



Reducing Child Poverty by Making Work Pay

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NCCP

National Center for Children in Poverty
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Who We Are

- ◆ NCCP is the nation's leading 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.**



What We Believe

- ◆ Poverty is the single greatest threat to children's well-being.
- ◆ Effective public policies can make a difference.
- ◆ Two primary strategies:
 - Make work pay.
 - Provide high-quality early care and learning experiences.



Overview of Presentation

- ◆ Designing Policies to Make Work Pay in Louisiana
- ◆ Measuring the Impact of Work Support Policies on Child Poverty



Designing Policies to Make Work Pay in Louisiana



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)

- ◆ 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 without them.



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.



NCCP's Family Resource Simulator

- ◆ The **Family Resource Simulator** is an interactive, web-based policy tool designed to assess the effectiveness of work support policies.
- ◆ The Simulator illustrates the impact of existing state and federal work supports on family budgets.
- ◆ The Simulator also can be used to model the impact of potential policy reforms.



NCCP's Family Resource Simulator (cont)

- ◆ Family Resource Simulators are currently available for 20 states, with more coming soon.
- ◆ Support for the project comes from the Annie E. Casey Foundation, with additional funds from state and regional sources including:
 - Louisiana Department of Social Services (2007)
 - Picard Center for Child Development (2009)



Putting Research to Work for Children and Families

Home > Data Tools >

Family Resource Simulator

step 1 City & State	step 2 Family	step 3 Income & Assets	step 4 Work Supports	step 5 Child Care	step 6 Health Insurance	step 7 Other Expenses	step 8 Results
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1 Select state and city (or county).



Louisiana 2007

Select a Location

- Select a Location
- Acadia Parish
- Caddo Parish
- East Baton Rouge Parish
- East Carroll Parish
- Jefferson Parish
- Orleans Parish

What is the Family Resource Simulator?

The Family Resource Simulator illustrates how family resources and expenses change as earnings increase. Create your own scenario by clicking on the arrow above or see [sample results](#).

also of interest

- ▶ Making "Work Supports" Work
- ▶ Use the Basic Needs Budget Calculator
- ▶ Low-Wage Work



Key Findings in Louisiana

1. A full-time job is often not enough.

- ◆ Without work supports, a single parent with two children in Baton Rouge needs to earn \$18 an hour (about \$38,000 a year) to cover basic necessities.
- ◆ Across the state, that parent needs to earn about \$13 to \$21 an hour (depending on local cost of living) to make ends meet.



Basic Needs Budget: East Baton Rouge Parish, LA (2007)

Single-parent family with 2 children, ages 3 and 6

	Annual	Monthly
Rent and utilities	\$8,988	\$749
Food	\$5,563	\$464
Child care (center-based)	\$9,171	\$764
Health insurance premiums (employer-based)	\$2,767	\$231
Out-of-pocket medical	\$456	\$38
Transportation	\$3,904	\$325
Other necessities	\$3,929	\$327
Debt	\$0	\$0
Payroll taxes	\$2,878	\$240
Income taxes (includes credits) ? [show detail]	\$-33	\$-3
TOTAL	\$37,622	\$3,135

Hourly wage needed: **\$18**

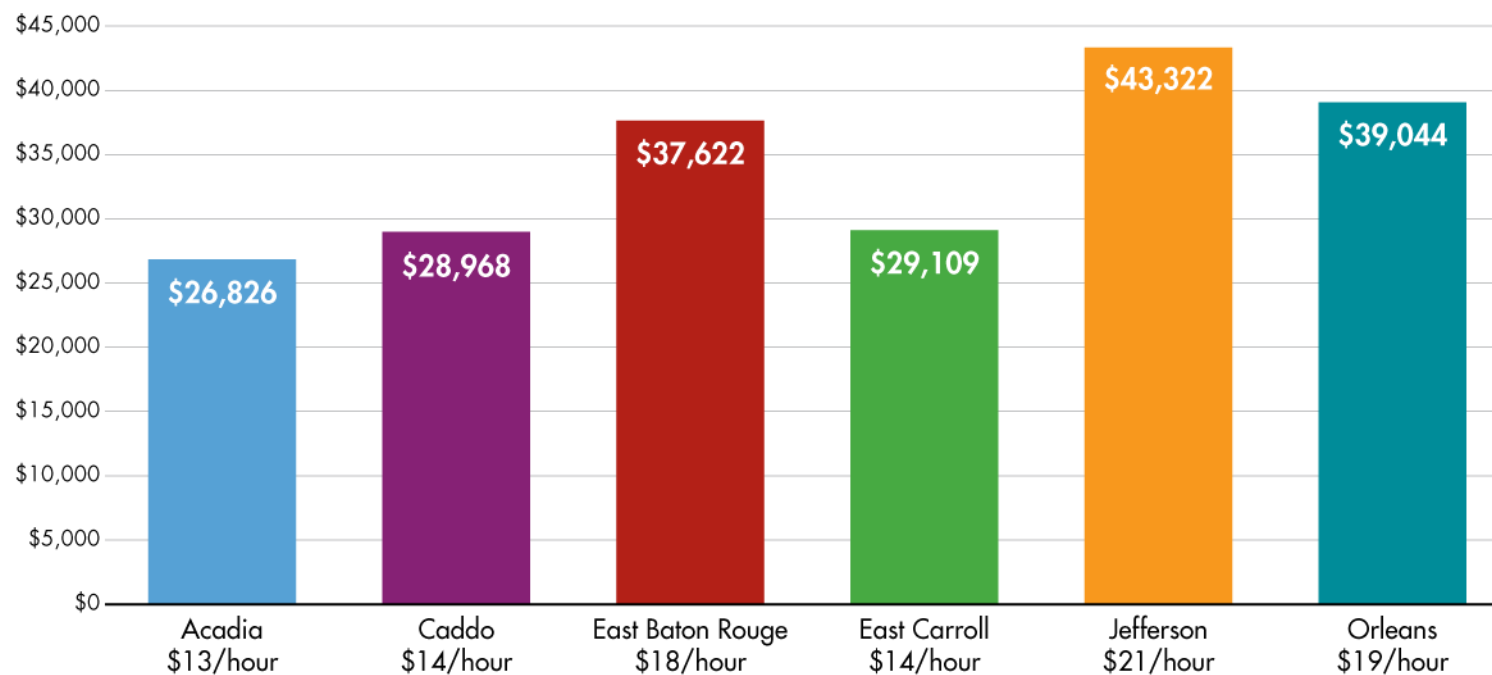
Percent of the federal poverty level: **219%**



Basic Needs Budgets: Six Parishes, LA

Single parent with two children, ages 3 and 6

Total budget



Source: National Center for Children in Poverty's Basic Needs Budget Calculator, Louisiana 2007 <www.nccp.org/tools/budget>.



Key Findings in Louisiana (cont)

- ◆ This is based on a bare-bones budget that includes only the most basic daily living expenses.
- ◆ It does *not* include:
 - Debt payments
 - Savings for a home, children's education or retirement
 - Leisure activities or enrichment activities for children
 - Financial cushion in case of illness or other family crisis



Key Findings in Louisiana (cont)

2. *Work supports can close the gap.*

- ◆ Louisiana's 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: East Baton Rouge Parish, LA

Single parent with two children, ages 3 and 6 (assumes full-time employment at \$9 an hour)

**Employment alone
(no benefits; no tax credits)**

**Employment plus:
- food stamps
- federal and state tax credits
- public health insurance**

**Employment plus:
- food stamps
- federal and state tax credits
- public health insurance
- child care subsidy**

Annual Resources (cash and near-cash)

	Employment alone (no benefits; no tax credits)	Employment plus: - food stamps - federal and state tax credits - public health insurance	Employment plus: - food stamps - federal and state tax credits - public health insurance - child care subsidy
Earnings	\$18,720	\$18,720	\$18,720
Food stamps	\$0	\$3,647	\$3,206
Federal EITC	\$0	\$4,015	\$4,015
Federal Child Tax Credit	\$0	\$1,046	\$1,046
Federal Child and Dependent Care Tax Credit	\$0	\$67	\$67
State EITC	\$0	\$141	\$141
State child care tax credit	\$0	\$990	\$451
Total Resources	\$18,720	\$28,626	\$27,646

Annual Expenses

Rent and utilities	\$8,988	\$8,988	\$8,988
Food	\$5,563	\$5,563	\$5,563
Child care	\$9,171	\$9,171	\$2,731
Health insurance premiums	\$2,767	\$729	\$729
Out-of-pocket medical	\$456	\$276	\$276
Transportation	\$3,904	\$3,904	\$3,904
Other necessities	\$3,929	\$3,929	\$3,929
Payroll taxes	\$1,432	\$1,432	\$1,432
Income taxes (excluding credits)	\$318	\$321	\$321
Total Expenses	\$36,528	\$34,313	\$27,873
Net Resources (resources - expenses)	-\$17,808	-\$5,687	-\$227

Source: National Center for Children in Poverty's Family Resource Simulator, Louisiana 2007 <www.nccp.org/tools/frs>, updated to reflect state EITC.



Key Findings in Louisiana (cont)

3. Benefit “cliffs” keep families struggling.

- ◆ As parents advance in the workforce, the loss of critical supports keeps them struggling to get ahead.
- ◆ Just a small increase in earnings sometimes triggers a sharp reduction in benefits - called a “cliff.”
- ◆ The result is that increased earnings may leave a family no better off - or even worse off.



Key Findings in Louisiana (cont)

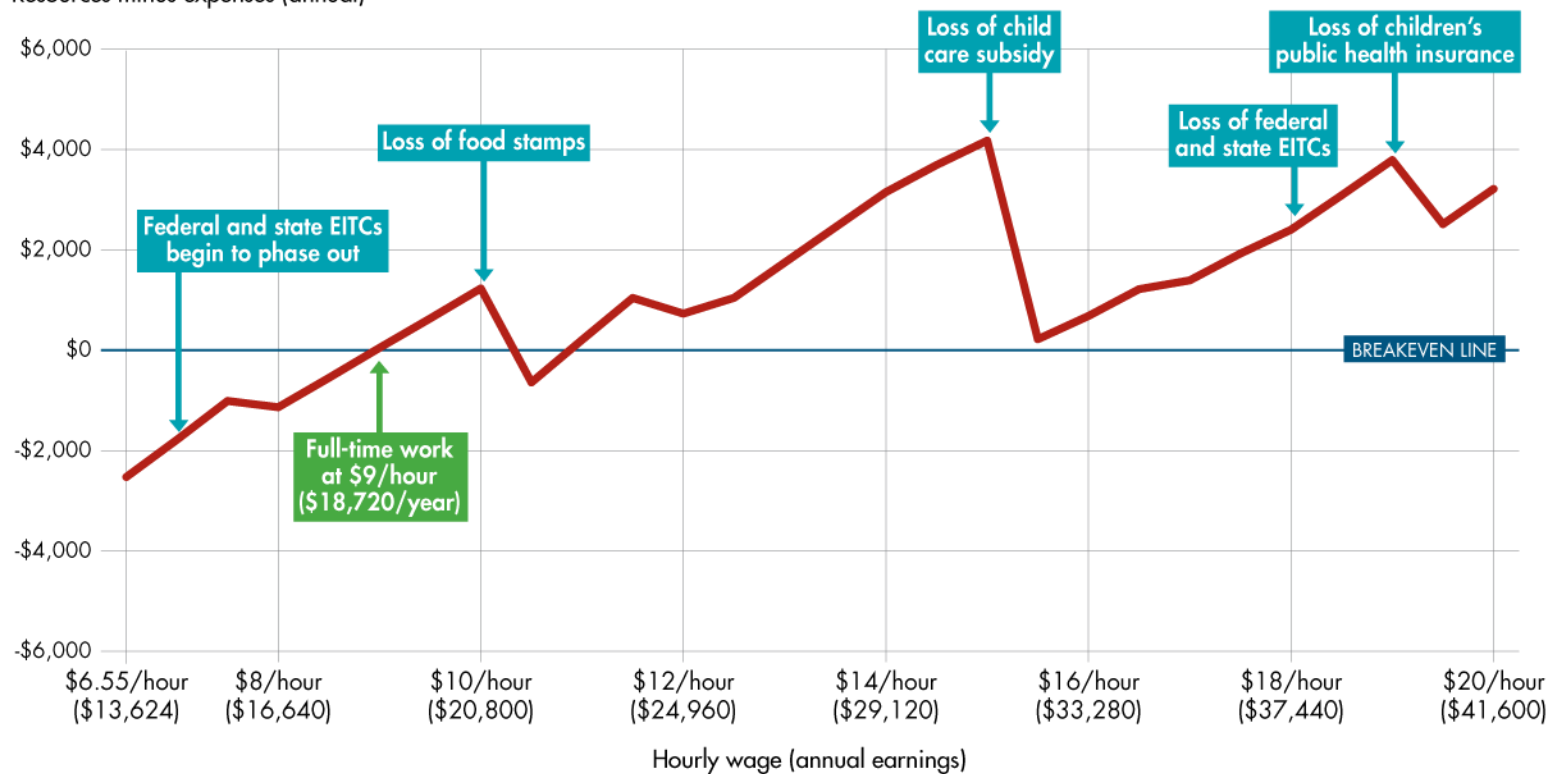
- ◆ Families' ability to make ends meet varies based on:
 - Where they live (though lower cost areas also tend to have lower wages).
 - Assumptions about the cost of health care, child care and other expenses.
 - Family size and composition.
- ◆ But patterns are largely consistent.



Net Family Resources as Earnings Increase: East Baton Rouge Parish, LA

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

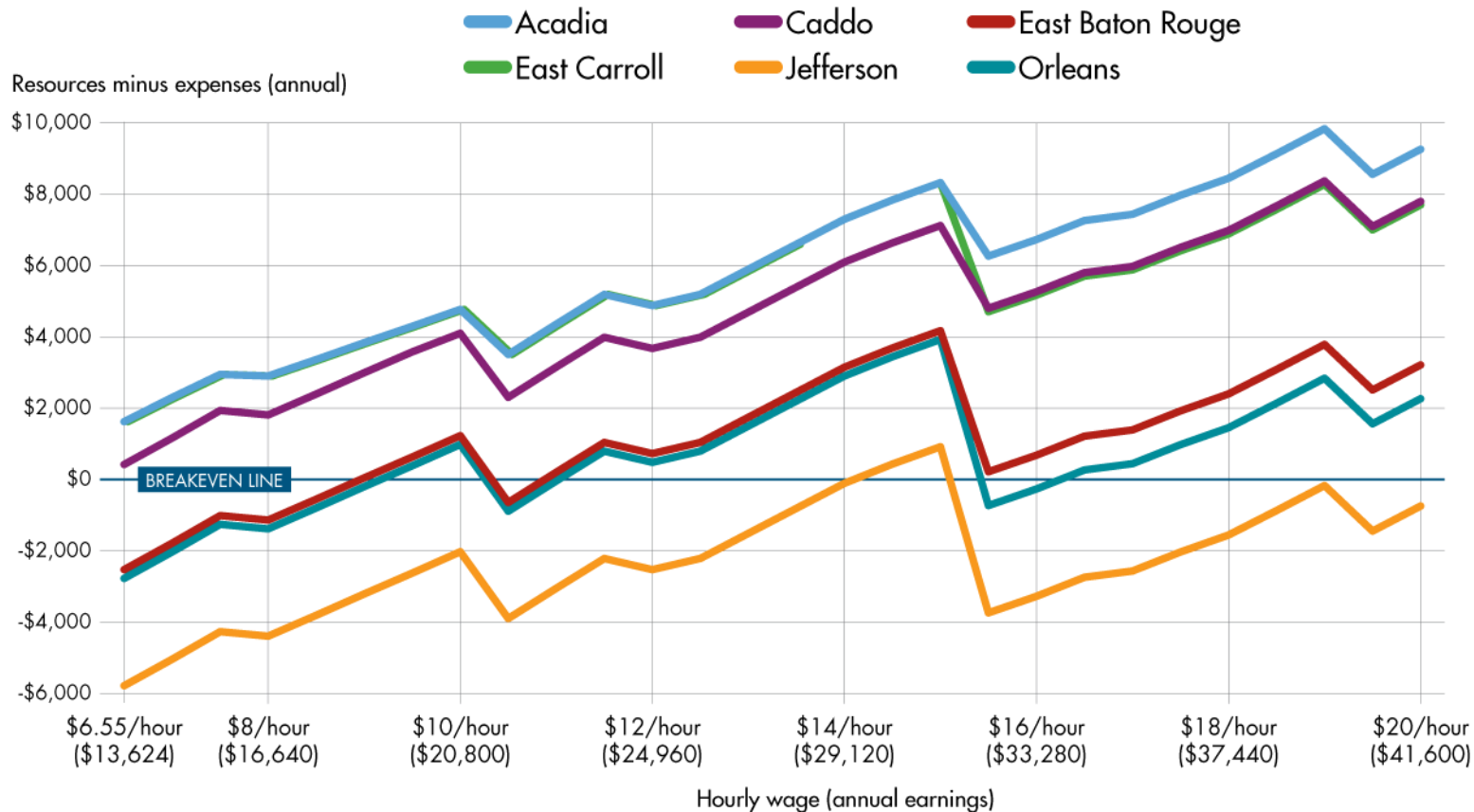


Source: National Center for Children in Poverty's Family Resource Simulator, Louisiana 2007 <www.nccp.org/tool/frs>, updated to reflect state EITC. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.



Net Family Resources as Earnings Increase: Six Parishes, LA

Single parent with two children, ages 3 and 6



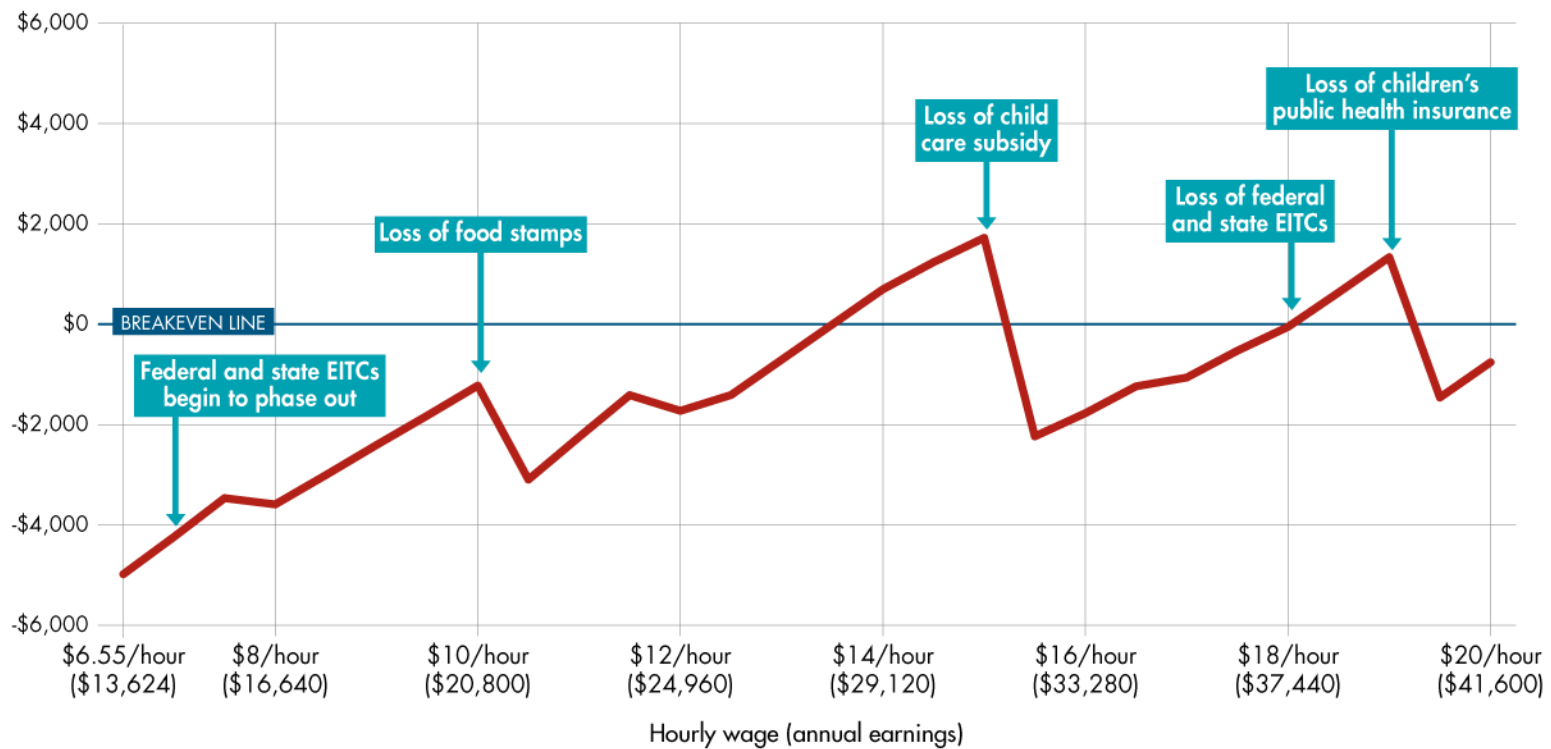
Source: National Center for Children in Poverty's Family Resource Simulator, Louisiana 2007 <www.nccp.org/tool/frs>, updated to reflect state EITC. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.



Net Family Resources *Without* Employer Health Benefits: East Baton Rouge Parish, LA

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



Source: National Center for Children in Poverty's Family Resource Simulator, Louisiana 2007 <www.nccp.org/tool/frs>, updated to reflect state EITC. When eligible, the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.



Making Work Pay

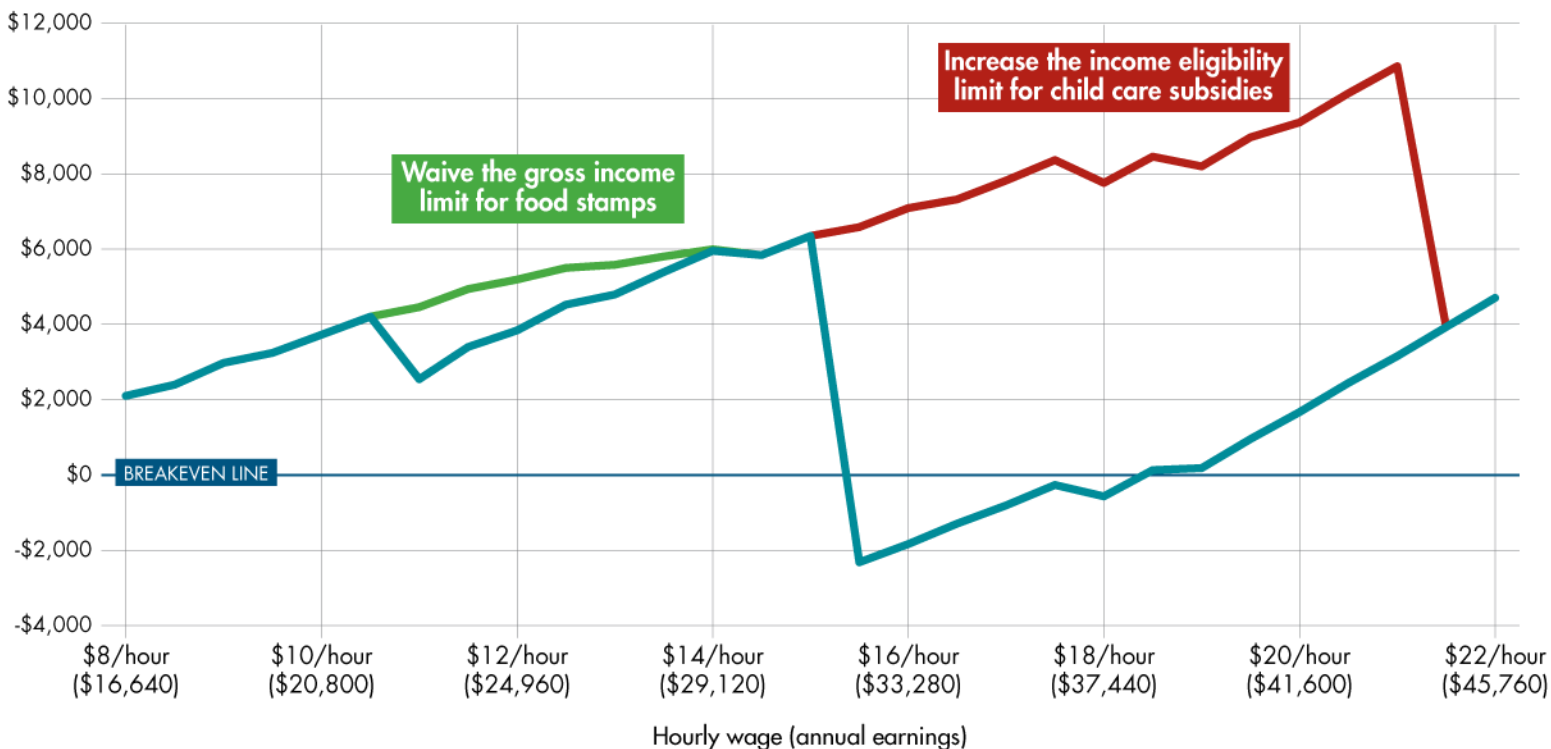
- ◆ Phase benefits out gradually to avoid steep cliffs.
- ◆ Raise eligibility and benefit levels.
- ◆ Be mindful of program interactions so families don't lose multiple benefits simultaneously.
- ◆ Serve a greater share of eligible families.



Impact of Changes to Food Stamp and Child Care Subsidy Policy: Springfield, IL

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



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.



What the Louisiana Simulator Tells Us

- ◆ Public health insurance: Raise income limits, especially for parents.
- ◆ Child care subsidies: Raise income limit, with family copayments continuing to rise with income.
- ◆ Food stamps: Waive gross income test through expanded “categorical eligibility.”



What the Louisiana Simulator Tells Us (cont)

- ◆ Tax credits: Increase the size of the state EITC.
- ◆ Wages: Adopt a state minimum wage above the federal level of \$6.55 an hour.
- * Ensure that families receive the benefits for which they are eligible.



Measuring the Impact of Work Support Policies on Child Poverty



Defining Poverty

A common-sense definition

- ◆ Not having enough to afford basic necessities.
- ◆ Not having access to things middle-class families take for granted, such as safe and decent housing or adequate medical care.
- ◆ Lacking a cushion to fall back on when hardship strikes, such as a job loss or serious illness.



Defining Poverty (cont)

Official U.S. government definition

2008 Poverty Guidelines U.S. Department of Health and Human Services

Persons in Family or Household

1	\$10,400
2	14,000
3	17,600
4	21,200
5	24,800
6	27,610
7	31,090
8	34,570
For each additional person, add	3,480

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Child Poverty and Family Economic Hardship: 10 Important Questions



The Official Poverty Measure is Flawed

1. It excludes many families who can't make ends meet.

- ◆ The poverty standard was established in the 1960s, and has only updated for inflation.
- ◆ It was based on research showing that families spent about 1/3 of their income on food:

poverty level = food costs * 3

- ◆ Now food is only about 1/7 of a family budget.



The Official Poverty Measure is Flawed (cont)

- ◆ NCCP's Basic Needs Budgets for Louisiana are 1.5 to 2.5 times the official poverty level.
- ◆ Twice the poverty level - "low income" - is a better proxy for economic hardship.
- ◆ 44% of Louisiana's children are "low income" (24% are *officially* "poor").



The Official Poverty Measure is Flawed (cont)

2. Key work supports are excluded when determining if a family is poor.

- ◆ Only pretax cash income is counted.
- ◆ The value of EITCs, other tax credits, and in-kind benefits - e.g., food stamps and child care subsidies - is not reflected.
- ◆ In addition, payroll, income, and other tax liabilities are not subtracted.



Alternative Poverty Measures

- ◆ The flaws in the official measure are widely recognized, and the National Academy of Sciences (NAS) has proposed several alternative measures.
- ◆ NAS alternatives produce only a slightly higher poverty standard, but work supports are better reflected in the poverty counts.
- ◆ NAS has also suggested a method of adjusting the standard for geographic difference in the cost of living.



Alternative Poverty Measures (cont)

- ◆ In 2008, NYC developed a local alternative poverty measure based on NAS recommendations.
- ◆ The U.S. Congress is considering legislation that calls for implementing NAS recommendations at the national level.
- ◆ President-elect Obama has also expressed interest in a revised measure.



Implications/Options for Louisiana

- ◆ Track federal efforts to adopt a new national measure.
- ◆ Develop an “alternative” measure for Louisiana building on existing efforts. (NYC is currently advising many other cities and states on how to do this.)
- ◆ Simulate the impact of policy changes using, e.g., the Urban Institute’s TRIM model.
- ◆ Measure child poverty *and* the number of low-income children (below 200% of poverty).



For More Information

Visit NCCP's website:

www.nccp.org

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