The National Center for Children in Poverty’s (NCCP) Making Work Supports Work project is designed to identify and promote policies that make work pay for low-wage workers and their families. Millions of parents work full-time, year-round and yet struggle to provide even minimum daily necessities for their families. Government “work supports” – such as earned income tax credits, child care subsidies, health insurance, food stamps, and housing assistance – can help. These benefits encourage, support, and reward work, helping families close the gap between low wages and the cost of basic needs.

In practice, however, few families receive all of the benefits for which they are eligible, and even multiple supports are often not enough to enable working families to make ends meet. Moreover, work supports are typically means-tested, so families lose benefits as earnings increase, often before they can get by without them. In some cases, a small increase in earnings can trigger a sharp reduction in benefits, leaving families no better off – or even worse off – than before. Thus workers can find themselves penalized for working and earning more.

Making Work Supports Work is guided by the principle that a comprehensive work support system should accomplish two goals:

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

2) **Reward advancement in the workforce.** When parents’ earnings increase, their families should always be better off.

To assess the effectiveness of existing state and federal work support policies, we examine how much families need to make ends meet and how public benefits impact family budgets. We then work with state partners to identify, model, and promote alternative policies that better support low-wage workers and their families. Our work draws on results from two web-based tools: the Family Resource Simulator and the Basic Needs Budget Calculator (see box).
Key Findings

1) A Low-Wage Job Isn’t Enough to Make Ends Meet

The cost of living varies significantly within and across states, but it consistently takes more than full-time earnings from a low-wage job for families to make ends meet.\(^1\) Consider, for example, a single parent living in Denver with two children, one preschool-aged and one school-aged. This family needs an annual income of about $48,000 to afford minimum daily necessities (see Figure 1). But even at the highest state minimum wage in the U.S. – which is about $8 an hour – a full-time, year-round job brings in only about one-third of that amount.

Moreover, $48,000 covers only a very bare-bones budget of housing, food, child care, health care, transportation, and other necessities. It assumes that family members have access to employer-based health insurance, so premiums are relatively low.\(^2\) It does not cover enrichment activities, entertainment, or other expenses that improve a family’s quality of life. It does not allow for investments in a family’s future, such as savings for a home, a child’s education, or a parent’s retirement. And it does not provide any financial cushion to withstand a family crisis such job loss, illness, death of a parent, or even natural disaster.

2) Work Supports Can Make a Critical Difference

Work supports can make a tremendous difference in the lives of low income families. Figure 2 provides a breakdown of family resources and expenses for the family discussed above, assuming that the parent works full time and earns $9 an hour – or $18,720 a year. The first column shows that without work supports, the family faces a gap of more than $25,000 between its annual resources and basic expenses. Faced with such a gap, working parents have to make tough choices. Should they seek cheaper child care that is potentially less reliable or less safe? Live in overcrowded but more affordable housing? Or choose between paying the utility bill and seeking needed medical care?

For families struggling to get by on low wages, government work supports can help. The second column of Figure 2 shows that with full-time employment and multiple supports – including federal and state tax credits, SNAP/food...
stamps, and public health insurance for children – the gap between the family’s resources and expenses shrinks significantly. Even so, the family faces a large annual deficit of $10,764. With a child care subsidy in addition to the other benefits listed above, the family would have a small annual surplus remaining after covering basic needs. This surplus of $4,548 could be used to pay off debt or saved for a rainy day. In practice, however, few families actually receive more than one or two of these benefits.³

### 3) As Earnings Increase, Benefit Losses Hold Families Back

Families who do receive multiple benefits often face challenges getting ahead, as increased earnings lead to substantial benefit losses. When just a small raise leads to a significant drop in benefits – often referred to as a “cliff” – families may even be worse off, despite increased earnings.⁴ Returning again to a single parent with two children living in Denver, Figure 3 illustrates how net family resources – that is, resources after subtracting the cost of basic expenses – change as earnings increase.

This example assumes that the family receives several work support benefits – including a child care subsidy – so that the parent is able to make ends meet with a full-time, $8-an-hour job. But as wages increase from $8 to $20 an hour, the family experiences a substantial decline in its financial bottom line.

- When wages reach $11.50 an hour, the family loses thousands of dollars in food stamp benefits.
- At $19.50 an hour, the family loses its child care subsidy. This causes a significant financial setback, and the family is no longer able to make ends meet.
- The value of family’s federal EITC declines dramatically – falling from a total of close to $5,000 when the parent was earning $8 an hour, to less than $1,000 when wages reach $17.50 an hour.

![Figure 3. Net Resources as Earnings Increase: Denver, CO](image-url)

Single parent with two children, ages 3 and 6

<table>
<thead>
<tr>
<th>Resources minus expenses (annual)</th>
<th>Hourly wages (Annual earnings)</th>
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<tbody>
<tr>
<td>$12,000</td>
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</tr>
<tr>
<td>$6,000</td>
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</tbody>
</table>

Source: NCCP’s Family Resource Simulator, Colorado 2009 <www.nccp.org/tools/frs>. When eligible, the family receives the following work supports: federal and state tax credits, SNAP/food stamps, LEAP, public health insurance for children and a child care subsidy.
Helping Policymakers Find Solutions

Through Making Work Supports Work, NCCP and its partners identify state and federal reforms to better meet the needs of low-wage workers and their families. The impact of the child care subsidy cliff could be softened by increasing the income eligibility limit. Figure 4 illustrates the effects of these hypothetical reforms.

While work support policies vary significantly across states – and sometimes across localities within states – patterns are generally similar. To better reward and encourage employment, reforms are needed to expand access to benefits by increasing eligibility limits and covering more eligible families; phase benefits out more gradually to soften or eliminate cliffs; and pay attention to program interaction, so that families don’t lose multiple benefits at once. With these strategies, policymakers can create a work support system designed to truly make work pay.

Figure 4. Impact of Hypothetical Policy Reforms: Denver, CO

Endnotes


2. In reality, most low-wage workers do not receive health benefits through their employers. Thus unless they are eligible for public coverage, they are likely to be uninsured due to the prohibitively high cost of health insurance on the open market.


6. In addition to improving work supports, the nation needs policies to improve job quality and protect low-wage workers from rising economic insecurity.

Making Work Supports Work is funded by the Annie E. Casey Foundation with additional support from the Birth to Five Policy Alliance and the Women’s Foundation of Colorado.

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or visit the Making Work Supports Work project at: www.nccp.org/projects/mwsw.html.