirds to three-fourths.
- Raise TANF payment levels by 15%.
Annual Gap Between Resources and What it Takes to Make Ends Meet: Current Policies and Proposed TANF Changes
Single parent with two children, ages 3 and 6, Chicago, IL (assumes employment at $8/hour)

Source: National Center for Children in Poverty’s Family Resource Simulator, Illinois 2008 <www.nccp.org/tools/frs>. In addition to TANF cash assistance, the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
Impact of Changes in TANF Policy: Chicago, IL
Single parent with two children, ages 3 and 6

Source: National Center for Children in Poverty’s Family Resource Simulator, Illinois 2008 <www.nccp.org/tools/frs>. When eligible the family receives the following work supports in addition to TANF: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.
For More Information

Contact me:

Sarah Fass
646.284.9692
fass@nccp.org

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