

Making Wages Work

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The Impact of Work Supports on Wage Adequacy for Pennsylvania Families

**Prepared by
the Women's Association
for Women's Alternatives
in partnership with
the Center for Women's Welfare,
University of Washington**

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Preface

Making Wages Work: The Impact of Work Supports on Wage Adequacy for Pennsylvania Families has been produced as a resource of the Pennsylvania Family Economic Self-Sufficiency Project. The Pennsylvania Family Economic Self-Sufficiency Project is a collaborative effort of more than 2,600 stakeholders from state and local organizations and government agencies that are part of the economic development, social welfare, job training, and education communities in Pennsylvania. The Pennsylvania Family Economic Self-Sufficiency Project helps low-income families build paths out of poverty by providing vital resources, training, and advocacy that offer realistic ways in which self-sufficiency can be achieved. As a division of a child and family service agency, the project is closely linked with low-income families as well as their service providers.

The mission of the Women's Association for Women's Alternatives (W.A.W.A.) is to ensure that low-income women, from teens through adults, and their children, who have family histories of abuse and neglect, move on to stable, independent and self-sufficient lives. Through its unique programs, W.A.W.A. seeks to ensure the preservation of these families, at high risk of recurring homelessness, abuse, and permanent dependence on the Welfare system. W.A.W.A. achieves its mission through a comprehensive array of supportive services to women and their children including, but not limited to, transitional housing, case management, therapeutic counseling, vocational/educational guidance, employment training/referral, child care and children's programming, and assistance in obtaining permanent housing with after care services.

For more information about the Women's Association for Women's Alternatives' programs, or work related to this publication, go to www.womensassoc.org or contact:

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The Center for Women's Welfare at the University of Washington is devoted to furthering the goal of economic justice for women and their families. Under the direction of Dr. Diana Pearce, the Center researches questions involving poverty measures, public policy and programs that address income adequacy. The Center partners with a range of nonprofit, women's, children's, and community-based organizations across the country to calculate and update the Self-Sufficiency Standard and to evaluate public policy, to devise tools for analyzing Wage Adequacy and to help create programs to strengthen public investment in low-income women, children and families.

For more information about the Center's programs, or work related to the Self-Sufficiency Standard, go to <http://depts.washington.edu/selfsuff/> or contact:

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Executive Summary

In this report, we analyze the impact of various public work supports, or subsidy programs, on the budgets of Pennsylvania families. We know from having calculated *The Self-Sufficiency Standard for Pennsylvania* several times, most recently in September 2001, that the wages needed to meet basic needs are out of reach for many families in Pennsylvania. As rising costs outstrip earnings, the role of work supports (subsidies) that reduce the cost of essentials such as child care, food, housing and health care are crucial to many families' abilities to make ends meet and meet their needs adequately.

For our analysis, we model how well earnings, with the help of work supports, are able to meet needs, what we call Wage Adequacy. How much of an impact work supports make on the budget depends upon how much money a family needs to meet their basic needs. This is determined by the family composition and the area in which they live. For example, families with more and/or younger children (the latter because of child care expenses) have higher costs

than those with fewer and/or older children. Also, controlling for family composition, those who live in more expensive areas find that they need higher wages to achieve Wage Adequacy. Of course, as earnings increase, work supports usually decrease (or parents' share of the cost increases), with rules varying by program and sometimes place. In some cases, this results in hardship from the sudden loss of a substantial work support before self-sufficiency has been achieved.

Our findings highlight the crucial role that these work supports play for families, particularly the high cost items of child care and housing, reducing what they need to earn to less than half and even less than one-third of what they would need without subsidies. But it also highlights the difficulties families face when program rules and living costs make it difficult for them to make ends meet, when they find themselves in binds of having "too much" income to continue to qualify for assistance, yet not enough income to meet their needs without assistance.

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The Technical Appendix and Appendix A (description and methodology used in *The Self-Sufficiency Standard for Pennsylvania*) is available from Women’s Association for Women’s Alternatives. It is not included here for the sake of brevity.

Introduction

Due to the rapidly expanding economy of the late 1990's, as well as the onset of welfare reform in 1996, employment mushroomed at all levels, and by the year 2000 unemployment rates had fallen to the lowest levels in decades. At the same time, the cost of basics such as housing, health care and child care continued to rise rapidly. Consequently, many of the newly employed—especially those who entered or re-entered employment with limited skills or work experience or after a hiatus outside of the workforce—found themselves receiving wages that were not adequate to meet their basic needs. This gap between wages and the cost of living has led many policy makers to turn their attention from cash assistance programs to creating and maintaining work support (public subsidy) programs that help parents meet their basic needs. These trends have increased interest in how these programs impact family budgets, how they interact with each other, and how they affect families' efforts to move toward economic self-sufficiency. Given the high cost of living in many parts of Pennsylvania as well as the recent uncertainty in the economy, these programs play a crucial role in the lives of those who are struggling to meet their families' needs while working for relatively low wages.

How much does it cost to live in Pennsylvania, and how much does it vary? In *The Self-Sufficiency Standard for Pennsylvania (September 2001)*¹, we documented how much it costs to meet families' needs, depending upon family composition and where the family lives. Even with a “bare bones” budget—

one that meets needs at a minimally adequate level but no more (e.g., enough to meet nutrition standards but not enough for any restaurant or take-out food), single adults need to earn wages of \$6.27 to over \$10.00 per hour, depending upon where they live. Single parents with one child require about \$10.00 to \$18.00 per hour, depending on the age of the child as well as location, and with two children, the Self-Sufficiency Wage is about \$12.00 to over \$22.00 per hour, depending on the age of children and the place where they live. These are the wages required to meet family needs *without any public or private subsidies*.

Even with a “bare bones” budget—one that meets needs at a minimally adequate level but no more, single adults need to earn wages of \$6.27 to over \$10.00 per hour, depending upon where they live.

Clearly, many parents do not earn these wages, especially when they first enter or re-enter the workforce. For these parents, programs that reduce the costs of basic and essential needs, such as child care or housing assistance, are crucial to a family's ability to make ends meet when wages are below the Self-Sufficiency Standard level. With the help of these subsidies, they are better able to secure stable child care, adequate housing, and enough food to meet nutritional standards; without such help, they are too often forced to make choices between heating and eating, child care and health care.

Important as such public subsidies/work supports are, for many families getting the help they need to make the transition to self-sufficiency is fraught with difficulties. Each of these subsidies, or work support programs, operates under different rules for eligibility and benefit determination. Some programs such as Medicaid and Food Stamps use the federal

¹ For a description of the methodology and data sources used to calculate the SSS for Pennsylvania, see Appendix A, available at W.A.W.A.

poverty standard, or a multiple of that standard (such as “150% of poverty”) which vary by family size but not place. Others, such as housing, use more locally specific numbers such as area median income. The result is that families find that at different income levels they are eligible for—or lose their eligibility for—different programs. In some instances, as we shall see, loss of eligibility means that the wages must now cover the full cost of what had been subsidized, making the family worse off than when their income was just slightly lower. To further complicate the picture, the cost of living varies quite a bit across the state of Pennsylvania, as described above. Thus, a wage, with the help of work supports, that may be adequate to meet a family’s needs in one place may not be adequate in another place with higher costs.

Briefly, we define Wage Adequacy as the measure of how much a wage covers the cost of meeting basic family need.

In this report, we will look at how the cost of living in various Pennsylvania locations and various work support programs interact and impact on the economic well-being of families of various compositions. The key concept we will use to demonstrate these impacts and effects is that of **Wage Adequacy**. Briefly, we define Wage Adequacy as the measure of *how much a wage covers the cost of meeting basic family need*. “Wages,” as we define them can be wages alone, without work supports, or wages in combination with one or more work supports (Food Stamps, Medicaid, Child Care Assistance and/or Housing Support).² We express Wage

Adequacy as a percentage; when Wage Adequacy is at 100% or more, then that wage is able to cover all (100%) of the cost of basic family needs or more. If Wage Adequacy is less than 100%, then that means the wage, even with the help of whatever work supports are included, is not enough to cover the total cost of basic needs. For example, a Wage Adequacy of 80% means that the wage, even including the cost-reducing impact of work supports, only covers 80% of what would be needed to cover total costs of meeting basic needs. Put informally, Wage Adequacy is a measure of how far a wage stretches to make ends meet either, alone or with the help of one or more work supports.

Obviously, as wages increase, families have more income to meet their needs. If they receive work supports, these will help them meet their needs at a lower cost, stretching their earnings. At the same time, as earnings increase most work supports decline in value. That is, the parent’s share of the cost (through a co-payment or reduced benefit) increases. In addition, when family income exceeds the maximum income eligibility threshold, often there is not a gradual phase-out, but rather a dramatic negative impact on Wage Adequacy, as suddenly the loss of subsidy means that the wage must now cover the full cost. This can result in a “cliff”, as Wage Adequacy drops dramatically. Such situations present Pennsylvania families with a quandary: if their efforts result in increased wages, they may find that their income is too high to continue to qualify for the assistance that has been crucial to their making ends meet. At the same time, their new higher income is still not high enough to meet their needs without that assistance.

² Although this report is published in 2002, it is based on 2001 data.

In our analysis of the impact of various work supports, we will address several questions:

How does Wage Adequacy vary by location? (Or, how does the differential cost of living of different places in Pennsylvania impact on the ability of family budgets to cover costs?)

How does Wage Adequacy vary by family composition, including the number of adults and children, and the age of children?

How do work supports help families achieve Wage Adequacy at lower wages?

What kinds of “cliffs” are created by various program rules, and what is the impact on Wage Adequacy, in different places, for different family types?

How do combinations of the various subsidy programs’ rules and benefit calculations interact and impact on family budgets, as shown by their impact on Wage Adequacy?

To answer these questions, we chose a sample of places and family types, as well as subsidies/work supports. We chose to look at five quite different locations in Pennsylvania, reflecting a range of cost levels as well as other differences. These locations are:

Pittsburgh—Allegheny County

Reading—Berks County

Erie—Erie County

Fayette County

Philadelphia—Philadelphia County

For family types, we chose to do one family type, that of a single parent with one preschooler and one schoolage child, in every location, and then a second type of family that varies from location to location. We modeled three different family types for Philadelphia. Finally, we chose to examine, separately and in combination, four work supports: **Child Care Assistance, Food Stamps, Medicaid** (for the family), and **Housing**.

As our benchmark, or starting point for the cost of living before we introduce work supports, we use **The Self-Sufficiency Standard**. Developed and calculated for Pennsylvania by Diana Pearce, in conjunction with the Women's Association for Women's Alternatives, the Standard measures what it costs to meet family needs without any work supports. The Full Report—which provides the Standard for 70 different family types for each of 86 regions in Pennsylvania—is available from the Pennsylvania Family Economic Self-Sufficiency Project of the Women's Association for Women's Alternatives.

We provide more detail on our key concept used here: Wage Adequacy—describing how we calculate it and then how we use Wage Adequacy to present our findings. But before we turn to this section, let us first examine some of our key findings.

Key Findings

- Child care, especially for families with young children, is a major portion of the family budget. When they receive Child Care Assistance, the families modeled in this report pay about 10% of their income towards their child care costs at all wage levels. But when their incomes rise above the maximum eligibility level, and they suddenly must cover the full cost of child care, child care jumps to about 30% of their monthly budgets, impinging on families' abilities to meet other needs and resulting in large drops in Wage Adequacy. This results in some of the largest "cliffs" or drops in Wage Adequacy that we found.
- The cost of housing is the other large budget item for families. When families receive Housing Support that substantially reduces this cost (in addition to other work supports), they are able to reach 100% Wage Adequacy at a much lower wage.
- While health care and food do not cost as much as child care and housing, they are both essential needs that must be met if families are to achieve self-sufficiency.
- Providing families with Medicaid, Child Care Assistance, Food Stamps and Housing Support has a dramatic impact on wages. For families who receive all of these supports, wages required to reach Wage Adequacy are reduced by 30 to 50% (compared to **The Self-Sufficiency Standard**).

At the end of this report, we outline several recommendations based on our findings. These address a number of issues raised by our analysis, including ways various work support programs could be expanded and implemented to broaden access to low-income working parents, as well as how to remove the barriers and complexities that impact the accessibility of work supports.

What is Wage Adequacy and How is It Calculated?

The key measure we will use here is “Wage Adequacy.” We define Wage Adequacy as the extent to which the resources (income and non-cash benefits) meet basic needs. To measure this, we compare the resources available to a family to the costs of meeting the family’s basic needs.

To calculate Wage Adequacy, we compare resources to needs as a ratio, which we then express as a percentage. For example, if a family has \$2000 in income from wages, and \$1600 per month covers all their needs (housing, food, child care, and so forth), this would be calculated as follows:

$$\text{Resources} = \frac{\$2000}{\text{Needs } \$1600} = 1.25 = 125\% \text{ Wage Adequacy}$$


If a family’s Wage Adequacy is 100% or more, we interpret that to mean their wages (plus resources/work supports available at that wage) are adequate or more than adequate. If the Wage Adequacy percentage is less than 100%, then the resources available to that family, from wages and cost-reducing work supports, are not sufficient to meet family needs. Wage Adequacy may increase if *either* wages increase, or the cost of meeting needs decreases (or both). However, note that Wage Adequacy of 100% is a “bare bones”, no frills budget and does not include enough to meet any expenses except the costs of meeting daily basic needs. Thus, for example, it does not even include essentials that happen to all families such as the need to replace a car, or appliance, or to make a first and last month rent deposit. Meeting 100% of Wage Adequacy does not even mean saving for emergencies or education.

Resources

Resources consist primarily of wages, expressed as an hourly wage. However, we also include in resources any cash TANF benefit for which a family is eligible, given their earnings. In Pennsylvania, families receive a cash TANF benefit—which varies by family size and region—that decreases as their wages increase, until their income reaches about double the maximum benefit for their family. For example, a three person family in Berks County receives a maximum TANF grant of \$403 per month when not working. When working at part-time minimum wage they are still eligible for a \$176 per month TANF grant. But, when they start working full-time at minimum wage their monthly income increases from \$453 to \$906 per month and consequently it is over twice the amount of their maximum TANF grant, and they are no longer eligible for a cash grant. In general, families lose cash assistance at very low wages, always well before their Wage Adequacy percentage reaches 100%. Please note that cash assistance, even for working families, is time-limited.

Needs

The cost of meeting a given basic need is taken from the *The Self-Sufficiency Standard* when the family is paying the full market cost. For needs that are subsidized, the cost is shown *after* the appropriate work support (or subsidy) is taken into account. For example, if a family receives \$300 in Food Stamps per month, then their food costs are reduced by \$300 (rather than increasing their income by \$300).



While various work supports, such as Medicaid and Food Stamps, could be shown as increases in “income”, we have chosen to show them as reduced costs for each need that they meet. (Of course, in terms of calculating the Wage Adequacy ratio, it makes no difference mathematically whether work supports are subtracted from needs, or added to income.) One reason to do so is that families must pay taxes on earned income, and they do not on the value of benefits. This affects the calculation of total income a parent needs to earn.

There are also policy related reasons to show work supports as cost reductions rather than increases in income. In policy terms, since work supports are need-specific (that is, Food Stamps reduce the cost of food, Medicaid reduces the cost of health care, and so forth), showing the effect of work supports on specific costs allows policymakers to pinpoint the effects of each program, address gaps or duplication, and identify where there may be unmet needs. For example, Child Care Assistance addresses a relatively high cost item in family budgets, so removing barriers to its receipt has a large “pay off” for parents, children, and employers. As discussed later, the different program rules result in very different impacts on family budgets, at different income levels, and sometimes by location.

For needs that are partially subsidized, such as food and child care, we show the cost as a reduced cost. Thus for Food Stamps, if the family receives a partial benefit, the “cost” of food is the total amount needed for food (as calculated in the Standard for that family type) minus the value of the partial Food Stamps benefit. For example, if a family’s food costs are \$322 per month, and they receive \$150 in Food Stamps, they will have a food cost of \$172.

Likewise, if a family receives Child Care Assistance, instead of the full cost of child care, the cost of child care is shown as the child care co-payment. Typically, in Pennsylvania, the cost of subsidized child care for a single parent with two children runs from \$22 a month (working at the minimum wage half-time) to \$286 (at about \$16.00 per hour). That is the maximum income eligibility level for a three-person family, so at wages above \$16 per hour, the parent pays the full cost of child care (which in Allegheny County, for example, is \$862 per month for a preschooler and a schoolage child).

For health care, it is assumed that Transitional Medicaid in Pennsylvania covers the children and adults. Families are eligible for Transitional Medicaid after they leave TANF for new employment up to 12 months. In our models, we assume that if they receive Transitional Medicaid, it reduces the family’s health care costs to zero.

Taxes are a “need” that all working adults must pay. Taxes are calculated on earned income only, and as they are also a cost, they are added to needs. (Tax credits are also calculated on earned income, and are shown as negative, and thus decrease costs for families, where they are eligible.)

For work supports such as Food Stamps, Child Care Assistance and Housing Support, the amount awarded depends upon the family income; as income increases, these work supports decrease. For example, as income increases, the family share (co-payment) towards child care increases. Although the value of income-contingent benefits decreases with increasing income, it generally does so at a slower rate. That is, there is not a dollar for dollar reduction in benefits for each increase of a dollar in income.

However, most income-contingent benefits with sliding scale fees or co-payments have a maximum income eligibility limit

(usually tied to either a multiple of the federal poverty threshold, or a multiple of state median income, by family size). For each type of benefit, when family income rises above the maximum eligibility level for the particular work support, the family loses the work support, and the cost increases to the full cost. Sometimes the latter increase results in a substantial “jump” in need, resulting in a fall, or “cliff,” in terms of Wage Adequacy. For example, as discussed above, the amount of the maximum child care co-payment is \$286 per month. In the case of a Pittsburgh single mother, when her³ wage increases from \$16.00 per hour to \$16.50 per hour, her income increases by \$88 per month, but her expenses increase by \$603 per month as she now must pay the full cost of child care. Because of these increased expenses, her Wage Adequacy drops from **113%** at **\$16.00** per hour (when she received Child Care Assistance) to only **94%** at **\$16.50** per hour, when her income is above the threshold, and she must cover *all* of her child care expenses from her earnings.

For work supports such as Food Stamps, Child Care Assistance and Housing Support, the amount awarded depends upon the family income; as income increases, these work supports decrease.

³ In this report, single parents are referred to as “she” because the vast majority of single parents are women (U.S. Census Bureau, “Household Size, Household Type, and Presence of Own Children, (Table),” 2000, <http://www.census.gov/serlet/DTTable?_ts=48091414280>).

How We Present Our Findings

A. Graphs

The next section contains a series of graphs that depict the impact of work supports on Wage Adequacy, the changes in work supports that occur as wages increase and the dramatic drops, or “cliffs,” in Wage Adequacy, resulting from the termination of work supports. The calculations behind the lines in these graphs come from an extensive series of tables, which can be found in the Technical Appendix. The Technical Appendix tables illustrate how the cost of each need, and the resources/income available are calculated, and thus the reader can determine how we calculate Wage Adequacy for each of forty different wage/income levels, for each family type modeled, in each place. Included in the Technical Appendix is a description of the process by which we calculated the numbers in the graphs shown in the text charts.

Wage Adequacy is calculated in three steps:

1. **Compute Resources:** Total income from wages and other sources, such as TANF.
2. **Compute Needs:** Add together the costs of meeting the family’s basic needs (including taxes and tax credits), using full costs, or costs reduced by the effect of work supports.
3. **Calculate Wage Adequacy:** The ratio between Resources and Needs, expressing this ratio as a percentage.

B. Regions and Family Types Modeled

In order to reflect the range of situations faced by Pennsylvania families, we have chosen to analyze five different counties, representing both urban and rural locations, including areas with higher and lower costs of living, as well as variation in available work supports. See page 7 for a list of areas and cities modeled.

C. Family Types

While stereotypes about poor families may suggest that poor families are single mothers with many children, the reality of poverty in America is far more diverse. The “average” family that receives TANF cash assistance includes one adult with two children⁴ – but there are many families with one child, and a much smaller number have three, four or more children. And, while most families who have been on welfare are single parent families, many two-parent families also struggle to make ends meet. Because of the variations in family composition, this report models Wage Adequacy in Pennsylvania using seven different family types.

First, for each of the five counties examined, Wage Adequacy is modeled for a family with one adult, one preschooler, and one schoolage child. Throughout this report, this family type is referred to as the “**standard**” family type. Because we hold this family type constant across the counties, the reader can see from the graphs (Charts 1.1, 2.1, 3.1, 4.1, 5.1) how the same family type would fare in different areas with very different costs. Differences in region and costs (i.e. higher rents and child care costs) could make achieving Wage Adequacy more difficult, depending in part on whether work supports have different rules that compensate for higher costs (i.e. more generous work supports in some areas).

Next, we have chosen a range of family types reflecting the diversity of families who struggle against poverty, and assigned these family types to the different counties in our models. We were careful to include families with different numbers of children, different ages of children, and one- and two-parent families.

⁴ National Emergency TANF data file, May 18, 1999.

How to Read the Graphs

In order to understand how we have presented our findings in graphs, we will first explain an example graph, Chart A, which graphs Wage Adequacy for a single parent family in Pittsburgh with one preschooler and one schoolage child.

As in each graph, in Chart A, the vertical axis represents Wage Adequacy, or the ratio between income and needs, displayed as a percentage. (See explanation in the section entitled *What is Wage Adequacy and How is It Calculated?*) The horizontal axis in each chart represents the actual wage.

- The starting point for the graphs is family income when the family is receiving TANF only.
- We then examine Wage Adequacy for families as they enter the labor force, starting at \$5.15/hour part-time (minimum wage, 20 hours per week), then full-time at \$5.15/hour, then full-time at \$5.50/hour, and then increasing in 50 cent per hour increments up to \$20/hour.
- We have drawn a light purple line at 100% Wage Adequacy, demonstrating the point at which the family's wages are fully adequate to meet the total costs of the family's needs, taking into account the cost-reducing impact of work supports.

Chart A
Single Parent,
One Preschooler and One
Schoolage Child

IMPACT OF CHILD CARE ASSISTANCE ON WAGE ADEQUACY

Pittsburgh, Allegheny County

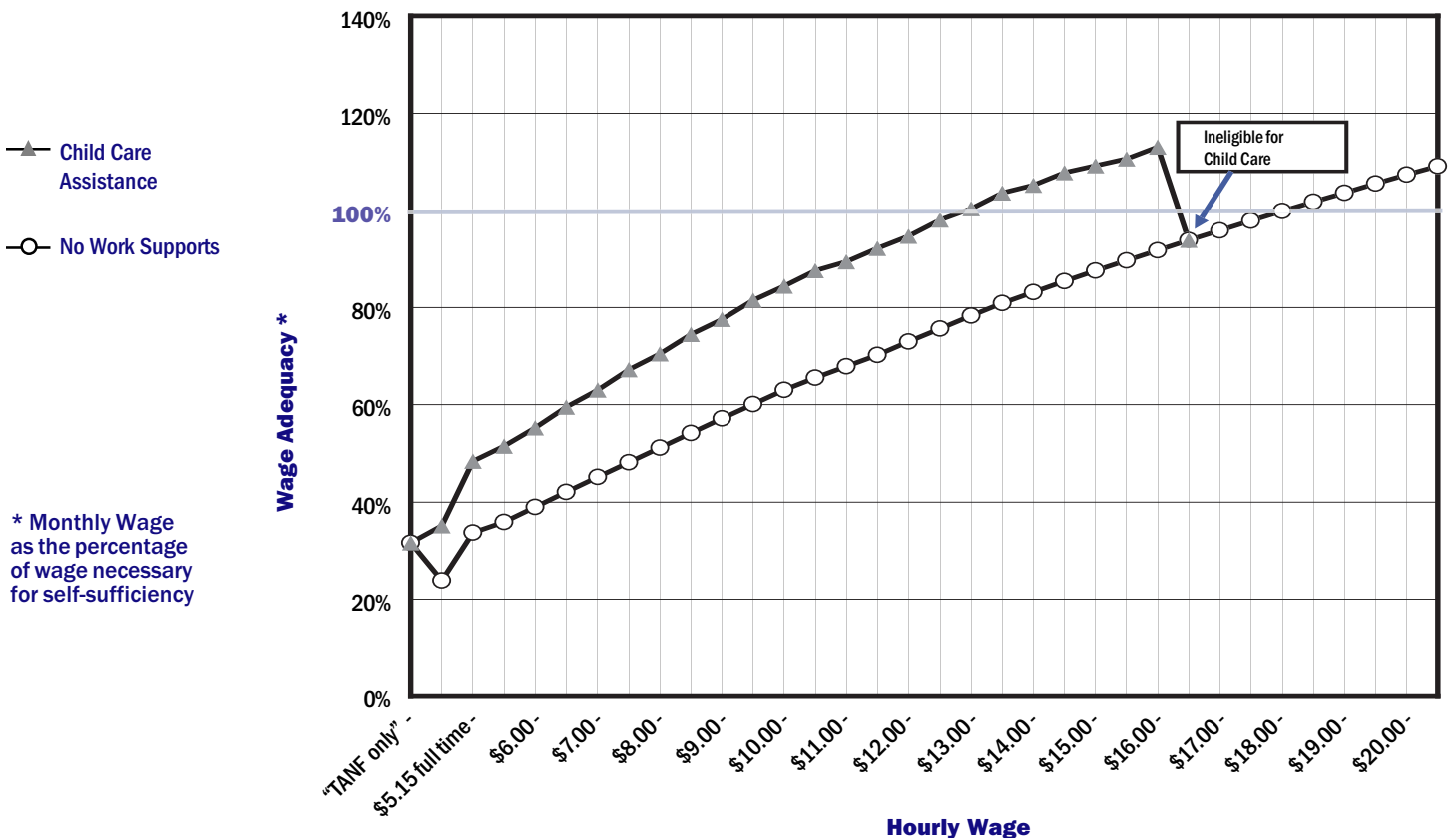


Chart A compares the impact of Child Care Assistance on Wage Adequacy against the Wage Adequacy of receiving “no work supports,” for a single parent with one preschooler and one schoolage child in Pittsburgh. There are two lines on Chart A. The line with circles shows Wage Adequacy when the family is not receiving *any* work supports. The line marked by triangles shows the impact of receiving Child Care Assistance on Wage Adequacy.

The first point for both lines on the graph shows the family receiving cash assistance (TANF) as their only source of income. While receiving income only from TANF the family is at **32%** Wage Adequacy. Although their income from the TANF grant is \$403, their expenses are \$1,275. In other words, the income from TANF only covers about one-third of basic needs, even though they do not have work-related expenses such as child care, transportation, and taxes. The second point on Chart A for the “no work supports” line (circles) shows the parent leaving TANF and starting to work part-time at the minimum wage of **\$5.15** per hour. While working part-time at minimum wage, the wage income increases to \$453, and together with a partial TANF grant of \$176; the total income increases to \$630. However, with the addition of work related expenses (child care, transportation, and taxes), expenses increase as well, to \$2,562. This drops her Wage Adequacy to **24%**. That is, when the parent makes the transition from TANF to employment, the increased costs of working—such as child care, transportation, and taxes—are more than the increased income from wages (and her partial TANF grant).

As wage income increases, Wage Adequacy gradually increases, until at **\$18.00** per hour, her wages are at **100%** of Wage Adequacy—wages meet 100% of her family’s basic needs (100% is shown as a light purple line on each chart).

The second line in Chart A (designated by triangles), tracks the effect of receiving Child Care Assistance. Note Wage Adequacy with the help of Child Care Assistance is 11% more at the first wage level (part-time at minimum wage, **\$5.15** per hour), compared to the family with no work supports. The third point on Chart A shows the single parent working full-time at minimum wage. This brings her Wage Adequacy from **32%** (with no work supports) to **48%**, still only about one-half of what this family needs to become self-sufficient, and barely more than receiving TANF only.

As her wage increases, there are increases of about 3% in Wage Adequacy for each fifty cents increase. Notice that at a wage of **\$13.00** per hour, she reaches 100% of Wage Adequacy. However, at \$16.50 per hour her monthly income exceeds the eligibility level for Child Care Assistance. As a result, her Wage Adequacy drops from **113%** at **\$16.00** per hour to **94%** at **\$16.50** per hour and she experiences a “cliff” of 19%. This is a result of her child care expenses increasing from a co-payment of \$286 per month to paying the full cost at \$862 per month. Her child care expenses increased by \$572 per month while her monthly income only increased by \$88 per month.

Finally, at the **\$18.00** per hour full-time wage she reaches Wage Adequacy and will now be able to meet the basic needs of her one preschooler and one schoolage child without any work supports.

The Wage Adequacy Findings

The Impact of Child Support on Wage Adequacy

Before examining the impact of work supports on Wage Adequacy we want to show the effect of child support on a family's income. Chart B models the same family type as Chart A, a single parent and one preschooler and one schoolage child in Pittsburgh. However, the second line in Chart B, shown with squares, models the impact of receiving the average child support payment per family in the United

States, which is \$312 per month⁵, as an addition to the wage income from the single adult working at the hourly wages shown on the horizontal axis (i.e. bottom line). Receiving the average child support amount raises this family's Wage Adequacy by approximately 12% over that of the same family that receives no child support at all.

Although the amount of child support a family receives will vary, the variations of payments by county are not available. Although some methods for determining child support

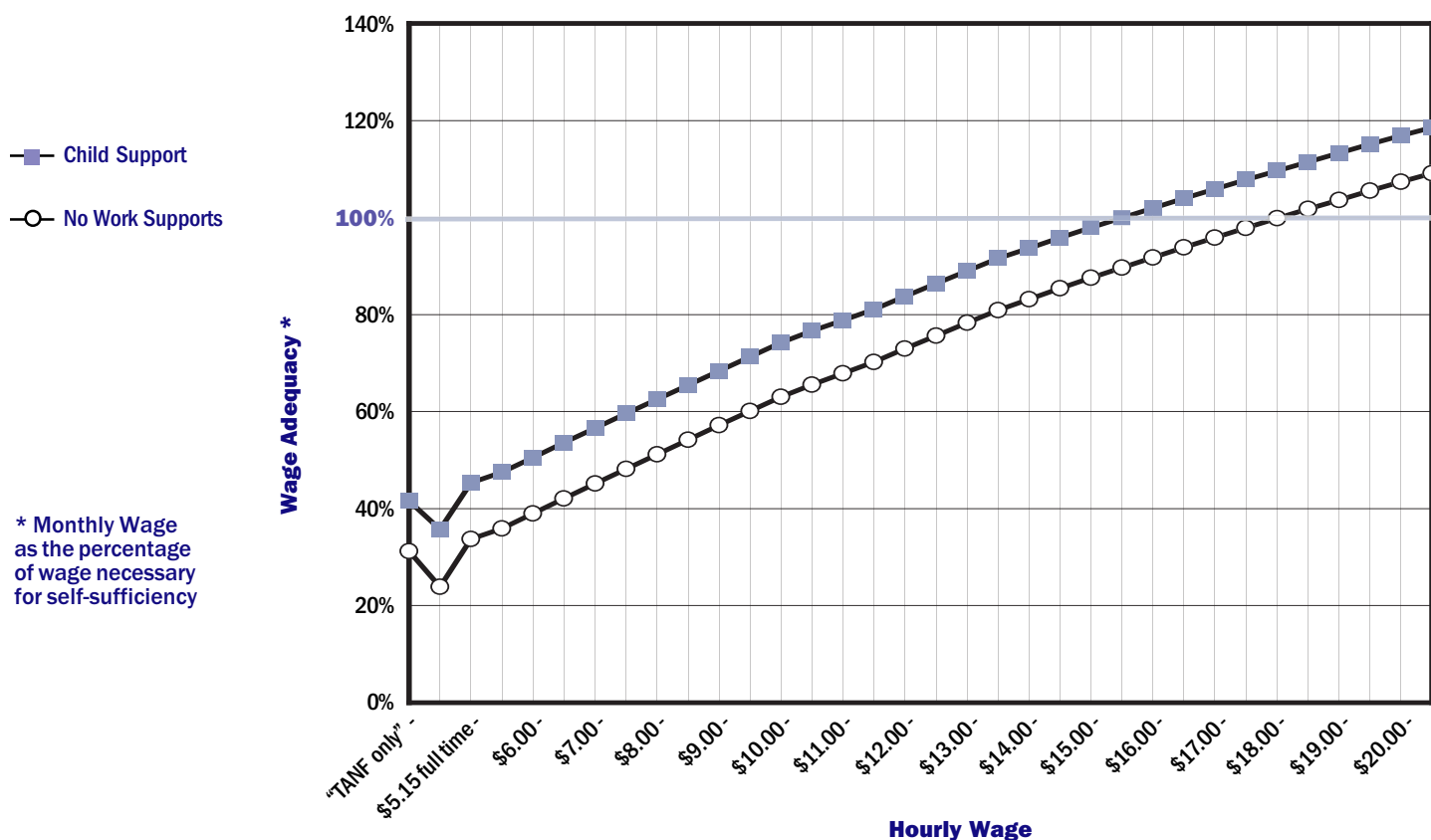
⁵ L. Scoon-Rogers, *Child Support for Custodial Mothers and Fathers: 1995* (U.S. Bureau of the Census, Current Population Reports, Series P60-196), 1999.

Pittsburgh, Allegheny County



Chart B
Single Parent,
One Preschooler and One
Schoolage Child

IMPACT OF CHILD SUPPORT ON WAGE ADEQUACY



awards do take into account custodial parent income, this is unlikely to happen at these lower income levels, and there is no widely used system for determining such changes. Thus, we assume the amount of child support is the same at all income levels, meaning its effect on Wage Adequacy is constant as well. That is, the receipt of the average amount of child support will bring a family about 12% closer to Wage Adequacy, other things being equal. Because this

impact is the same for all family types at all income levels, regardless of place, and therefore there are no “cliffs” or other variations, we do not show child support in the subsequent charts. This, however, should not be taken as a position on the importance or impact of child support on family income and Wage Adequacy, but a reflection that since the impact does not vary, it need not be shown repeatedly.

The following sections of this report will explain and interpret the charts (Charts 1.1-5.3) modeling Wage Adequacy as wages increase, similar to Chart A.

We will discuss each county and family type in each of five scenarios of work supports, beginning with “No Work Supports”, followed by “Child Care Assistance,” “Food Stamps, Medicaid, and Child Care Assistance”, and “Food Stamps, Medicaid, Child Care Assistance and Housing Support.”

We will examine the “standard family type” across counties first, as well as the “specific family types” modeled for each county.

Family Types - KEY



Single Parent with one Preschooler and one Schoolage Child



Single Parent with one Schoolage Child and one Teenager



Single Parent with one Infant



Single Parent with one Infant, one Preschooler, and one Schoolage Child



Two Adults with one Preschooler and one Schoolage Child



Single Parent with one Infant and one Preschooler



Single Parent with one Infant, one Preschooler, two Schoolage Children, and one Teenager



Did you know?



At \$9.50 per hour, this family loses eligibility for Food Stamps. This parent’s food costs increase from \$285 to \$379 per month.

At \$10.00 per hour, this family loses Housing Support, increasing their housing costs from \$502 to \$631 per month. Wage Adequacy drops from 97% to 93%.

At \$16.50 per hour, this family loses Child Care Assistance. This parent’s child care expenses increase from a co-payment of \$286 to \$862 per month. Wage Adequacy drops from 113% to 94%.

In Chart 1.1 we have modeled Wage Adequacy as wages increase for the standard family type (single parent with one preschooler and one schoolage child) in Pittsburgh, Allegheny County.

We have drawn a light purple line at 100% Wage Adequacy, the point at which the family’s wages, plus work supports, are fully adequate to meet the basic needs of this family. For the single parent with two children, a preschooler and a schoolage child (with the latter child receiving part-time before-and-after school care, while the preschooler receives full-time care), the wage required to meet the family’s needs, without any work supports, is \$18.00 per hour.

When this family receives Child Care Assistance they reach 100% Wage Adequacy at \$13.00 per hour, \$5.00 less per hour than with no assistance. However, at \$16.50 per hour the wage earner is no longer eligible for Child Care Assistance and as a result she experiences a “cliff” and her Wage Adequacy falls below 100%.

Food Stamps and Medicaid also have a strong impact on Wage Adequacy when combined with Child Care Assistance. With these three work supports, this family is able to reach 100% Wage Adequacy at \$11.50 per hour.

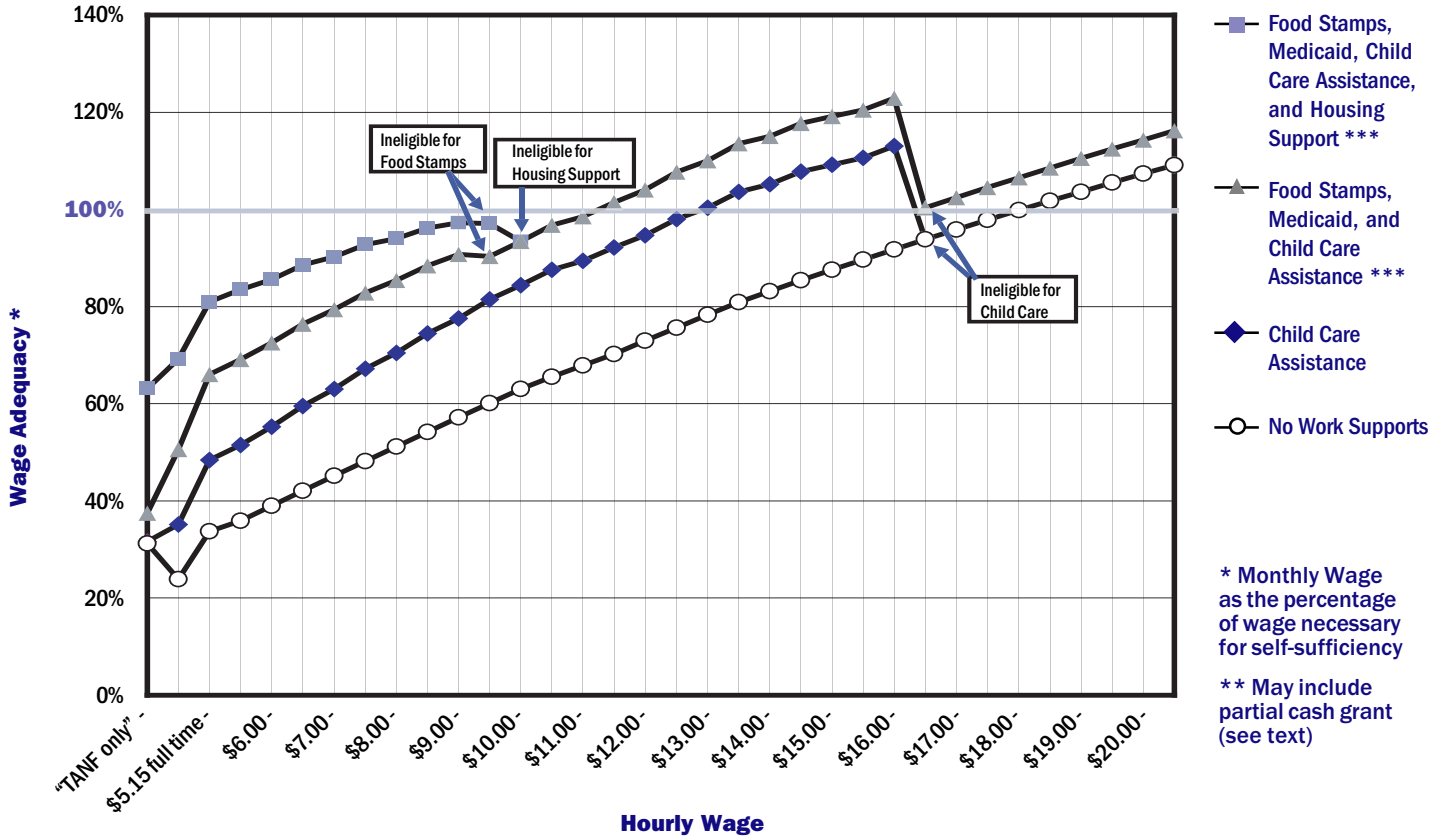
As Pittsburgh has one of the highest housing costs in Pennsylvania, the addition of Housing Support to Food Stamps, Medicaid, and Child Care Assistance helps this family almost reach 100% Wage Adequacy at \$9.00 per hour. However, when the parent starts to earn \$9.50 per hour her income is above 130% of the Federal Poverty Line and she is no longer eligible for Food Stamps. At \$10.00 per hour, the mother loses Housing Support, her Wage Adequacy falls and the family experiences a “cliff”. When the parent’s wage increases to \$11.50 per hour, this family will reach 100% Wage Adequacy. Notice that when she loses Child Care Assistance at \$16.50 per hour, there is a dramatic drop in Wage Adequacy, over 20%. However, since they are still receiving Medicaid they do not fall below 100% Wage Adequacy. (Compare the “triangles” line and “circles” line on Chart 1.1.)

Pittsburgh, Allegheny County



Chart 1.1
Single Parent,
One Preschooler and
One Schoolage Child

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



* Monthly Wage as the percentage of wage necessary for self-sufficiency
** May include partial cash grant (see text)

Pittsburgh, Allegheny County • Standard Family



Single Parent,
One Preschooler and
One Schoolage Child

Hourly income needed for 100% Wage Adequacy:

- Without work supports \$18.00
- With Child Care Assistance \$13.00
- With Medicaid and Child Care Assistance \$11.50

Wage Adequacy percentage when TANF is only income [§] :	32%
Wage Adequacy percentage when employed part-time at minimum wage [§] :	24%
Wage Adequacy percentage when employed full-time at minimum wage [§] :	34%

[§] income without work supports

Did you know?



At \$7.50 per hour, this family is no longer eligible to collect Food Stamps because the families income is above 130% of the Federal Poverty Level (FPL) limit to qualify for Food Stamps. This family's food expenses increase from \$152 to \$246 per month. Wage Adequacy drops to 81% while still receiving Child Care Assistance and Medicaid, but without this important work support.

At \$13.00 per hour, this family loses Child Care Assistance. This parent's child care expenses increase from a co-payment of \$220 to \$519 per month. Wage Adequacy drops from 101% to 92%.



Chart 1.2 models the impact of work supports also in Pittsburgh but with a different family type than Chart 1.1, a single parent with one infant. With only one child in day care this family has lower expenses than the previous family modeled and therefore reaches 100% Wage Adequacy at a lower wage than the family with two children.

Without the help of any work supports, this family will reach 100% Wage Adequacy at \$14.50 per hour.

With Child Care Assistance, she reaches 100% Wage Adequacy at \$12.00 per hour. However, if her hourly rate of pay increases by one dollar, her income is above the maximum income threshold for Child Care Assistance, she loses this work support, and she falls below 100% Wage Adequacy.

When this family receives the typical “welfare-to-work” package of Food Stamps, Medicaid, and Child Care Assistance they reach 100% Wage Adequacy at \$10.00 per hour.

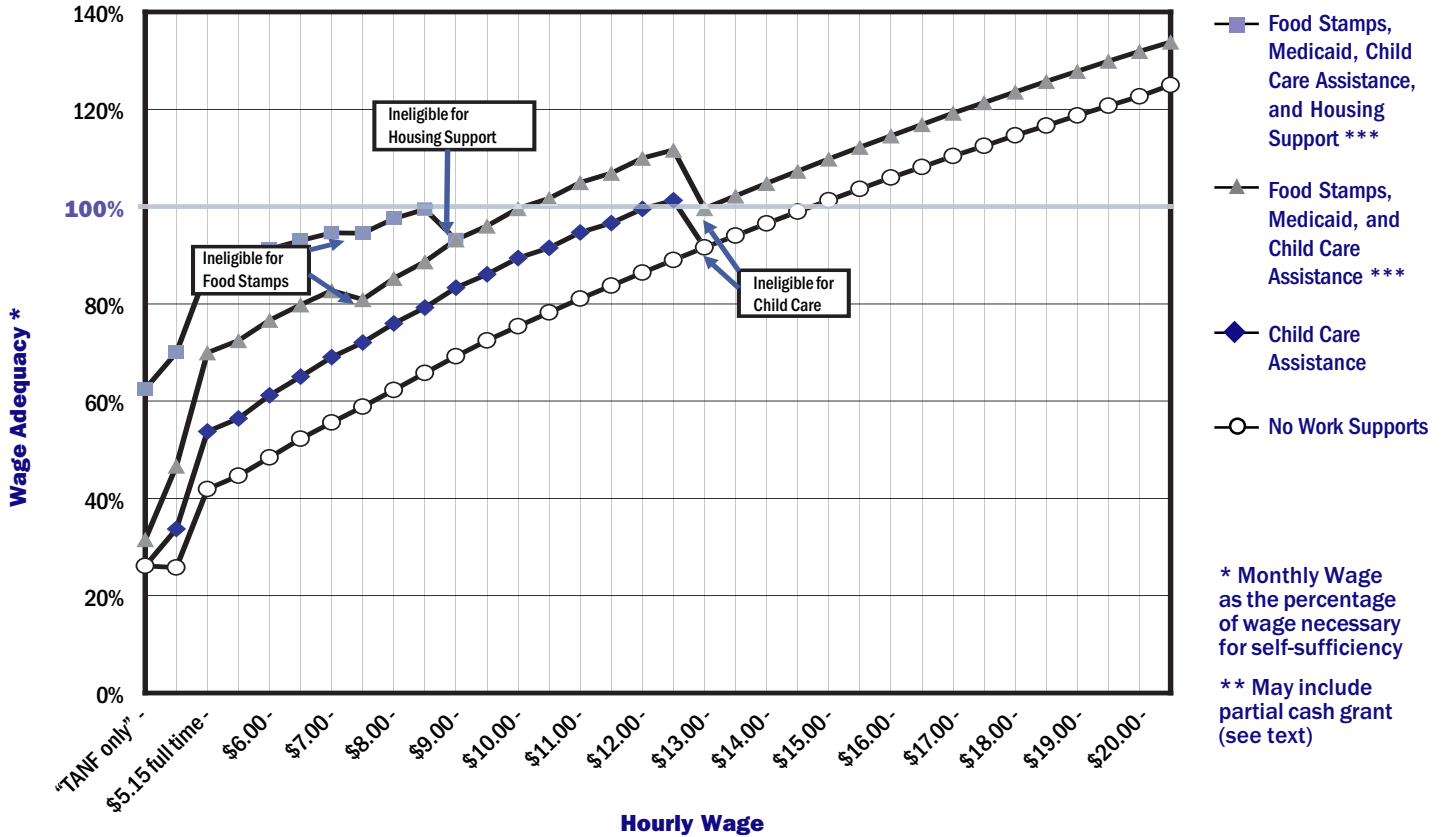
By adding Housing Support to Food Stamps, Medicaid, and Child Care Assistance; this family is able to meet all their needs at an hourly wage that is generally more accessible for families leaving welfare, \$8.50 per hour. However, if her income increases by fifty cents per hour she loses her Housing Support and again falls below 100% Wage Adequacy and does not reach 100% again until \$10.00 per hour. At \$13.00 per hour she becomes ineligible for Child Care Assistance and experiences more than a 10% drop in Wage Adequacy.

Pittsburgh, Allegheny County



Chart 1.2
Single Adult
with One Infant

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



Pittsburgh, Allegheny County • Specific Family



Single Adult
with One Infant

Hourly income needed for 100% Wage Adequacy:

- Without work supports \$15.00
- With Child Care Assistance \$12.00
- With Medicaid and Child Care Assistance \$10.00

Wage Adequacy percentage when TANF is only income [§] :	26%
Wage Adequacy percentage when employed part-time at minimum wage [§] :	26%
Wage Adequacy percentage when employed full-time at minimum wage [§] :	42%

[§] income without work supports



Did you know?



At \$16.50 per hour, this family loses Child Care Assistance. This parent’s child care expenses increase from a co-payment of \$286 to \$746 per month. Wage Adequacy drops 17 percent, from 118% to 101%.

While working part-time at minimum wage and receiving a partial TANF grant, this family has a Wage Adequacy that is 8% less than when receiving TANF only.

Chart 2.1 models the impact of works supports on Wage Adequacy for the Standard family (a single parent with one preschooler and one schoolage child) living in the city of Reading in Berks County.

When the wage earner is receiving TANF as her only income her Wage Adequacy is 34%. However, when she works part-time at minimum wage (\$5.15 per hour), her Wage Adequacy drops to 26%. Although their total monthly income is higher than receiving TANF only, they have more expenses associated with working—child care, transportation and taxes.

This family is no longer eligible for TANF benefits when the parent works more than part-time at minimum wage. Without any work supports, her income does not reach 100% Wage Adequacy until her wages increases to \$16.50 per hour.

While receiving Child Care Assistance she reaches 100% Wage Adequacy at an hourly wage of \$12.00 per hour, \$4.50 per hour less than without Child Care Assistance.

The work supports of Food Stamps, Medicaid, and Child Care Assistance help this family reach 100% Wage Adequacy at \$10.50 per hour.

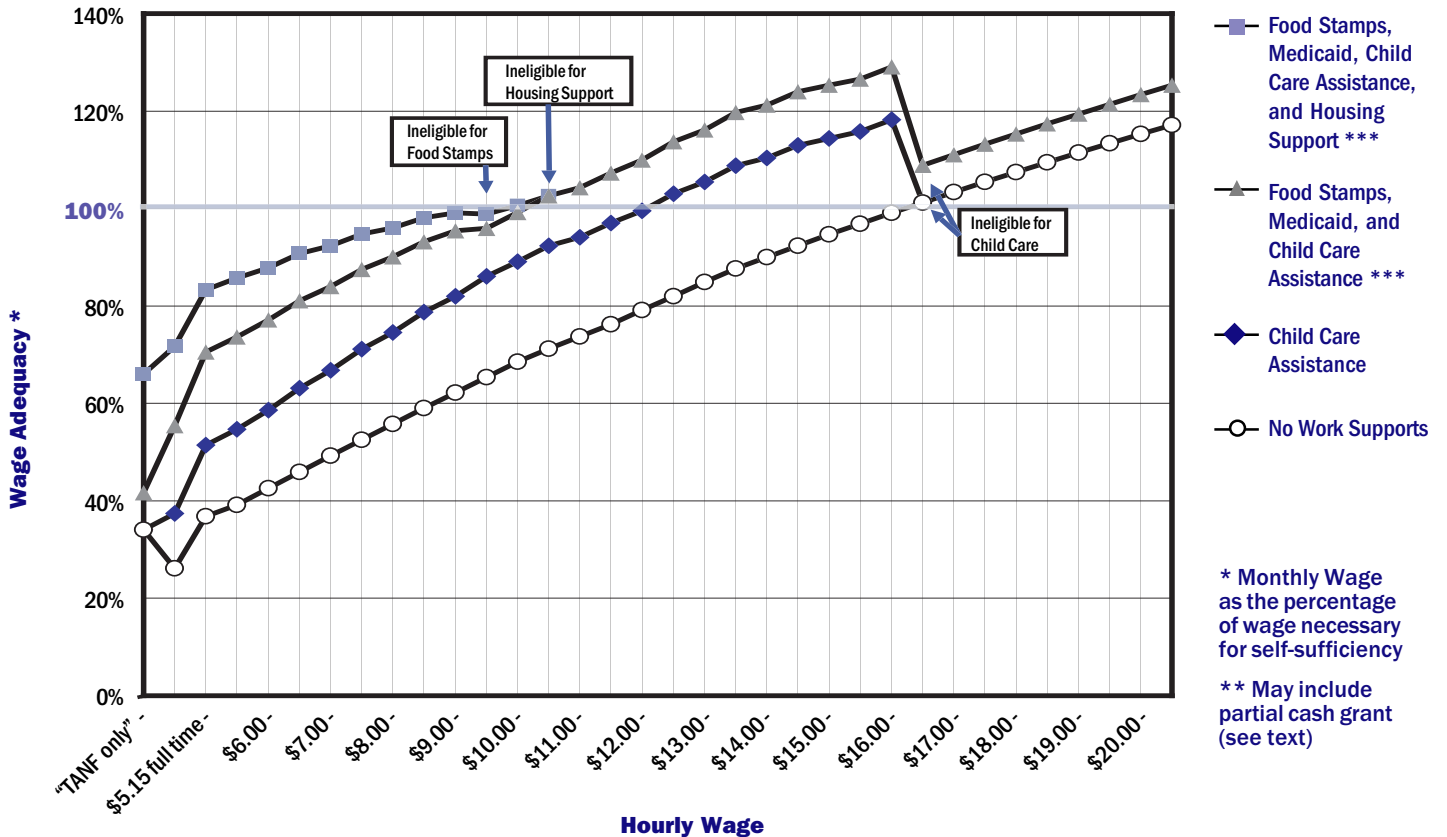
The full work support package of housing assistance, Food Stamps, Medicaid, and Child Care Assistance has the greatest impact on Wage Adequacy for this family type in Reading. For example, when this mother of two works full-time at \$5.15 per hour and receives the typical “welfare-to-work” package of Food Stamps, Medicaid, and Child Care Assistance she is at 71% Wage Adequacy. However, the additional help of Housing Support brings her to a Wage Adequacy of 83%.

Reading, Berks County



Chart 2.1
Single Parent,
with One Preschooler and
One Schoolage Child

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



* Monthly Wage as the percentage of wage necessary for self-sufficiency
** May include partial cash grant (see text)

Reading, Berks County • Standard Family



Single Parent,
with One Preschooler and
One Schoolage Child

Hourly income needed for 100% Wage Adequacy:

- Without work supports **\$16.50**
- With Child Care Assistance **\$12.00**
- With Medicaid and Child Care Assistance **\$10.50**
- With Medicaid, Child Care Assistance and Housing Support **\$10.00**

Wage Adequacy percentage when TANF is only income[§]: **34%**
 Wage Adequacy percentage when employed part-time at minimum wage[§]: **26%**
 Wage Adequacy percentage when employed full-time at minimum wage[§]: **37%**

[§] income without work supports



Did you know?



With both parents making \$10.00 per hour, this family loses Child Care Assistance. This family’s child care expenses increase from a co-payment of \$352 to \$746 per month. Wage Adequacy drops 9 percent, from 110% to 101%.

Without any work supports, even with both parents working full-time at minimum wage, Wage Adequacy for this family is only 60%.

Chart 2.2 models the impact of work supports on Wage Adequacy for a family in Reading with the same number and age of children as the standard family, one preschooler and one schoolage child, but with two adults instead of one.

Without the help of any work supports, each adult must earn \$10.00 per hour to reach 100% of Wage Adequacy. Note that because this family has two adults working, this is a much lower wage than when there is only one adult, even though expenses are slightly higher.

With the help of Child Care Assistance alone, this family is able to meet 100% of Wage Adequacy when both adults are working at \$8.00 per hour. They lose eligibility for Child Care Assistance after \$9.50 per hour, causing the family to experience a “cliff” as their Wage Adequacy drops from 110% to 101%.

Because both adults are working, when they begin to receive the typical “welfare-to-work” package of Food Stamps,

Medicaid, and Child Care Assistance, they lose their Food Stamps at only \$5.15 per hour (minimum wage). However, with the help of child care and Medicaid, they reach 100% Wage Adequacy between \$6.50 and \$7.00 per hour with both adults working.

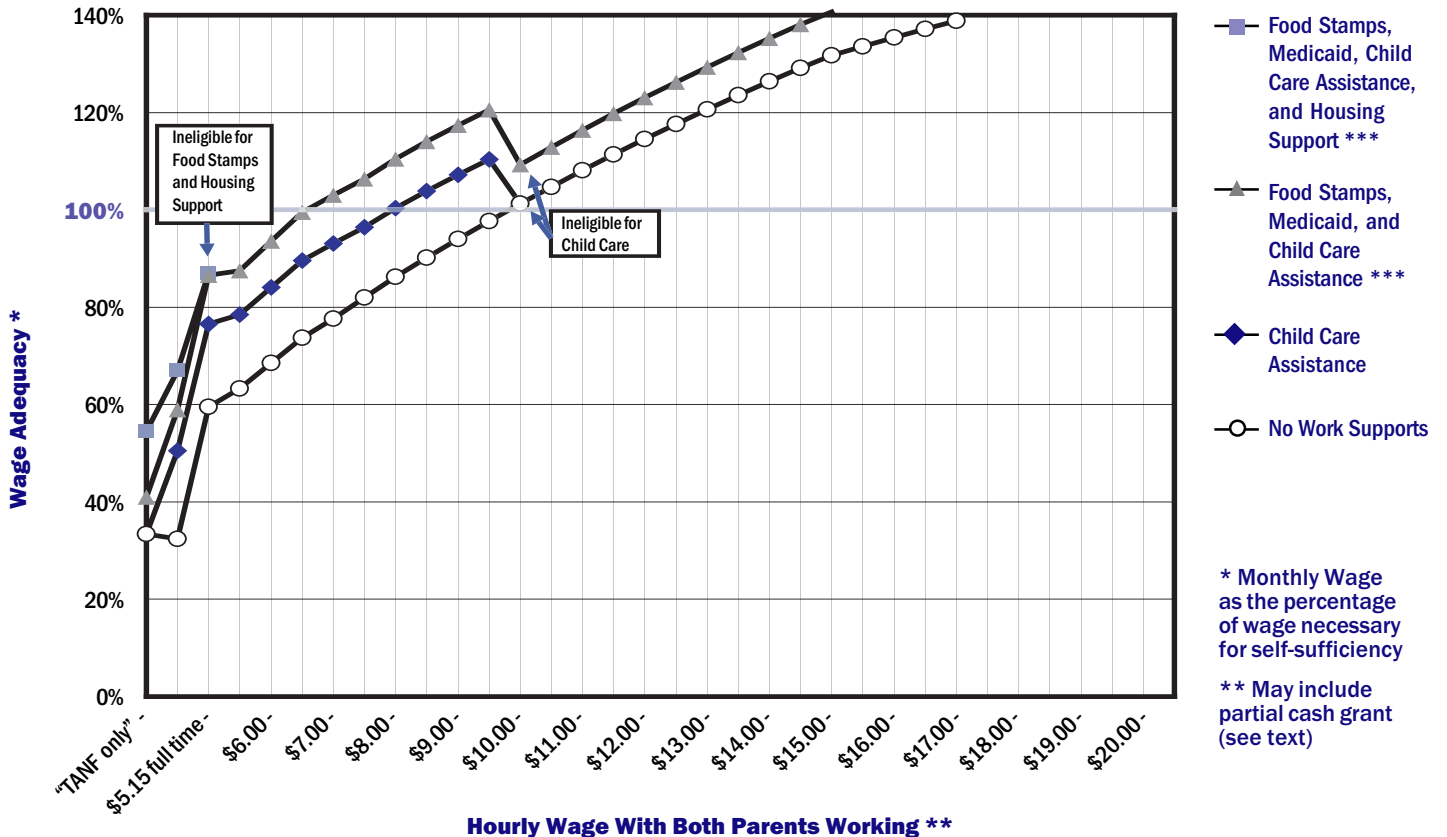
The final work supports package that we model—Food Stamps, Medicaid, Child Care Assistance, and Housing Support—has little additional impact on the families’ Wage Adequacy. They lose Housing Support, as well as Food Stamps when both adults are working full-time at only \$5.15 per hour. With the help of Medicaid and child care only, they again reach 100% Wage Adequacy between \$6.50 and \$7.00 per hour.

Reading, Berks County



Chart 2.2
Two adults with
One Preschooler and
One Schoolage Child

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



Reading, Berks County • Specific Family



Two adults with
One Preschooler and
One Schoolage Child

Hourly income needed for 100% Wage Adequacy with both parents working:

- Without work supports **\$10.00**
- With Child Care Assistance **\$8.00**
- With Medicaid and Child Care Assistance **\$5.15**

Wage Adequacy percentage when TANF is only income [§] :	33%
Wage Adequacy percentage when employed part-time at minimum wage [§] :	32%
Wage Adequacy percentage when employed full-time at minimum wage [§] :	60%

[§] income without work supports

Did you know?



At \$9.00 per hour, this family loses Housing Support. This parent's housing costs increase from a co-payment of \$449 to \$538 per month.

At \$16.50 per hour, this family loses Child Care Assistance. This parent's child care expenses jump from a co-payment of \$286 to \$702. Wage Adequacy drops 16 percent, from 119% to 103%.



In Chart 3.1 we model the impact of work supports on Wage Adequacy for the standard family type (a single parent with one preschooler and one schoolage child) living in the city of Erie, in Erie County.

Without the help of any work supports this family does not reach 100% Wage Adequacy until \$16.00 per hour.

Child Care Assistance significantly reduces the wage that the mother must earn to adequately meet her families' basic needs. With Child Care Assistance she needs to earn \$12.00 per hour to reach 100% of Wage Adequacy, \$4.00 less per hour than without Child Care Assistance.

With the help of Food Stamps, Medicaid and Child Care Assistance, this single mother needs to earn \$10.00 per hour to reach 100% Wage Adequacy.

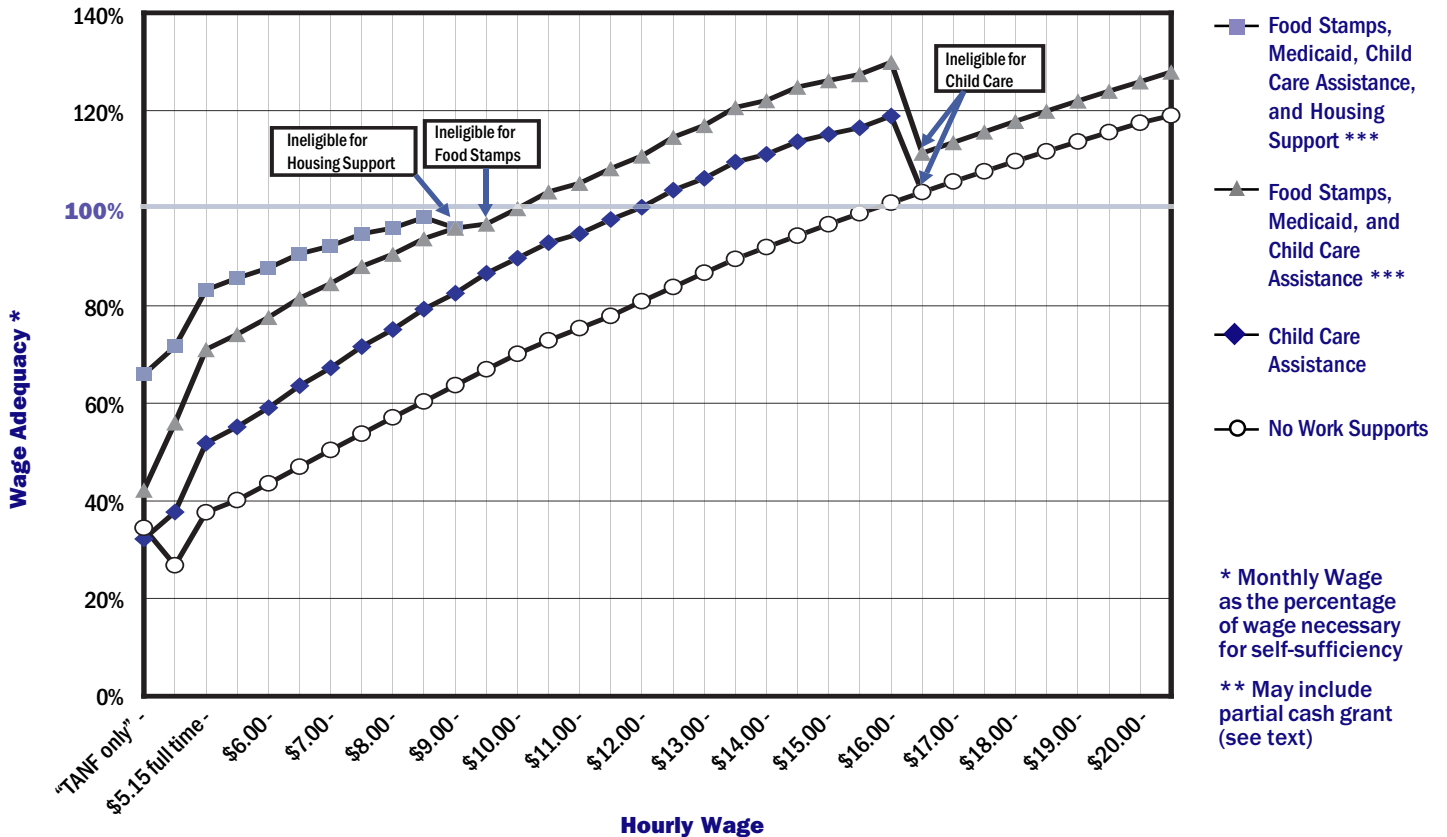
When Housing Support is included to the typical "welfare-to-work" package of Food Stamps, Medicaid, and Child Care Assistance there is substantial impact at wages below \$10.00 per hour. Although this family becomes ineligible for Housing Support prior to reaching 100% of Wage Adequacy, having Housing Support increases Wage Adequacy by over 20% at low wages. For example, while the parent works part-time at \$5.15 per hour and receives the typical "welfare-to-work" package she is at 56% of Wage Adequacy. However, if she also receives Housing Support her Wage Adequacy increases to 72%.

Erie, Erie County



Chart 3.1
Single Parent,
One Preschooler and
One Schoolage Child

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



Erie, Erie County • Standard Family



Single Parent,
One Preschooler and
One Schoolage Child

Hourly income needed for 100% Wage Adequacy:

- Without work supports \$16.00
- With Child Care Assistance \$12.00
- With Medicaid and Child Care Assistance \$10.00

Wage Adequacy percentage when TANF is only income [§] :	34%
Wage Adequacy percentage when employed part-time at minimum wage [§] :	27%
Wage Adequacy percentage when employed full-time at minimum wage [§] :	38%

[§] income without work supports

Did you know?



Child care costs are lower in Erie County than in the rest of the state. This parent's child care expenses only total \$260 per month with Child Care Assistance. This parent needs to earn \$12.50 per hour to meet the family's basic needs.



Chart 3.2 models the impact of work supports on Wage Adequacy for a single parent with two older children, a schoolage child and a teenager, living in Erie.

When receiving no work supports, the single parent must earn \$12.50 per hour to meet her family's basic needs; this is somewhat lower than other family types in other places largely because of much lower child care costs.

Likewise, the impact of Child Care Assistance is not as dramatic for this family because with only one schoolage child, the cost for the part-time child care is a smaller portion of the family budget than for the "standard" family type we have modeled. However, the addition of Child Care Assistance increases Wage Adequacy by up to 4%.

Older children have higher food and health care expenses and therefore the help of Food Stamps, Medicaid and Child Care Assistance allows this family to reach 100% of Wage Adequacy at a wage of \$10.50 per hour.

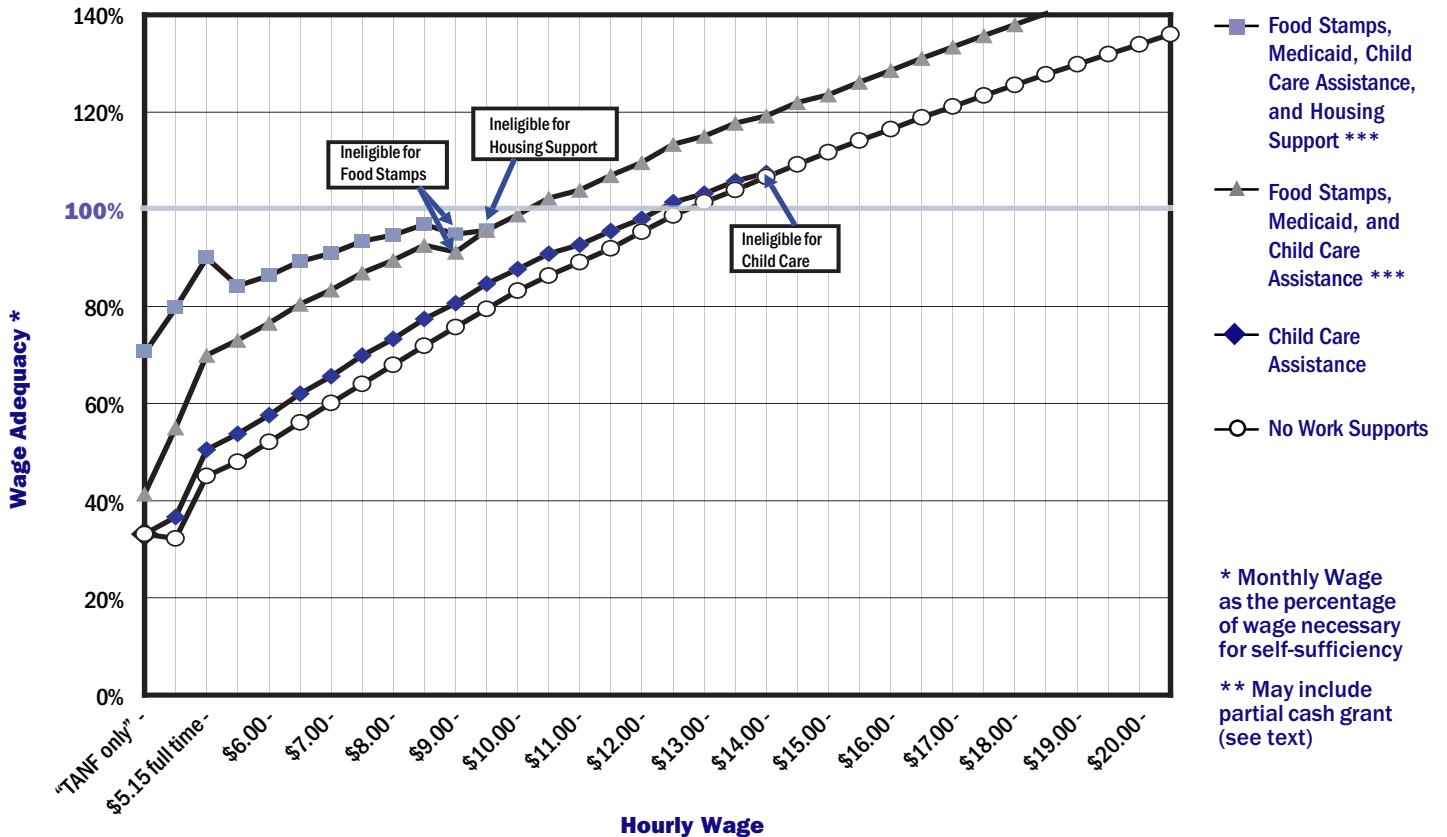
As with the standard family, this family loses their housing assistance prior to reaching 100% of Wage Adequacy. However, at wages below that level, housing assistance has a large impact; while working full-time at minimum wage (\$5.15 per hour) she is at 70% of Wage Adequacy when receiving Food Stamps, Medicaid, and Child Care Assistance. With the addition of Housing Support, she is at 88% of Wage Adequacy while making \$5.15 per hour.

Erie, Erie County



Chart 3.2
Single Parent with
One Schoolage Child and
One Teenager

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



* Monthly Wage as the percentage of wage necessary for self-sufficiency
** May include partial cash grant (see text)

Erie, Erie County • Specific Family



Single Parent with
One Schoolage Child and
One Teenager

Hourly income needed for 100% Wage Adequacy:

- Without work supports \$12.50
- With Child Care Assistance \$12.50
- With Medicaid and Child Care Assistance \$10.50

Wage Adequacy percentage when TANF is only income [§] :	33%
Wage Adequacy percentage when employed part-time at minimum wage [§] :	32%
Wage Adequacy percentage when employed full-time at minimum wage [§] :	45%

[§] income without work supports

Did you know?



At \$16.50 per hour, this family loses Child Care Assistance. This parent's child care expenses increase from a co-payment of \$286 to \$675 per month. Child care costs increase \$389 but this family's monthly income only increases by \$88. Wage Adequacy drops 14%, from 117% to 103%.



Chart 4.1 models the impact of work supports on Wage Adequacy for the standard family (a single parent with one preschooler and one schoolage child) living in Fayette County.

Without any work supports, the single parent must work full-time at \$16.00 per hour to meet her family's basic needs.

Child Care Assistance helps reduce the wage that this single parent must earn to reach 100% of Wage Adequacy from \$16.00 per hour to \$12.50 per hour.

The work supports of Food Stamps, Medicaid, and Child Care Assistance further reduces the wage that this single parent must earn to meet the needs of her family in Fayette County to \$10.50 per hour.

When Housing Support is added to the Food Stamps, Medicaid and Child Care Assistance package, she reaches 99% Wage Adequacy at \$9.00 per hour. However, she is no longer eligible for Food Stamps at \$9.50 per hour and Housing Support at \$10.00 per hour, therefore does not reach 100% Wage Adequacy until \$10.50 per hour.

Fayette County



Chart 4.1
Single Parent,
One Preschooler and
One Schoolage Child

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



Fayette County • Standard Family



Single Parent,
One Preschooler and
One Schoolage Child

Hourly income needed for 100% Wage Adequacy:

- Without work supports **\$16.00**
- With Child Care Assistance **\$12.50**
- With Medicaid and Child Care Assistance **\$10.50**

Wage Adequacy percentage when TANF is only income [§] :	30%
Wage Adequacy percentage when employed part-time at minimum wage [§] :	25%
Wage Adequacy percentage when employed full-time at minimum wage [§] :	37%

[§] income without work supports

Did you know?



Without any work supports, it is not until this parent reaches \$6.00 per hour full-time that her Wage Adequacy reaches 33% and exceeds the TANF only Wage Adequacy level of 32%.

At \$11.00 per hour, this family loses Housing Support and Food Stamps. This parent's food and housing expenses increase from \$904 to \$1163 per month. Wage Adequacy drops from 101% to 92%.



Chart 4.2 models the impact of work supports on Wage Adequacy for a single parent with one infant, one preschooler and one schoolage child, living in Fayette County.

Without any work supports this family reaches 100% of Wage Adequacy at \$21.50 per hour.

With three young children, child care is a large proportion of the budget for this family. Therefore, Child Care Assistance has a great impact on reducing the wage she needs to earn to be at a Wage Adequacy of 100%: \$21.50 per hour without work supports to \$14.00 per hour with Child Care Assistance.

The typical “welfare-to-work” package of Food Stamps, Medicaid, and Child Care Assistance lowers the wage this single parent needs to earn to meet her families basic needs to \$12.00 per hour. If she earns \$20.00 per hour she loses

her Child Care Assistance. She experiences a large “cliff” losing 27% of her Wage Adequacy, however because she still receives Medicaid her Wage Adequacy does not fall below 100%.

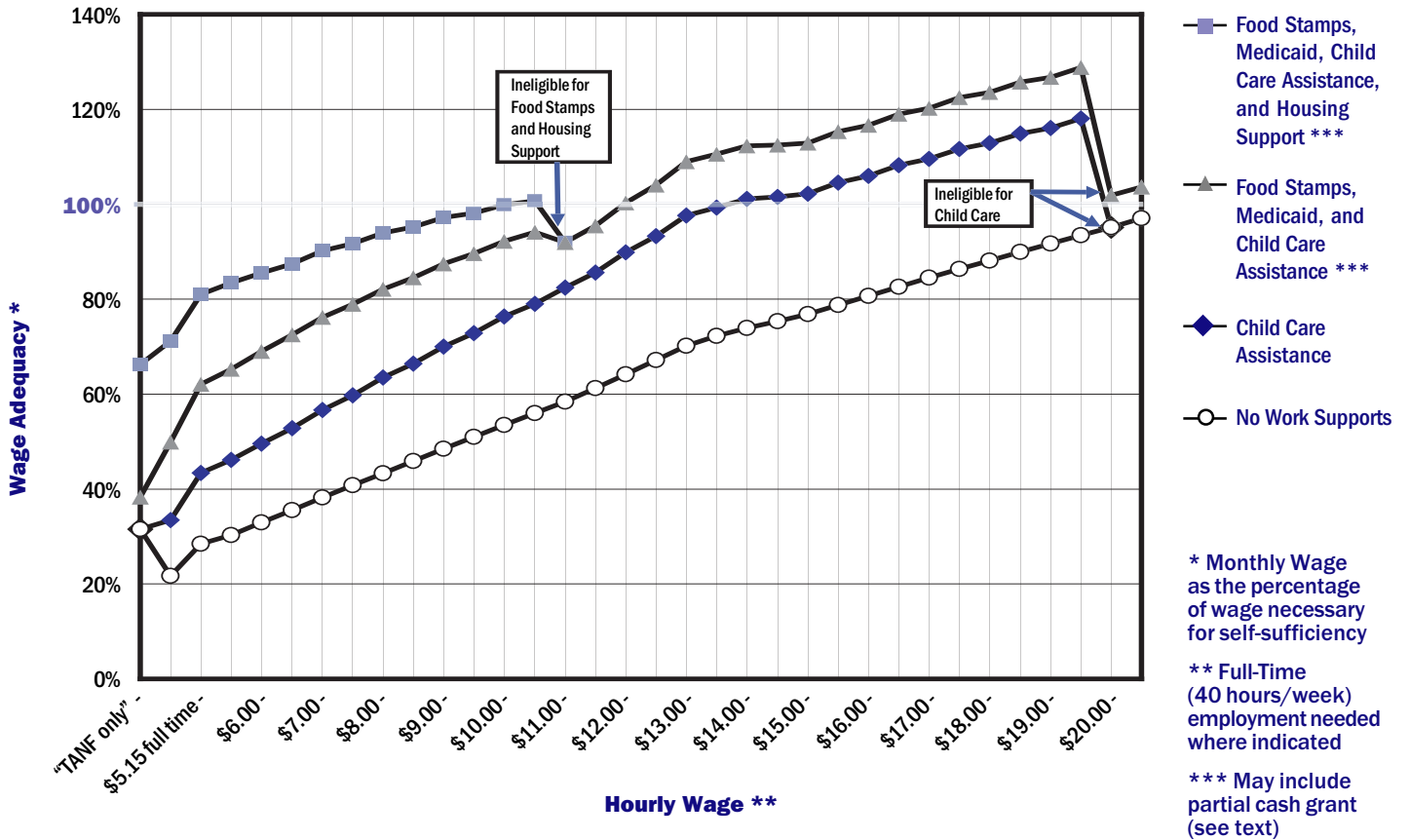
The addition of Housing Support to the typical “welfare-to-work” package lowers the wage necessary for this family to meet all of their basic needs from \$12.00 per hour to \$10.00 per hour. However, at \$11.00 per hour the wage earner is no longer eligible for Food Stamps or Housing Support and she experiences a “cliff” that brings her below 100% of Wage Adequacy, until she reaches a wage of \$12.00 per hour.

Fayette County



Chart 4.2
Single Parent with One
Infant, One Preschooler
and One Schoolage Child

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



* Monthly Wage as the percentage of wage necessary for self-sufficiency
 ** Full-Time (40 hours/week) employment needed where indicated
 *** May include partial cash grant (see text)

Fayette County • Specific Family



Single Parent with One
Infant, One Preschooler
and One Schoolage Child

Hourly income needed for 100% Wage Adequacy:

- Without work supports **\$21.50**
- With Child Care Assistance **\$14.00**
- With Medicaid and Child Care Assistance **\$12.00**
- With Medicaid, Child Care Assistance and Housing Support **\$10.00**

Wage Adequacy percentage when TANF is only income[§]: **32%**
 Wage Adequacy percentage when employed part-time at minimum wage[§]: **22%**
 Wage Adequacy percentage when employed full-time at minimum wage[§]: **28%**

[§] income without work supports

Did you know?



At \$9.50 per hour, this family loses Food Stamps benefit. This parent’s food expenses increase from \$230 to \$379 per month. Wage Adequacy drops 3 percent, from 92% to 89%, still while receiving Child Care Assistance and Medicaid.

At \$13.00 per hour, this family loses Housing Support. This parent’s housing expenses increase from \$660 to \$812 per month. Wage Adequacy decreases from 114% to 109%.

At \$16.50 per hour, this family loses Child Care Assistance. This family’s child care expenses increase from a co-payment of \$286 to \$818 per month. Wage Adequacy drops from 112% to 94%.



Chart 5.1 models the impact of work supports on Wage Adequacy for the standard family (a single parent with one preschooler and one schoolage child) living in Philadelphia.

Without the help of any public or private supports this single parent with two children must earn \$18.00 per hour to meet her family’s basic needs. Note that this is the highest cost area of the five considered in this report. Philadelphia is also the only area modeled where we assume the adult uses public transportation.

Child Care Assistance reduces the wage that she must earn to be at 100% of Wage Adequacy from \$18.00 per hour to \$13.50 per hour. However, if she earns \$16.50 per hour she becomes ineligible for Child Care Assistance and she experiences a “cliff” of 18% and falls below 100% of Wage Adequacy.

The addition of the work supports of Food Stamps and Medicaid reduce the wage she must earn to reach 100% of Wage Adequacy to \$11.50 per hour. At \$9.00 per hour she experiences a small

“cliff” in Wage Adequacy when her income reaches over 130% of the Federal Poverty Line and she is no longer eligible for Food Stamps.

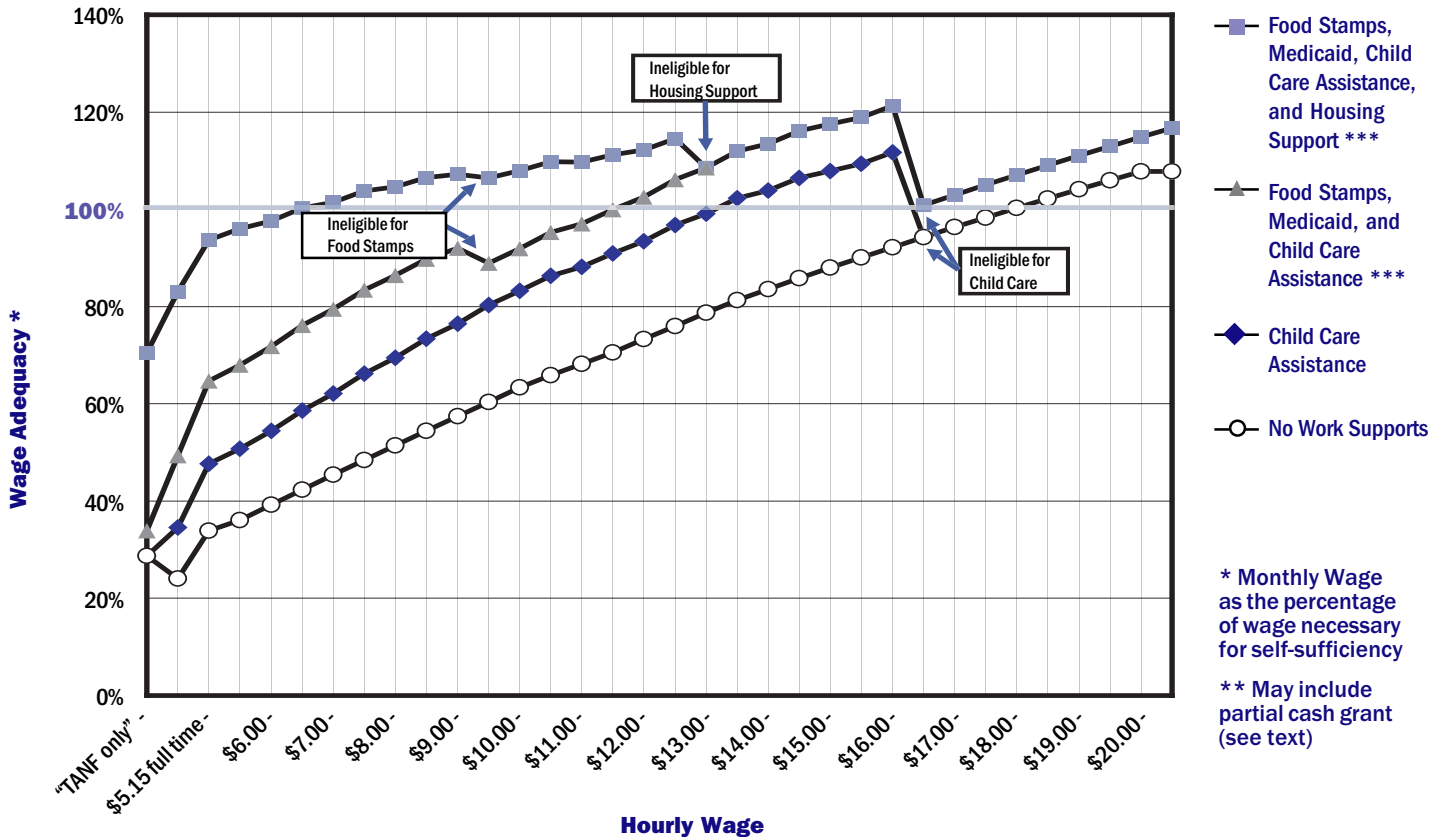
With Housing Support, Food Stamps, Medicaid and Child Care Assistance; she reaches above 100% Wage Adequacy when she earns \$6.50 per hour. However, she experiences a series of “cliffs” as her income rises. At \$9.50 per hour she is no longer eligible for Food Stamps and at \$13.00 per hour she loses housing assistance. At \$16.50 she experiences a “cliff” of 23% when she loses her Child Care Assistance. However, because she receives Medicaid her Wage Adequacy does not fall below 100%.

Philadelphia, Philadelphia County



Chart 5.1
Single Parent,
One Preschooler and
One Schoolage Child

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



* Monthly Wage as the percentage of wage necessary for self-sufficiency
** May include partial cash grant (see text)

Philadelphia, Philadelphia County • Standard Family



Single Parent,
One Preschooler and
One Schoolage Child

Hourly income needed for 100% Wage Adequacy:

- Without work supports **\$18.00**
- With Child Care Assistance **\$13.50**
- With Medicaid and Child Care Assistance **\$11.50**
- With Medicaid, Child Care Assistance and Housing Support **\$6.50**

Wage Adequacy percentage when TANF is only income[§]: **29%**
 Wage Adequacy percentage when employed part-time at minimum wage[§]: **24%**
 Wage Adequacy percentage when employed full-time at minimum wage[§]: **34%**

[§] income without work supports

Did you know?



At \$9.50 per hour, the family loses Food Stamps, increasing monthly food expenses from \$181 to \$330. Wage Adequacy drops 3 percent, while receiving Child Care Assistance and Medicaid.

At \$13.00 per hour, this family loses Housing Support. This parent's housing expenses increase from \$660 to \$812 per month. Wage Adequacy drops 6 percent, from 116% to 110%.

At \$16.50 per hour, this family loses Child Care Assistance. This parent's child care expenses jump from \$286 to \$1047 per month. Wage Adequacy drops 24 percent, from 112% to 88%. This family cannot reach 100% Wage Adequacy again until the parent earns at least \$20.00 per hour.



Chart 5.2 models the impact of work supports on Wage Adequacy for a single parent with one infant and one preschooler living in Philadelphia.

Without the help of any work supports this single parent must earn \$20.00 per hour to meet her families' basic needs, as she lives in a high cost area and has two children who require full-time child care.

Child care costs are very high for this family with an infant and a preschooler. Child Care Assistance reduces the wage this single parent needs to earn from \$20.00 per hour to \$13.50 per hour. However, if she earns \$16.50 per hour she is no longer eligible for Child Care Assistance and her Wage Adequacy drops from 112% to 88%. She will not reach 100% Wage Adequacy again until she earns \$20.00 per hour.

When also receiving Food Stamps and Medicaid with the Child Care Assistance, the single parent must earn \$11.50 per hour to reach a Wage

Adequacy of 100%. However, when she loses her Child Care Assistance for her two children at \$16.50 per hour, she falls again below Wage Adequacy of 100%.

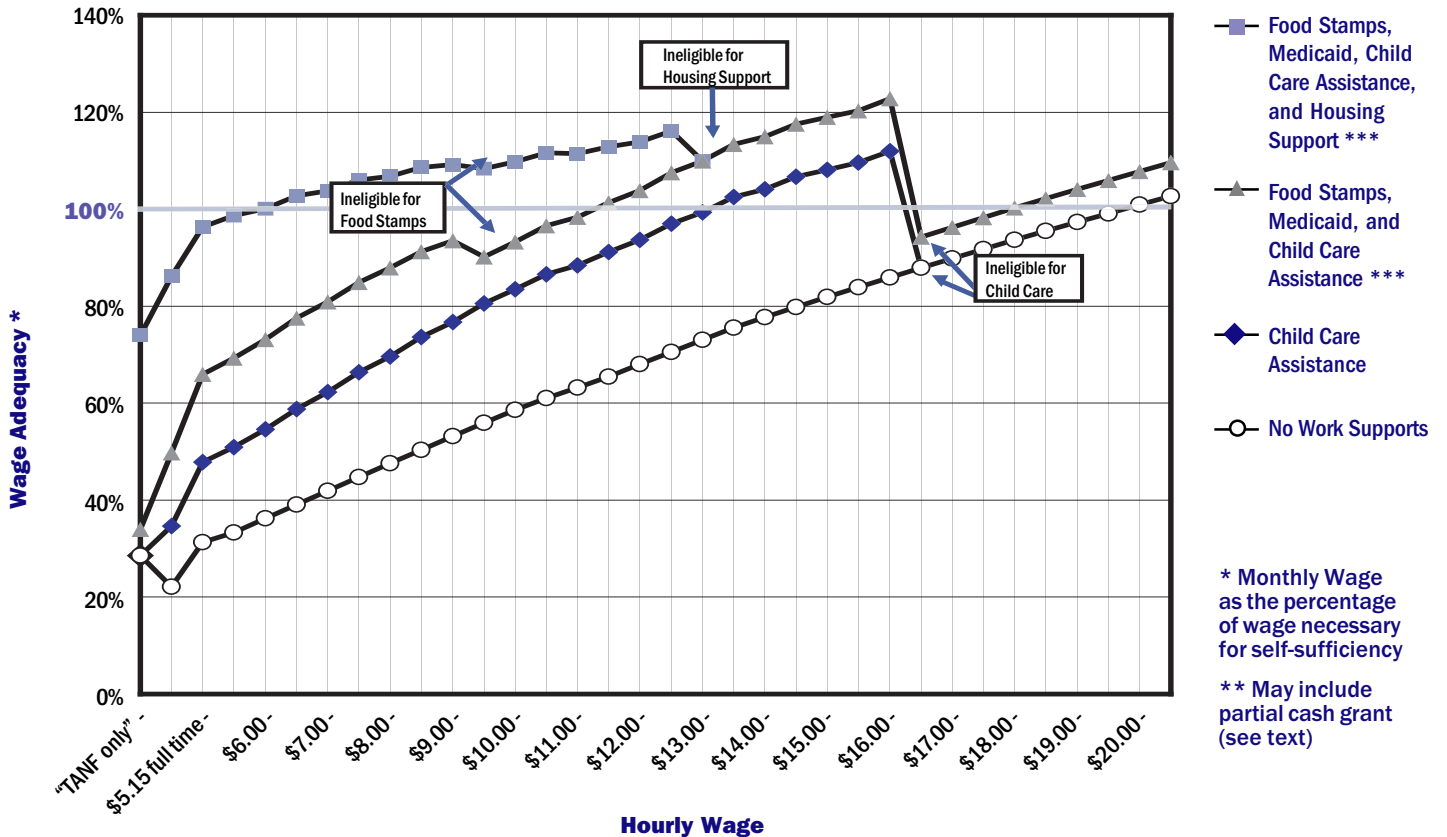
While receiving Food Stamps, Medicaid, Child Care Assistance and Housing Support she reaches 100% of Wage Adequacy at \$6.00 per hour. She experiences small cliffs when she loses Food Stamps and Housing Support but her Wage Adequacy does not fall below 100%. However, at \$16.50 per hour she loses Child Care Assistance and experiences a large drop in her Wage Adequacy that brings her below 100%. She reaches 100% Wage Adequacy again at \$18.00 per hour.

Philadelphia, Philadelphia County



Chart 5.2
Single Parent with
One Infant and
One Preschooler

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



* Monthly Wage as the percentage of wage necessary for self-sufficiency
** May include partial cash grant (see text)

Philadelphia, Philadelphia County • Specific Family



Single Parent with
One Infant and
One Preschooler

Hourly income needed for 100% Wage Adequacy:

- Without work supports **\$20.00**
- With Child Care Assistance **\$13.50**
- With Medicaid and Child Care Assistance **\$11.50**
- With Medicaid, Child Care Assistance and Housing Support **\$6.00**

Wage Adequacy percentage when TANF is only income[§]: **29%**
 Wage Adequacy percentage when employed part-time at minimum wage[§]: **22%**
 Wage Adequacy percentage when employed full-time at minimum wage[§]: **31%**

[§] income without work supports

Did you know?



This parent only meets 25% of her family’s needs when working full-time at minimum wage. Even if this family receives Food Stamps, Medicaid, and Child Care Assistance, only one-half of their basic needs are met with this wage. With the addition of Housing Support, a minimum wage job full-time results in a Wage Adequacy of 93%.

At \$15.00 per hour, this family loses Food Stamps. This parent’s food expenses increase from \$405 to \$649 per month, and Wage Adequacy drops 5 percent, from 90% to 85%, still while receiving Child Care Assistance and Medicaid.

At \$17.00 per hour, this family loses their Housing Support. This parent’s housing expense increases from \$871 to \$1271 per month and Wage Adequacy drops 11 percent, from 103% to 92%.



Chart 5.3 models the impact of work supports on a large family of six (a single parent with one infant, one preschooler, two schoolage children, and one teenager) living in Philadelphia.

Without any work supports, the single parent would need to earn \$34.00 per hour to meet all of the expenses for her family.

Even with Child Care Assistance for the infant, preschooler and two schoolage children, she will not reach 100% of Wage Adequacy until she earns \$23.50 per hour. However, if she earns \$26.50 per hour she will lose her Child Care Assistance and fall below 100% of Wage Adequacy. She will not be able to meet all of her basic needs for her family again until she earns \$34.00 per hour.

While receiving Food Stamps, Medicaid, and Child Care Assistance; she needs to earn \$19.50 per hour to be at 100% of Wage Adequacy. While

Food Stamps and Medicaid together increase her Wage Adequacy by about 18% (compared to just child care alone), when her earnings reach \$15.00 per hour she loses Food Stamps and experiences a “cliff.”

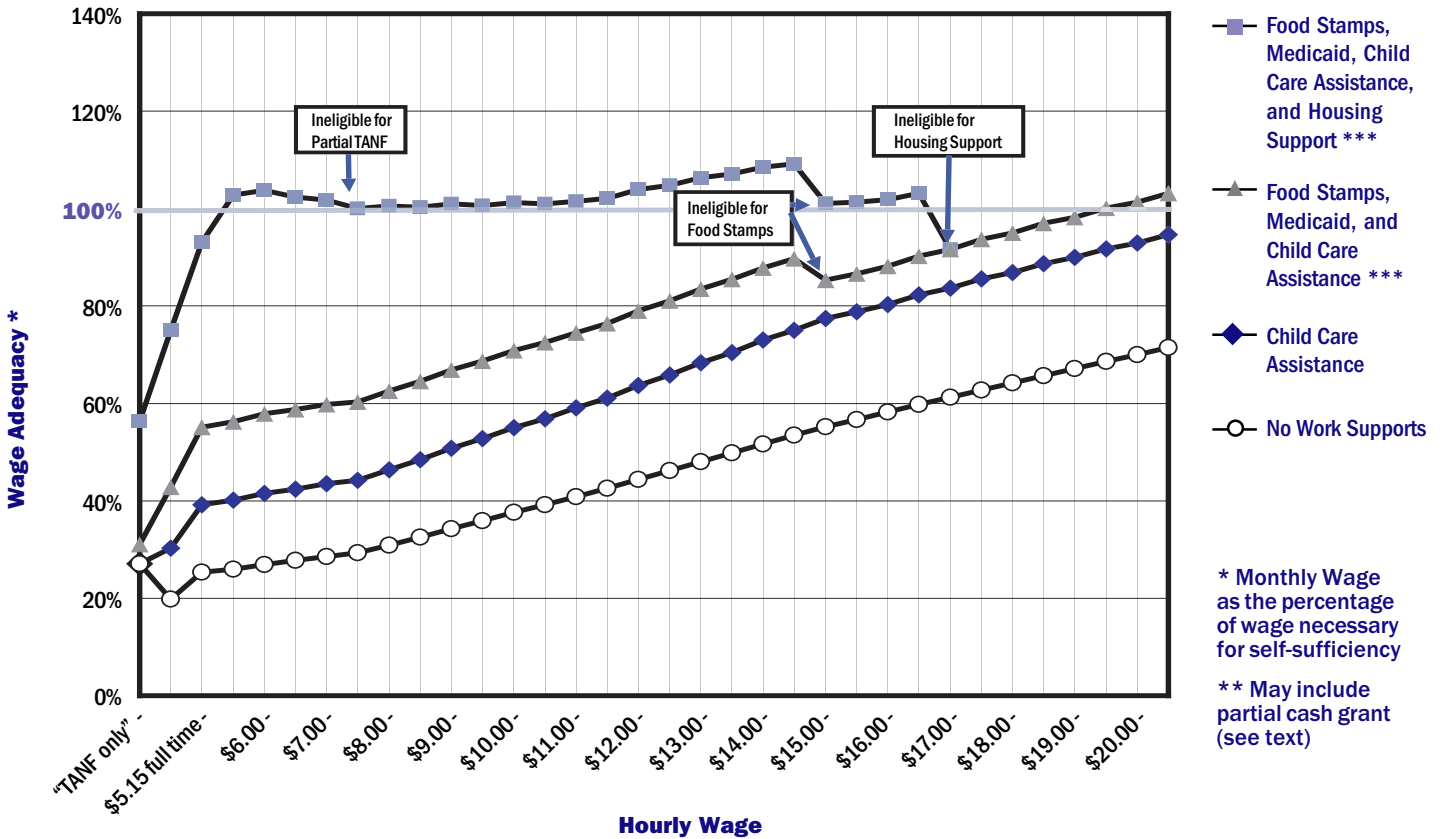
Adding Housing Support to the typical “welfare-to-work” package of Food Stamps, Medicaid, and Child Care Assistance greatly helps this family reach 100% of Wage Adequacy at lower wage levels. While working full-time at \$5.50 with these work supports she will be at 103% of Wage Adequacy. For this family, and all the families we have modeled, receiving the full package of work supports has a tremendous impact on parents to earn a wage that is adequate to meet their families’ needs.

Philadelphia, Philadelphia County



Chart 5.3
Single Parent with One Infant, One Preschooler, Two Schoolage Children and One Teenager

IMPACT OF WORK SUPPORTS ON WAGE ADEQUACY



* Monthly Wage as the percentage of wage necessary for self-sufficiency
** May include partial cash grant (see text)

Philadelphia, Philadelphia County • Large Family



Single Parent with One Infant, One Preschooler, Two Schoolage Children and One Teenager

Hourly income needed for 100% Wage Adequacy:

- Without work supports **\$34.00**
- With Child Care Assistance **\$23.50**
- With Medicaid and Child Care Assistance **\$19.50**
- With Medicaid, Child Care Assistance and Housing Support **\$5.15**

Wage Adequacy percentage when TANF is only income[§]: **27%**
 Wage Adequacy percentage when employed part-time at minimum wage[§]: **20%**
 Wage Adequacy percentage when employed full-time at minimum wage[§]: **25%**

[§] income without work supports

Summary of Findings

In this report, we analyzed two important ways that public policy has impact on low-income families struggling to become self-sufficient. These were the impact that receiving work supports has on helping families meet their basic needs, which we did by contrasting the impact of having or not having one or more work supports on Wage Adequacy. Second, we showed the “cliffs” created by income eligibility limits. We did this for a range of family types, and in five very different counties in Pennsylvania, showing how place and family type interact.

Reaching an adequate wage varies by family type and by location. Recall that in each place, we calculated Wage Adequacy for a standard family type, as a “single parent with one preschooler and one schoolage child.” Without the help of any work supports, this single parent reaches a Wage Adequacy of 100% at \$16.00 per hour in Erie, but in Philadelphia she would need to earn over \$18.00 per hour to meet her family’s basic needs. Among the other family types and places modeled, reaching a Wage Adequacy of 100% without any work supports requires a wage that varies from \$10.00 per hour per adult for a two adult family (with one preschooler and one schoolage child) in Reading, to \$34.00 per hour for a single parent with 5 children in Philadelphia.

These are of course quite high wages, out of reach for many parents, especially given local economics and/or limited job skills or education. Our analysis found that the impact of work supports on Wage Adequacy is crucial, but also varies by location and by family type. Child Care Assistance alone reduces the wage needed to earn a Wage Adequacy of 100% by as low as \$3.50 per hour, a 22% reduction, for the standard family living in Fayette County and up to \$5.00 per hour, or 28%, for the standard family in Pittsburgh.

Potentially, those leaving welfare receive a work support package of Food Stamps, Medicaid and Child Care Assistance, which also has an important impact on helping

families to be able to reach a Wage Adequacy of 100%. This work support package reduced wages by \$5.50 per hour, or 34%, for the standard family in Fayette County and up to \$6.50 per hour in Erie, or 36%.

When we add Housing Support to the welfare-to-work support package (Food Stamps, Medicaid and Child Care Assistance), the impact on reaching a Wage Adequacy of 100% is substantial. The full work support package reduced the wage necessary to reach 100% Wage Adequacy by \$7.50 per hour, which lowers the wage to \$9.00 per hour (a 45% decrease) in Berks County for the standard family, and in Philadelphia the impact was the most extensive—a reduction of \$11.50 per hour to \$6.50 per hour, or a 64% decrease in the hourly wage necessary to reach a Wage Adequacy of 100%.

The charts in this report showed not only how work supports help families meet their needs at Wage Adequacy at lower wages, but also how losing a work support impacts their budgets. The “cliffs” that occur when a family loses work supports vary by family type and by location. For example, the budgets of families with very young children are particularly impacted when they lose Child Care Assistance. Thus, the single parent with one adult, one infant and one preschooler living in Philadelphia, receiving the full work support package (Housing Support, Food Stamps, Medicaid and Child Care Assistance) earning \$6.00 per hour has a Wage Adequacy of 100%. However, when she loses Child Care Assistance at \$16.50 per hour she experiences more than a 20% “cliff” and falls below a Wage Adequacy of 100%. On the other hand, a single parent with a schoolage child and a teenager living in Erie experiences no “cliff” when they are no longer eligible for Child Care Assistance.

This report showed the impact that various work supports, either alone or in combination, can have on Wage Adequacy. Unfortunately, the reality is that the various work supports modeled here are not available to all who need them:

- **Nationwide, only about 12% of eligible families receive housing aid or live in public housing.⁶ In Pennsylvania, there are 151,165 Public Housing and Section 8 units, but waiting lists of some PHAs range from two months to over a year and a half.⁷**
- **Between 1996 and 2000, the number of people receiving Food Stamps dropped by 8.6 million, according to the U.S. Department of Agriculture. Although some of this decline was due to the improving economy, a GAO report concluded that the decline was greater than would be expected according to economic indicators, and the Urban Institute reported that about two-thirds of those that left the Food Stamps program as they left welfare, remained eligible.⁸**

- **Only 10% of about 15 million eligible children are receiving Child Care Assistance nationwide; in Pennsylvania, the percentage is 22.⁹**

- **Families USA reports that in the 12 states with the largest numbers of uninsured children, Medicaid enrollment declined by nearly a million children. Some, but not all of that loss, was recouped with expanded CHIP (Child Health Insurance Program) enrollment.¹⁰ In Pennsylvania, there are approximately 121,540 children served by CHIP and of the children who are otherwise eligible for CHIP, only 18% participate in CHIP.¹¹**

- **Although 58% of custodial parents had child support awards, only 34% received at least part of the child support payment owed them, and less than 20% received the full amount owed. Not surprisingly, the average monthly child support payment of \$312 represents just 17% of a single mother's, and 11% of a single father's income.¹²**

⁶ U.S. Department of Housing and Urban Development, *Assisted Housing 1999*.

⁷ Freedom of Information Officer, HUD, Personal Communication, August 22, 2001. HUD lists 77,818 Public Housing units and 73,347 Section 8 Units in Pennsylvania.

⁸ "Current News and Analysis: 8.6 Million Fewer Food Stamp Participants in March 2000 than March 1996, Yet Studies Show Persistent Need," <http://www.frac.org/html/news/fsmar00nos.html>. Also see Sheila R. Zedlewski and Sarah Brauner, *Are the Steep Declines in Food Stamp Participation Linked to Falling Welfare Caseloads?* The Urban Institute: Assessing the New Federalism, National Survey of America's Families (NSAF). Series B, No. B-3, November 1999.

⁹ "According to new state-reported statistics for fiscal year 1999, 1.8 million children in low-income families are receiving federal child-care subsidies on an average monthly basis. This is a slight increase from the 1.5 million children served in 1998." In Pennsylvania, 533,900 children would be eligible if the state set eligibility thresholds using the maximum federal limits; of these 82,750 are served by the Child Care and Development Block Grant/Child Care Development Fund, which is 15%. US Department of Health and Human Services. *New statistics show only small percentage of eligible families receive child care help* December 6, 2000. However, using Pennsylvania eligibility income limits, only 433,000 families are eligible (out of 1.2 million) and given that currently about 96,000 families receive Child Care Assistance, the proportion of eligible families who receive Child Care Assistance is about 22%. Sharon Ward, Philadelphia Citizens for Children and Youth, Personal Communication, August 1, 2002.

¹⁰ Families USA, *One Step Forward, One Step Back: Children's Health Coverage after CHIP and Welfare Reform*. October 1999.

¹¹ Children's Health Insurance Program, <http://www.insurance.state.pa.us/html/chip.html> and Ann Bacharach, Pennsylvania Partnerships for Children, Personal Communication, 2001. 86% of eligible children receive Medicaid in Pennsylvania, and 82% of eligible children receive CHIP.

¹² Lydia Scoon-Rogers, *Child Support for Custodial Mothers and Fathers: 1995*. U.S. Bureau of the Census, Current Population Reports (P60-196, March 1999).

Conclusion

The analysis presented here clearly shows the impacts that work supports can have on the ability of parents to meet their families' basic needs. However, it is important to remember that Wage Adequacy is a measure of how much it takes to meet the basic needs of the family. Being at a Wage Adequacy of 100% means a family lives in adequate housing, has decent child care, employer-provided health care, and a food budget that meets nutritional standards but recall that these are minimal budgets, e.g. there is no take-out, fast-food or restaurant meals, transportation only covers going to work, child care and one shopping trip per week. Earning a wage that brings the family to a Wage Adequacy of 100% does not provide for any savings, for the purchase of a car, replacement of an appliance, holiday or birthday presents, tuition or training, or any emergencies. Thus when a family's income exceeds a Wage Adequacy of 100% by 10 or 20% this might allow them to have a small amount to meet these "extra" and yet mostly inevitable costs.

Earning a wage that brings the family to a Wage Adequacy of 100% does not provide for any savings, for the purchase of a car, replacement of an appliance, holiday or birthday presents, tuition or training, or any emergencies.

the ability of parents to meet their families' needs adequately, Child Care Assistance and Housing Support.

Child Care Assistance

For many families with children, child care is the single most costly item in their budget. By subsidizing this cost, the government helps bridge the gap between the needs of low-income families and their wages. This work support is crucial, allowing parents to secure safe, dependable, and decent child care without jeopardizing their families' health, nutrition, or housing situation, even though their wages may not be very high. With their basic needs met at an adequate level,

Child Care Assistance makes a critical contribution towards helping to stabilize families as they secure a foothold in the labor market.

However, as soon as families lose their Child Care Assistance, their monthly child care cost jumps \$300 to \$800, from about 10% to over 30% of their monthly budgets, resulting in a large drop in Wage Adequacy.

Even 10% of the budget for a child care payment, when that budget is less than a Wage Adequacy of 100%, impacts the family's ability to adequately cover other expenses. Families who are making less than adequate wages inevitably must choose between adequate food, transportation, child care or some other vital expense. This can lead to instability, health problems or job loss.

Housing Support

The cost of housing is the other large portion of a family's budget. Together, child care and housing typically make up 50% of a family's budget when there are young children. With the help of Housing Support, families are able to reach Wage Adequacy at relatively low wages, but without Housing Support, even with other work supports to meet their needs, parents need to earn wages that are as low as \$6.00 per hour for some families and locations but up to \$15.00 per hour for others.

Other Work Supports

Similar conclusions may be drawn about the effects of other work supports that are smaller in their cost impact on Wage Adequacy, but arguably are equally as important. While health care and food costs are not as great as child care and housing, they are both essential needs that must be met if families are to achieve self-sufficiency. The Food Stamps federal gross income limit of 130% of poverty particularly impacts families in high cost areas such as Pittsburgh and Philadelphia, excluding families who literally do not have any "net" income after they have met their other needs (particularly housing) yet have gross income that is too high to qualify for assistance. Other work supports, such as transportation and utility assistance, can have similar effects on reducing costs and increasing Wage Adequacy, and should be addressed as well.

Recommendations

Because of the high cost of living in Pennsylvania, achieving economic self-sufficiency (i.e. having earnings sufficient to adequately meet a family's basic needs for shelter, food, child care, and so forth), requires high incomes. This is particularly true for families with very young children who require full-time child care.

With their Self-Sufficiency wages reduced by work supports, families entering employment are able to meet their needs adequately, even though their wages are still low. Meeting their needs at an adequate level means that their housing is decent, their child care is dependable, their food budget affords adequate nutrition, and so forth. This level of Wage Adequacy also means much more stability than is likely to be the case where families with less than sufficient resources must double up to conserve housing dollars, use poor quality or undependable, but cheap, child care, or skimp on food. With stability, the opportunity to parlay employment into steady earnings and wage increases is enhanced.

Jeopardizing these crucial yet fragile balances of income and work supports is costly for families now and in the future. Work supports help families along the road to long-term economic self-sufficiency, but only when they truly help families meet their basic needs adequately, especially when their wages are low.

There are many reports that document the struggles of low-income families. A recent report¹³ by the U.S. Conference of Mayors indicated that requests for emergency food assistance jumped an average of 23% over the last year and requests for emergency shelter assistance rose 13% in the twenty-seven cities surveyed. According to the report, "Low paying jobs lead the list of causes of hunger identified by city officials." Lack of affordable housing, followed by low-paying jobs, leads the causes of homelessness.

There are many low-wage workers in Pennsylvania. Nearly one in four families with children cannot meet their basic needs. This represents 535,000 people.¹⁴ Yet, we know from this research that economic supports for low-income families can make an enormous difference in a family's Wage Adequacy and budget. We need to ensure that concrete support is provided to working families struggling to make ends meet.

The recommendations below are guided by the following principles:

- All work support programs and subsidies should be fully accessible. Over time, we have burdened too many programs, and the families seeking help, with complex requirements that become barriers to access. The difficulties in accessing these programs likely results in familial nonparticipation. Making these programs more accessible will increase participation and will serve to help families build paths out of poverty.
- As much as possible, "cliffs" should be removed. We should streamline programs so that transitions towards self-sufficiency are smooth and supported, not loaded with pitfalls that hamper families efforts to make progress.
- We should equalize and modernize the application processes, expanding online and telephone application processes, decreasing irrelevant paper and in-person requirements. Getting these benefits should be as easy as getting a credit card.

¹³ The United States conference on Mayors, *Hunger and Homelessness Up Sharply in Major U.S. Cities* (Press Release), December 12, 2001.

¹⁴ David H. Bradley and Stephen A. Herzenberg, *The Sixth Annual State of Working Pennsylvania 2001*, 2001.

- Investing in the nutrition, child care, health care, and housing of children, and reducing costs for parents, are important *investments* in the Pennsylvania's future.
- Program modifications should be driven by what families need to support their work efforts. Any changes to program budgets should be limited to those that improve efficiency (e.g., streamlining applications, decreased administration costs) rather than cuts in benefit amounts, which make it more difficult for families to maintain economic viability.

We must support working families by:

1. Raising the upper eligibility gross income limit for Food Stamps from 130% to 235% of the poverty level. Since this is a federal program, the state could supplement the federal program for families above the federal limit.

Rationale: As shown in this report, families lose eligibility for Food Stamps at \$9.00 per hour (for a family of three) and \$10.86 per hour for a family of four, well below Self-Sufficiency in all Pennsylvania counties. Although their grants have decreased with increasing income, this loss often creates a “cliff”, when they must cover another \$200 or so of food costs suddenly on a small raise. This means that at the time of the loss of the benefits, they do not actually have adequate income, after housing, child care, and other expenses, to meet their families’ nutrition needs.

2. Increasing the availability and accessibility of Child Care Assistance to all income eligible families. This includes eliminating burdensome requirements—such as co-operation with court-mandated child support requirements—as a condition of receiving Child Care Assistance, and offering Child Care Assistance to those with the lowest income level at no cost.

Rationale: As this report shows, providing Child Care Assistance, especially for families with two or more young children, has a strong impact on family budgets, making it possible for families to meet their other needs without skimping on child care. Child care is a “www” solution, a “win-win-win” solution for the child, the parent, and the

employer. To use child care to further other goals (such as child support enforcement), however laudable those efforts, does not help children or families. Furthermore, in instances that involve consistent informal child support from the non-custodial parent or the cases involving domestic violence, imposing child support enforcement may well do more harm than good to the families and children involved.

3. Helping more families access subsidized housing, through expansion of Section 8 voucher programs, public housing, and other subsidized and supportive housing programs.

Rationale: The analysis shows that when Housing Support is added to child care, Food Stamps, and Medicaid, it can make the difference between having enough, and being 10, 20 or 30% short of the resources needed to meet family basic needs. Given that these are bare-bones budgets, being short that amount can mean choices that sacrifice basic nutrition, or result in overcrowded and unsafe housing, or child care that is less than adequate or seriously problematic.

4. Expanding transitional Medicaid beyond the first year after leaving TANF to provide families more time to reach Wage Adequacy. This is especially important for providing adult health insurance for parents who have employers who do not provide health insurance benefits.

Rationale: All of our analysis above presumes that Medicaid covers the entire family. Even when the children are covered by CHIP, we have shown elsewhere, when parents do not have Medicaid coverage, just the parents’ health care costs requires additional income of \$100-200 per month. Moreover, this assumes that health care coverage is available through the employer. If the latter is not true, as unfortunately seems to be increasingly the case, then the costs of meeting the parent’s health care costs could be a “budget-buster”; alternatively, health care crises for the adults, if they are uncovered, could well lead to a return to welfare. A relatively small amount of dollars invested in health care coverage for parents until they are able to obtain employer-provided care will return substantially for the state through preventing return to welfare of the entire family.

5. Encouraging employers to offer affordable family health insurance benefits by providing employers with incentives.

Rationale: Studies have found that a majority of low-income parents who leave welfare lose their Medicaid coverage, although they are still eligible for an additional year. Yet many low-income parents who leave welfare for work cannot get employer-sponsored insurance coverage.¹⁵

6. Lowering the co-insurance for the Children's Health Insurance Program (CHIP) so that the cost of the premium is no barrier to coverage.

Rationale: Although premium costs of, for example, \$45.00 per month may seem negligible to some, studies have shown that such premium co-payments are a barrier to participation. If the goal is to extend health care coverage so that working parents who lack employer-provided coverage do not have to choose between employment and their children's health, then any and all barriers should be removed that reduce access to critical health care.

7. Subsidizing COBRA payments for families whose wage earner is laid off from work.

Rationale: Although we did not model the impact of COBRA costs, we do know from the Self-Sufficiency Standard for Pennsylvania that the average Pennsylvania family's premium is about \$103.00 per month. This is about 22% of the total premium cost (with the employer paying the balance). If required to cover total health care costs when unemployed, the cost for continuing health care coverage would jump to \$468.00 per month for Pennsylvania families. Obviously, this is a "budget buster", especially when the parents are unemployed, threatening their ability to meet their other needs on reduced income. Not surprisingly, many families cannot afford this cost, putting them at risk of

uncovered health care costs, leading to families being forced to turn to welfare and Medicaid. Again, keeping families covered again is a cost-effective investment in helping families' weather periods of unemployment and move towards self-sufficiency.

8. Opening access to Unemployment Insurance to more of the unemployed by instituting reforms such as counting the most recent quarter of work, covering part-time and temporary workers, and providing coverage for those whose separation was necessitated by sexual harassment, child care or health problems. Also, support should include dependent allowances and continuation of child care and health care. Currently, only about one-third of unemployed workers are now covered by unemployment insurance.

In the interim, provide temporary, short-term emergency financial assistance that is not subject to the TANF time clock for laid-off workers who are not covered by Unemployment Insurance.

Rationale: Making the transition into the workforce is rarely smooth, and providing temporary income supports that help families bridge short-term spells of unemployment between jobs helps families as they seek to stabilize their employment and economic situation. Arcane rules that date from pre-computer days (from the 1930's actually) exclude recent employment, thus unnecessarily impoverishing workers and their families. Excluding part-time workers, and workers whose separation stems from child care and health care problems, or because of sexual harassment, disproportionately impacts low-income families maintained by women. Providing UI prevents families from turning to welfare while supporting their efforts to become re-employed quickly.

¹⁵ Center on Budget and Policy Priorities, *Improving Transitional Medicaid to Promote Work and Strengthen Health Insurance Coverage*, April 29, 2002.

9. Simplifying the application for and maintenance of family-supporting subsidies by removing barriers such as burdensome *in-person* reporting requirements. Examples of such barriers include severely limited or non-existent evening/weekend appointments, lack of translators when needed, and monthly Food Stamps reporting.

Rationale: Procedures for applying for work supports should incorporate the same technology and convenience provided the general public, e.g., in the public utilities systems (telephone service, etc.), that provides broader and multiple points of access, such as the telephone and internet, and that support rather than conflict with parents' work and childrearing responsibilities.

10. Extending the time under TANF allowed for education and training activities, providing support via child care and health care (both for those not on TANF as well as those on TANF) and counting education and training as work activities. Traditionally, work supports provide limited and temporary help, and should be coupled with increased access to education and training that leads to Self-Sufficiency Wages.

Rationale: While providing work supports are crucial in helping parents meet the cost of their families' basic needs, ultimately for many their economic security and self-sufficiency will require that they have access to education and training that leads to jobs paying self-sufficiency wages. For the society as a whole as well, investment in education and training results in a "smarter", more self-sustaining workforce that responds more readily to rapid technological change, and is less likely to turn to, or return to welfare.

11. Promoting use of work supports through outreach and public education efforts.

Rationale: In 1999, only 43 out of 100 working households with incomes low enough to qualify for the Food Stamp Program participated in the program.¹⁶ Although families are eligible for work supports, they often are not receiving the benefits. Some of these families believe they are not eligible for work supports or do not know how to access work supports.

12. Developing an outreach campaign to inform working families of valuable tax benefits, such as the Earned Income Tax Credit (EITC).

Rationale: The General Accounting Office estimates that 4.3 million eligible American households did not apply for the Earned Income Tax Credit, and failed to collect \$2.6 million dollars in credits owed them. For tax year 2001, a family with two or more children, whose income was less than \$32,121, could receive a tax refund of up to \$4,008 through the EITC. The EITC and other tax benefits, such as the refundable Child Tax Credit and Pennsylvania's TAX BACK program, could provide additional money for these struggling families. An outreach campaign would inform families of these benefits and refer them to free Volunteer Income Taxpayer Assistance (VITA) sites.

¹⁶ Center on Budget and Policy Priorities, *The Food Stamp Program Can Be Improved for Working Families*, August 1, 2001



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