Assessing Vermont’s Work Supports

Nancy K. Cauthen, PhD
Deputy Director, National Center for Children in Poverty

Waterbury, Vermont
June 25, 2008
Who we are

NCCP is the nation’s leading public policy center dedicated to promoting the economic security, health, and well-being of America’s 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.
Overview of today’s presentation

- Defining the challenge: low-wage work & work supports
- Demonstration of the Vermont Family Resource Simulator
- Preliminary findings
- Discussion of analysis and reporting
Defining the Challenge

Not enough “good” jobs

Nationally, a third of all workers—46 million—hold low-wage jobs that provide few prospects for advancement and growth.

Low-wage jobs typically lack benefits that higher-income workers take for granted: health insurance, paid sick leave, and retirement plans.

In Vermont, 27% of children live low-income families, yet half of them have a parent who works full time, year round.
Many TANF leavers don’t earn enough to support their families

- Welfare leavers earn $8-$10 an hour on average.

- Even working full time, a parent earning $9 an hour earns less than $19,000 a year.

- That puts a family of 3 just over the official poverty level but provides far less income than it takes to make ends meet.
Defining the Challenge

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

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

- These benefits encourage, support, and reward employment.

- Work supports help low-wage workers make ends meet and increase employment stability.
Defining the Challenge

*But work supports present 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.
Meet the James family

Carrie James is a single mother with two children, a 3-year-old and a 6-year-old.

The James family lives in Burlington, where they rent an apartment.

To meet her family’s basic needs, Carrie needs to earn $24 an hour working full-time.
# Basic Needs Budget

Single parent with 2 children (ages 3 and 6)

Burlington, VT

<table>
<thead>
<tr>
<th></th>
<th>Annual</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent and utilities</td>
<td>$12,156</td>
<td>$1,013</td>
</tr>
<tr>
<td>Food</td>
<td>$5,691</td>
<td>$474</td>
</tr>
<tr>
<td>Child care</td>
<td>$13,749</td>
<td>$1,146</td>
</tr>
<tr>
<td>Health insurance premiums</td>
<td>$2,541</td>
<td>$212</td>
</tr>
<tr>
<td>Out-of-pocket medical</td>
<td>$456</td>
<td>$38</td>
</tr>
<tr>
<td>Transportation</td>
<td>$4,111</td>
<td>$343</td>
</tr>
<tr>
<td>Other necessities</td>
<td>$4,819</td>
<td>$402</td>
</tr>
<tr>
<td>Payroll and income taxes</td>
<td>$5,445</td>
<td>$454</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$48,968</strong></td>
<td><strong>$4,081</strong></td>
</tr>
</tbody>
</table>

*Hourly wage needed = $24 an hour, full time*

Defining the Challenge

Key questions

- What work supports are available in Vermont to families who don’t earn enough to make ends meet?
- Can Vermont’s work supports close the gap between low wages and the cost of basic family expenses?
- Do Vermont’s work support policies incentivize work? That is, are families always better off if they work and earn more?
- NCCP’s Family Resource Simulator can help answer these questions.
Preliminary Findings

Key questions

What work supports are available in Vermont to families who don’t earn enough to make ends meet?

Cash and in-kind benefits

- TANF cash assistance
- Food stamps
- Child care subsidies
- Public health insurance coverage
- Section 8 Housing Choice Vouchers
- Low Income Home Energy Assistance Program (LIHEAP)
- Lifeline Telephone Service Credit
Preliminary Findings

Key questions

What work supports are available in Vermont to families who don’t earn enough to make ends meet?

Tax benefits

- Federal Earned Income Tax Credit (refundable)
- Federal Child Tax Credit (partially refundable)
- Federal Child and Dependent Care Tax Credit (non-refundable)
- Vermont Earned Income Tax Credit (refundable)
- Vermont Child and Dependent Care Tax Credits (one refundable credit, one non-refundable credit)
- Renter Rebate
Preliminary Findings

Key questions

Can Vermont’s work supports close the gap between low wages and the cost of basic family expenses?
## Family Resources and Expenses, Single Parent with 2 Children, Burlington, VT, 2008
(Assumes full-time employment at $9 an hour)

<table>
<thead>
<tr>
<th>Employment alone (no benefits)</th>
<th>Employment plus:</th>
<th>Employment plus:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EITCs (federal &amp; VT)</td>
<td>VT child care credit</td>
</tr>
<tr>
<td>Earnings</td>
<td>$18,720</td>
<td>$18,720</td>
</tr>
<tr>
<td>Federal EITC</td>
<td>$0</td>
<td>$4,015</td>
</tr>
<tr>
<td>VT EITC</td>
<td>$0</td>
<td>$1,285</td>
</tr>
<tr>
<td>VT child/ dependent care tax credit</td>
<td>$0</td>
<td>$34</td>
</tr>
<tr>
<td>VT renter rebate</td>
<td>$0</td>
<td>$1,775</td>
</tr>
<tr>
<td>Food Stamps</td>
<td>$0</td>
<td>$3,913</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$18,720</strong></td>
<td><strong>$29,742</strong></td>
</tr>
</tbody>
</table>

### Annual Expenses

<table>
<thead>
<tr>
<th></th>
<th>Employment alone (no benefits)</th>
<th>Employment plus:</th>
<th>Employment plus:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent and utilities</td>
<td>$12,156</td>
<td>$12,156</td>
<td>$12,156</td>
</tr>
<tr>
<td>Food</td>
<td>$5,691</td>
<td>$5,691</td>
<td>$5,691</td>
</tr>
<tr>
<td>Child care</td>
<td>$13,749</td>
<td>$13,749</td>
<td>$1,841</td>
</tr>
<tr>
<td>Health insurance premiums</td>
<td>$2,541</td>
<td>$2,541</td>
<td>$300</td>
</tr>
<tr>
<td>Out-of-pocket medical</td>
<td>$456</td>
<td>$456</td>
<td>$0</td>
</tr>
<tr>
<td>Transportation</td>
<td>$4,111</td>
<td>$4,111</td>
<td>$4,111</td>
</tr>
<tr>
<td>Other Necessities</td>
<td>$4,819</td>
<td>$4,657</td>
<td>$4,657</td>
</tr>
<tr>
<td>Payroll and Income Taxes</td>
<td>$411</td>
<td>$411</td>
<td>$411</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$43,934</strong></td>
<td><strong>$43,772</strong></td>
<td><strong>$29,167</strong></td>
</tr>
</tbody>
</table>

### Net Resources (resources - expenses)

<table>
<thead>
<tr>
<th></th>
<th>Employment alone (no benefits)</th>
<th>Employment plus:</th>
<th>Employment plus:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$-25,214</td>
<td>$-14,030</td>
<td>$-132</td>
</tr>
</tbody>
</table>

Source: Analysis based on NCCP's Family Resource Simulator, Vermont 2008; single parent with two children, ages 3 and 6.
Key questions

Do Vermont’s work support policies incentivize work? That is, are families always better off if they work and earn more?
Net Family Resources for a Single Parent with Two Children
Burlington, VT

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)

Source: Analysis based on NCCP’s Family Resource Simulator, Vermont 2008; single parent with two children, ages 3 and 6. When eligible, the family receives the following work supports: federal and state tax credits, Lifeline Telephone Service Credit, food stamps, public health insurance, and a child care subsidy.
Net Family Resources for a Single Parent with Two Children
Burlington and Orleans County, VT

Resources minus expenses (annual)

Source: Analysis based on NCCP’s Family Resource Simulator, Vermont 2008; single parent with two children, ages 3 and 6. When eligible, the family receives the following work supports: federal and state tax credits, Lifeline Telephone Service Credit, TANF cash assistance, food stamps, public health insurance, and a child care subsidy.
For More Information

Contact

Nancy K. Cauthen, Deputy Director
National Center for Children in Poverty
Columbia University
646.284.9626
cauthen@nccp.org

Visit

www.nccp.org