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Presents

DISRUPTING THE POVERTY CYCLE Conference 2016

BREAKTHROUGH INTERVENTIONS AND OUTCOMES

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One step forward, one step back?: Cliff effects for families with housing support and the minimum wage

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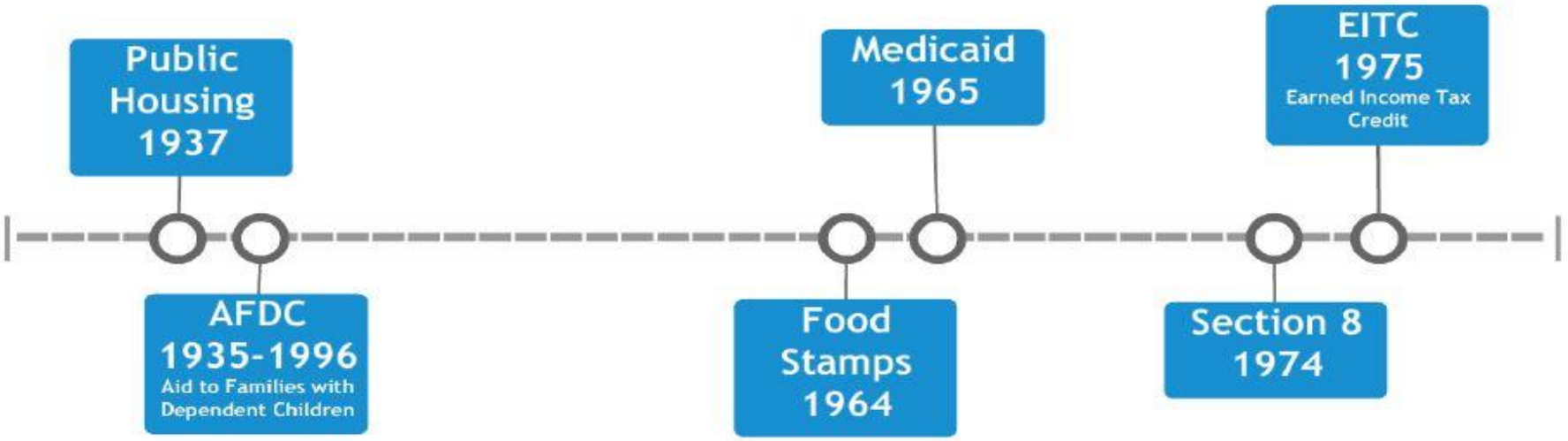
Government Supports and Poverty



- Key US anti-poverty programs were originally established to help low-income families meet basic needs.

- They were originally designed to assist families and individuals that had very little or no earnings: single mothers, elders, or people with disabilities were not expected to work.

Current Government Supports and Earnings

Since the 1980's, employment has been promoted as a key component of poverty reduction.

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act requires recipients of assistance to work.

Some programs, such as health insurance programs, have adapted by expanding benefits to those with higher incomes.

Still, there is an uneasy relationship between public supports and earnings because the cost of basic needs is high and public supports fall off as earnings increase—what is known as "cliff effects."

Cliff effects

Cliff effects refer to the drop in public supports that occur when earnings go up. For example, every additional dollar of earnings a worker getting SNAP receives, she sees a drop in the amount of SNAP benefits of about 30 cents.

Sometimes cliffs are more like rolling hills rather than steep drop offs. But in either case they make you feel like you are running in place, when you think you should be getting ahead by earning more.

Cliffs only affect families and individuals that have earnings and public supports. And the more of these supports received, the more pronounced the cliffs.

Target group: Single parents

Working families with young children, especially single parent families, are the most likely to receive more than one support and experience cliff effects.

1. Most likely family type to be low-income and eligible;
2. Many of these programs have been specifically targeted to them (like child care and cash assistance); and
3. Government agencies, schools, and other organizations succeed in their outreach to enroll eligible families.

Families with young children face higher costs because their children must be cared for when parents are at work.

Why Cliffs Matter for Anti-Poverty and Employment Polices

When two or three public support programs phase out around the same earnings levels, cliff effects are intensified and may unintentionally undermine the intended impacts of each program.

Siloed program delivery (i.e. different public support programs are provided by and monitored by different agencies) may impede serving families who receive these benefits.

The “Fight for $15” movement to increase the minimum wage is gaining momentum. And while all low-wage workers sorely need a raise, will families with public supports face cliffs as a result?

Two approaches: Simulator and Aggregate Data

Our goal is to better understand the cliff effects for families with housing supports.

Two approaches:

- Simulate the impacts for a single parent with young children; and
- Estimate the labor supply effects with increases in the minimum wage using US aggregate data on single parents (preliminary work).

The CSP Net Resource Simulator

Simulate cliff effects for a single parent with a 3 year old and 8 year old child living in Boston using 2014 tax rates and 2015 costs, benefit eligibility rules, and benefit levels.

Assume full time work (2000 hours a year), starting at $9.00 an hour ($18,000 annually(and moving up the wage scale.

Costs included: housing, food, child care, health care (premium plus MOOP), transportation, miscellaneous, payroll and income taxes.

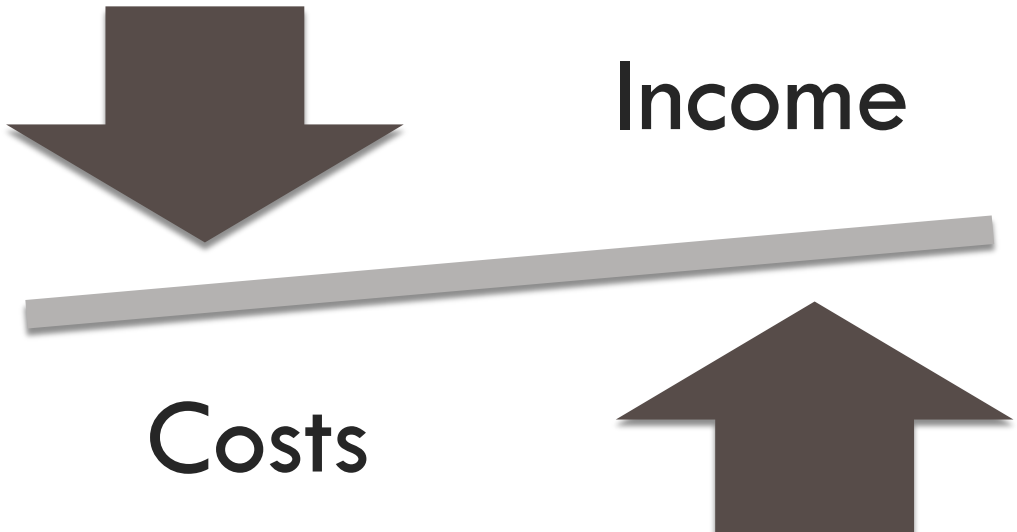
Supports included: SNAP, WIC, EITC, CTC, MassHealth/Connector, MRVP.

Research Results: Net Resources by Earnings

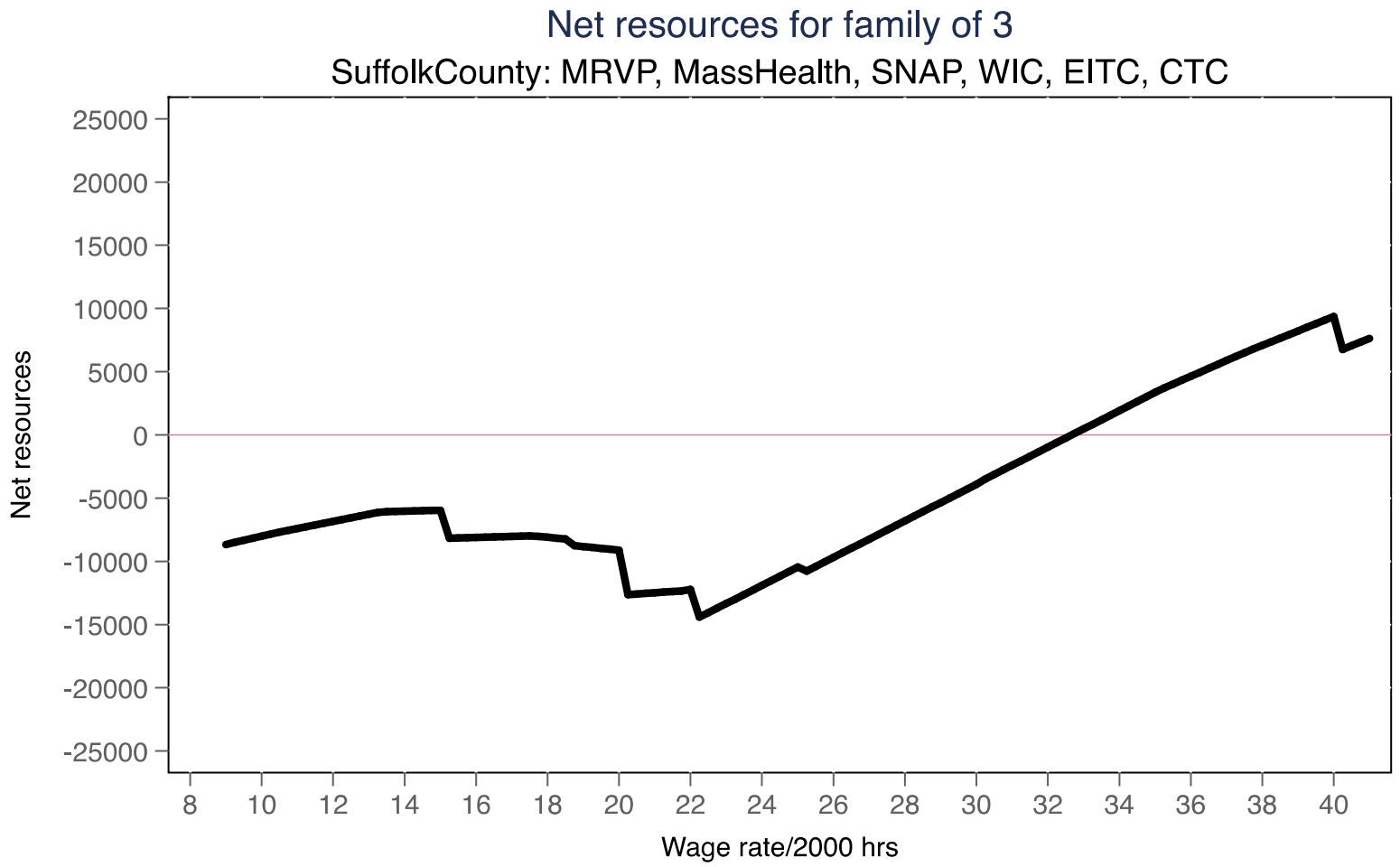
Net annual resources = (Net annual income) minus (net annual costs)

Net annual income = (Earnings + cash assistance + refundable tax credits) minus (income & payroll taxes owed)

Net annual costs = (Typical costs for basic needs) minus (the value of benefits received)

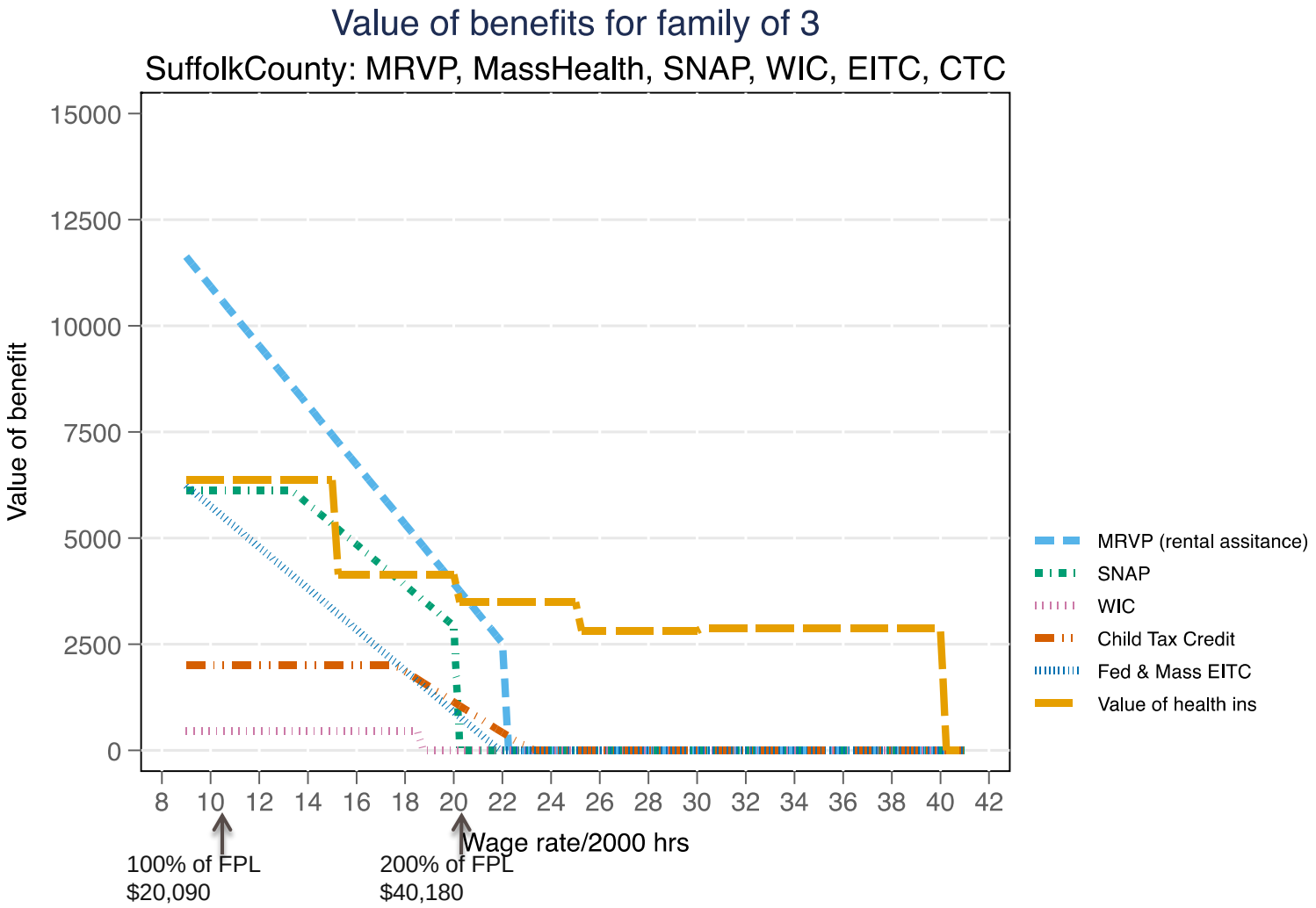


Net Resources with Baseline Package (SNAP, WIC EITC, CTC, MassHealth) and MRVP

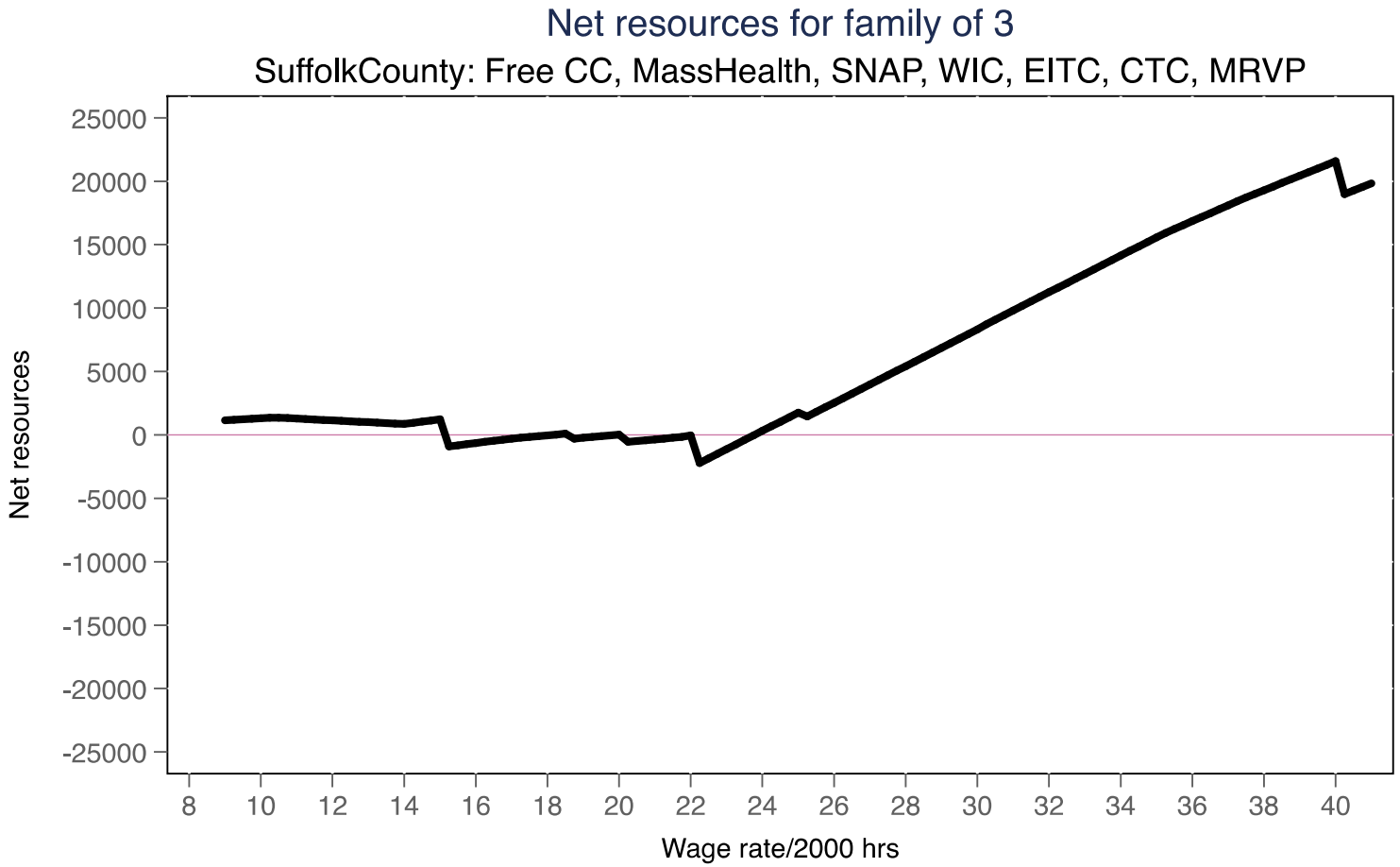


Source: CSP Net Resource Calculator

Benefit Levels Baseline Case (SNAP, WIC, CTC, EITC, MassHealth) Plus MRVP

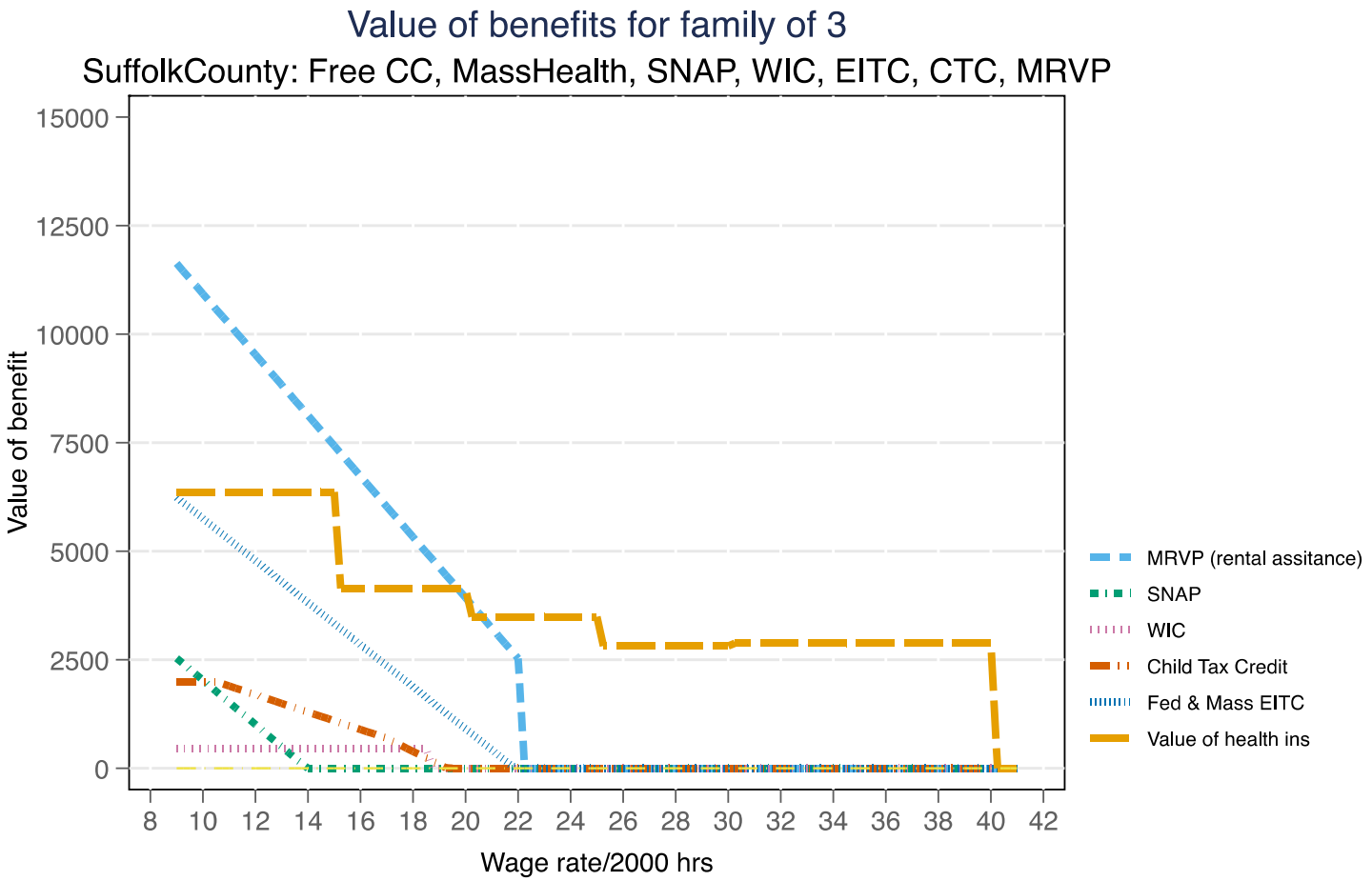


Net Resources with Baseline Package (SNAP, EITC, CTC, MassHealth) plus Housing (MRVP**) and universal child care**



Source: CSP Net Resource Calculator

Benefit Levels Baseline Case (SNAP, WIC, CTC, EITC, MassHealth), MRVP, and Universal Child care



Aggregate Data: Methods

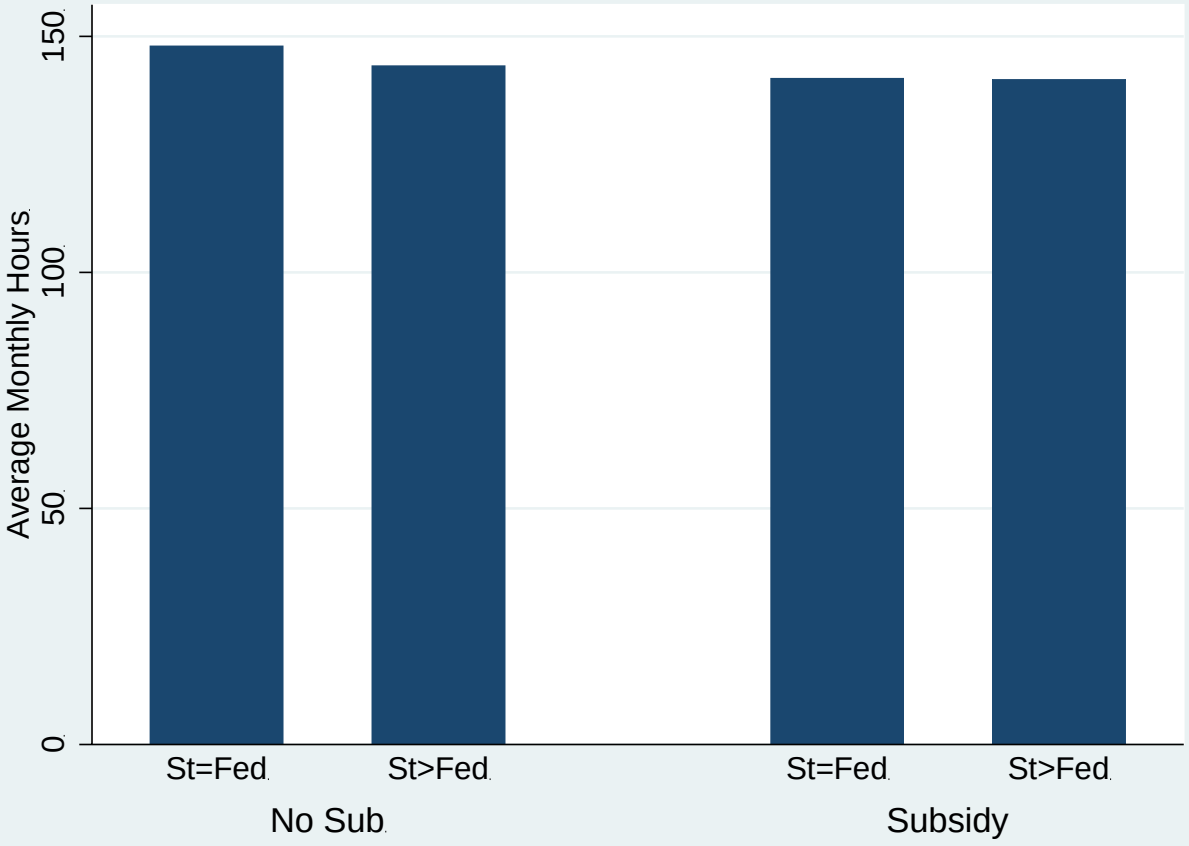
- Estimate labor supply response to minimum wage for single individuals with and without a housing voucher.
- Use sample of single individuals paid hourly, age 20 to 60 with a focus on those eligible for housing voucher.
  - That includes those whose family income is less than 80% and 30% of Median Area Income (MAI).
- Also focus on individuals with a child under 12.
- Data come from large national dataset Survey of Income and Program Participation (SIPP) for 2008-2012.

Single adults by eligibility for housing supports

	All Hourly	Child <12	<30% MAI, Child <12	<80% MAI, Child <12
Monthly Hours	153.54	149.14	119.67	145.64
(FT = 170)				
Average Hourly Wage	13.46	12.20	9.62	11.40
Average Age	37.27	33.05	31.61	32.69
Percent White	60.0%	47.0%	46.0%	46.0%
Percent Black	18.0%	24.0%	27.0%	24.0%
Percent Asian	3.0%	2.0%	1.0%	1.0%
Percent Hispanic	15.0%	23.0%	22.0%	24.0%
Percent with Housing Subsidy	6.0%	12.0%	23.0%	14.0%

Work Hours and the Min Wage

Individuals with <30% MAI, Child <12.



- St=Fed: state and fed min wage are equal.
- St>Fed: state min wage bigger than fed min wage.

Regression results

- Minimum wage decreases labor supply for those with and without subsidy.
- Decreases more for those with subsidy.
- Cliff effects may kick in with increases in the minimum wage, but is not statistically significant for single parents.
- Preliminary findings: Need to explore more about characteristics of those that decrease hours worked as wages go up.

Policy implications

- Single parents with public supports face cliff effects at higher levels of earnings ($9.00).
- Responses to increases in wages is mixed. There is some decrease in hours of those with housing supports compared to similar parents without them, but it is not statistically significant.
- Increases in minimum wages can be helpful to families, even those facing cliff effects.
- Ways to allow families to “make work pay” would increase family net resources and reduce cliff effects.
- Efforts like FSS and changes in eligibility requirements for other benefits (like SNAP) could help.

Evaluating Policies and Programs for Housing Security

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- https://www.umb.edu/editor_uploads/images/centers_institutes/center_social_policy/Between_a_Rock_and_a_Hard_Place_chartpack_final.pdf

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