

FITS & STARTS:

The Difficult Path for Working Single Parents



This report was produced by Crittenton Women's Union and The Center for Social Policy at the University of Massachusetts Boston supported by The Paul and Phyllis Fireman Charitable Foundation.

Prepared by: Rebecca Loya, MA; Ruth J. Liberman, MPA; Randy Albelda, PhD; and Elisabeth Babcock, MCRP, PhD

November 2008


Crittenton
Women's Union
live
work
thrive

The
CENTER *for*
SOcial
POLICY
McCormack Graduate School
at **UMASS BOSTON**

INTRODUCTION

With dramatic shifts in the economy in recent years, it has become increasingly difficult for families to move into or stay in the middle class without access to higher education and skills training. Government-sponsored work supports help by providing direct assistance to working families to meet basic needs, such as child care, food, and housing (see Box 1). Yet, many supports do not reach low-wage working families in Massachusetts because of low eligibility thresholds, inadequate funding, limited availability, limited awareness, and numerous barriers to accessing such supports.¹ Even for low-wage workers who do receive key work supports, such as subsidized child care and housing, reductions and elimination of these supports at low wages can impede vulnerable families' progress toward the middle class.

WORK SUPPORTS

Work supports discussed in this paper include:

- Child care assistance
- Child Tax Credit (CTC)
- Earned Income Tax Credit (EITC)
- Food Stamps
- MassHealth
- Section 8 rental housing assistance
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Box 1

This report highlights the difficult choices Massachusetts low-wage workers must make between moving up the wage ladder and losing critical work supports before they are economically stable. It identifies specific points along the income ladder at which workers are faced with difficult trade-offs between higher earnings and career advancement on the one hand and the resulting loss of important supports on the other. Those receiving work supports find that their net monthly resources—their after-tax income from earnings plus the value of work supports, minus the cost of all basic needs (see Box 2)—do not rise in step with wage increases for full-time workers earning between \$11 and \$29 per hour. Instead, these workers discover that at higher wage levels they can be left with fewer resources at the end of the month than they had at lower wages.

This report also highlights opportunities for state programs to adjust eligibility criteria and for service providers to offer new kinds of guidance in order to more effectively support those who are trying to work their way into the middle class. Most importantly, this report calls for greater investments in work supports for low-wage earners seeking to combine work with education or skills development. Such education and training can provide crucial leverage to help families leap over some of the pitfalls on the path toward middle-class membership. In fact, wages are closely linked to educational attainment, with post-secondary education contributing to significantly higher earnings than those attained by high school graduates and non-completers. In 2005, having an associate's degree added \$8,154 to a Massachusetts high school graduate's annual median income, while earning a bachelor's degree added \$18,346.² In view of the critical role of education and training in facilitating workers' access to family-supportive wages, we recommend transforming the current work support system to sustain work, school, and family.

WORKING HARD BUT NOT GETTING AHEAD

The challenges of moving into the middle class can be particularly daunting for single parents. According to the Crittenton Women's Union's Family Economic Self-Sufficiency Standard (FESS),³ a single parent with two children in Massachusetts needs to earn between \$44,000 and \$58,000 per year, or \$22 to \$29 per hour of full-time work,⁴ to provide for her/his family's most basic needs.⁵ Those confronting the most difficulties and with the most to gain for themselves and their families are often women. Seventy-two percent of Massachusetts families, with children under age 18, who live below the federal poverty line are headed by single mothers.⁶ More than half of employed women in Massachusetts are in low-paid, traditionally female occupations requiring minimal education or training, such as retail, service, and administration.⁷ It can be difficult for single parents to both find and to manage full-time, permanent work in these fields. Yet, even with full-time work, these jobs typically pay \$15,200 to \$29,000 per year,⁸ well below the amount needed for self-sufficiency. Work supports can provide an essential bridge between these low earnings and families' basic living expenses. Additionally, when work supports facilitate access to transformative education or training that opens the doors to family-supportive wages, families can permanently transition off public assistance.

NET MONTHLY RESOURCES

Net Monthly Resources = After-Tax Earnings + Value of Work Supports – Expenses. Expenses include only the most basic costs of living calculated at market prices—housing, food, clothing, transportation, child care, employer-sponsored health insurance, income and payroll taxes, and a few miscellaneous necessities. Cost-of-living computations do not make allocations for savings, debt repayment, recreation, or emergency expenses.

Any net monthly resources remaining after meeting basic living costs cover other critical expenses, such as uncovered medical expenses and debts, emergency expenses, home or vehicle repairs, savings, children's school supplies, union dues, additional transportation costs, credit card bills, and tuition and fees for education and training.

Box 2

EDUCATION: KEY TO ADVANCEMENT, BUT OUT OF REACH

In today's competitive, knowledge-based economy, the vast majority of jobs that pay family-sustaining wages require a minimum of either an associate's degree or long-term vocational training. Crittenton Women's Union has identified more than 20 "Hot Jobs," high-demand careers—such as dental hygienist, plumber, and computer support specialist—that require two years or less of post-secondary education or training and pay at or near a self-sufficient wage for a typical family.⁹ Although a job paying family-sustaining wages can be obtained with a moderate amount of post-secondary education or skills development, 1.4 million adults in Massachusetts (nearly half of the state's adult workforce¹⁰) lack at least an associate's degree.¹¹

There is a strong economic argument for increasing the number of skilled workers in Massachusetts, where there are 152,000 job seekers, yet 84,000 jobs remain vacant. Fifty-five percent of those job vacancies require post-secondary training, a qualification, as noted above, that nearly half the state's workforce does not meet.¹² Public investments in education have been shown to generate a high return¹³ and to decrease recipients' need for public support services dramatically,¹⁴ reducing future expenditures on

such supports. Yet, the current system of public work supports provides no dedicated form of income support for low-wage workers pursuing transformational education and training. Further, the current system can discourage low-wage workers from moving up the income ladder. This is due in part to the predicament many low-income working families face, where their net monthly resources—their after-tax earned income plus the value of work supports, minus the costs of all basic needs—actually fall as their income increases because they lose several key supports. These work supports cease or taper off long before such families reach economic self-sufficiency.

...the current system of public work supports provides no dedicated form of income support for low-wage workers pursuing transformational education and training.

ONE STEP FORWARD, TWO STEPS BACK

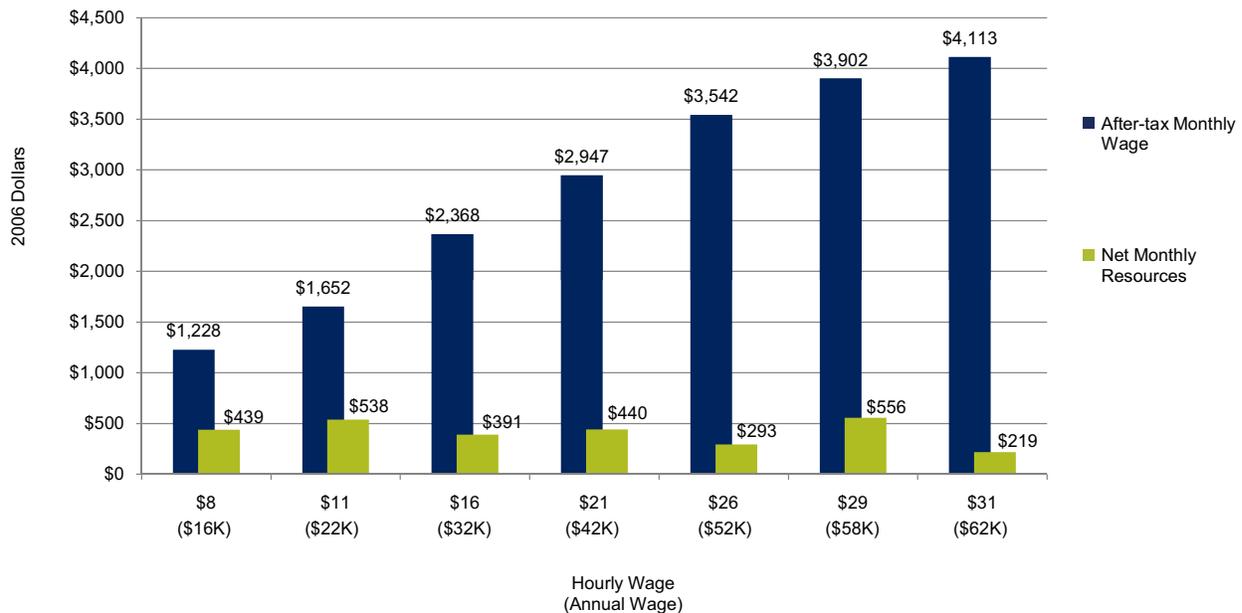
To illustrate this dilemma, we consider the hypothetical situation of a low-income single mother with two children, ages eight and three, living in Boston. To meet her family's basic food, housing, health care, child care, and transportation needs, she would have to earn \$58,133 per year (pre-tax) or \$29 per hour in a full-time job. With only a high school diploma, she is able to earn \$11 per hour (\$22,000 annually) cleaning rooms full time at a local hospital. At this wage, she is able to meet her family's basic needs only if she receives *all* work supports for which she is eligible (child care assistance, Food Stamps, MassHealth, EITC, CTC, WIC, and Section 8 housing assistance), when, in fact, most eligible families do not receive child care and housing supports because of lengthy waiting lists. With all eligible supports and after paying her essential expenses each month, our single mother is left with about \$538 to pay for "non-essential" expenses, such as her children's school supplies, medical co-payments and debts, emergency expenses, credit card bills, and tuition and fees for education or training that will enable her to attain a family-supportive wage (see Chart 1).

In the hopes of moving ahead, this mother invests her small monthly savings to enroll in a medical assistant training program. Upon completing the program, she finds a medical assistant job paying \$16 per hour, about \$32,000 annually. Although she is proud to have earned this substantial leap in wages, after several paychecks, this mom finds that she is actually *less* financially secure than when she was cleaning rooms for \$11 per hour. The \$5.00 per hour raise resulted in a marked decrease in the family's monthly child care subsidy, Section 8 rent allowance, and their state and federal Earned Income Tax Credits. Plus, her family is no longer eligible for WIC and Food Stamps benefits. Her \$833 per month wage increase resulted in a loss of \$863 in monthly work supports. In the end, the raise resulted in her net monthly resources *falling* from \$547 a month to \$391, a reduction of \$156.¹⁵ Chart 1 depicts net resources, value of earnings and the supports received (when income eligible) at six different earnings levels for this mother with two children.

...at \$16 per hour, the family's net monthly resources fall below what they had at minimum wage (\$8 per hour).

A family of three receiving all work supports for which it is eligible is more economically stable at the \$11 per hour wage point than at a higher wage. Dramatic reductions in work supports are triggered at wages as low as \$14 per hour. In fact, at \$16 per hour, the family's net monthly resources fall below what they had at minimum wage (\$8 per hour).

CHART 1: Monthly Earned Income vs. Net Monthly Resources for Single Parent with 2 Children (ages 3 & 8) in Boston with All Eligible Work Supports*



*Work supports include: Section 8 housing assistance, child care assistance, Food Stamps, WIC, MassHealth, and state and federal Earned Income and Child Tax Credits. Calculated at market prices, basic living expenses include costs for housing, food, clothing, transportation, child care, employer-sponsored health insurance, income and payroll taxes, and a few miscellaneous necessities.

Source: Authors' calculations using 2006 program eligibility rules and benefit levels, federal and Massachusetts income and payroll tax schedules, and the Family Economic Self-Sufficiency Standard.

A parent in this situation learns that it may not make financial sense to try to “get ahead.” She may consider going back to her old job, which makes her better off now but impedes her progress toward economic stability for the future. These losses mean that for low-wage working parents who receive work supports, occupational advancement can lead directly to greater economic instability.

HOUSING AND CHILD CARE: UNDERFUNDED AND INSUFFICIENT

The previous story illustrates the uneven journey of a Massachusetts family receiving *all* forms of work supports for which they qualify. However, this situation is not representative of most low-income families in the Commonwealth. In fact, the majority of eligible families do not receive child care and housing subsidies because these programs lack sufficient resources to support all who qualify. Using 2003 rules, of those eligible for child care and Section 8 housing supports, 62% did not receive child care assistance and 68% did not receive housing assistance (Section 8 and federal public housing), primarily due to appropriations insufficient to cover all who are eligible.¹⁶ Chart 2 (next page) shows the net resources of our sample family if they do not receive housing and child care assistance but receive all other supports for which they are eligible at each wage level. Without either child care or housing assistance, their net monthly resources fall

...of those eligible for child care and Section 8 housing supports, 62% did not receive child care assistance and 68% did not receive housing assistance...

far below zero. This family's expenses outweigh its income even at hourly wages as high as \$24 per hour, three times the state minimum wage. Without crucial child care and housing supports, these families face very difficult choices in order to survive,¹⁷ such as living in crowded or unsafe housing, skipping meals, placing their children in less costly (but perhaps less safe, unreliable, or lower quality) child care, or going without health care.

For those in Massachusetts not already receiving a child care or housing voucher, which, as noted, includes the majority of eligible families, unstable child care and housing can interfere with parents' ability to secure, maintain, and progress in employment or education. In Massachusetts, 18,217 children were on the waiting list for child care vouchers as of May 1, 2008,¹⁸ while the waiting list for Section 8 rental housing assistance in the Greater Boston Area was 5.8 years long, on average, as of August 31, 2007.¹⁹

CHART 2: Monthly Earned Income vs. Net Monthly Resources for a Worker with 2 Children (ages 3 & 8) in Boston with All Eligible Work Supports Except Child Care and Housing*



*Work supports include: Food Stamps, WIC, MassHealth, and state and federal Earned Income and Child Tax Credits. Calculated at market prices, basic living expenses include costs for housing, food, clothing, transportation, child care, employer-sponsored health insurance, income and payroll taxes, and a few miscellaneous necessities.

Source: Authors' calculations using 2006 program eligibility rules and benefit levels, federal and Massachusetts income and payroll tax schedules, and the Family Economic Self-Sufficiency Standard.

WHY DO THESE PITFALLS EXIST?

There are several reasons why low-wage workers face almost insurmountable barriers to achieving their dream of joining the middle class. First, many government support programs were not originally designed to complement wage work, and most do not adequately support the pursuit of education and

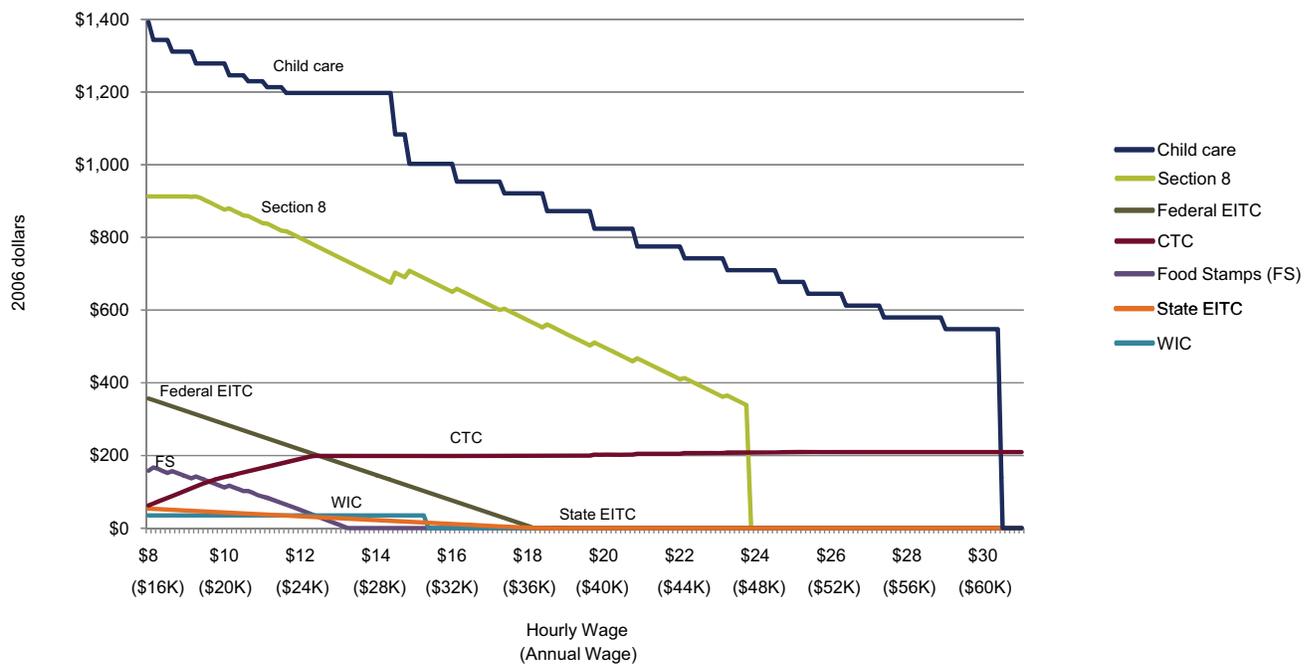
skills training necessary to boost wages. Plus, workers face disincentives in the form of lost benefits when they consider increasing their workforce participation or bettering their long-term prospects.

Second, work support programs were not designed to complement one another as a cohesive whole. The inconsistent eligibility requirements and limited coordination between programs can cause recipients to lose several work supports at the same time, with devastating financial consequences for struggling families.

Finally, most current work supports phase out fairly quickly, leaving workers vulnerable to steep increases in costs when their wages rise even slightly. For instance, as wages increase from \$14 to \$16.25 per hour (a \$375 monthly increase in earnings), child care subsidies plummet by \$2,925 per year (\$243.75 per month), and WIC benefits also expire in this income range. This cliff is depicted in Chart 3. All of these factors combined add barriers for hard-working families on the path to economic stability.

Inconsistent eligibility requirements and limited coordination between programs can cause recipients to lose several work supports at the same time, with devastating financial consequences for struggling families.

CHART 3: Monthly Value of Supports By Earning Levels for a Full-Time Worker with 2 Children (ages 3 & 8) in Boston with All Eligible Work Supports*



*Work supports include: Section 8 housing assistance, child care assistance, Food Stamps, WIC, MassHealth, and state and federal Earned Income and Child Tax Credits. Calculated at market prices, basic living expenses include costs for housing, food, clothing, transportation, child care, employer-sponsored health insurance, income and payroll taxes, and a few miscellaneous necessities.
 Source: Authors' calculations using 2006 program eligibility rules and benefit levels, federal and Massachusetts income and payroll tax schedules, and the Family Economic Self-Sufficiency Standard.

RECOMMENDATIONS: Strategies for Overcoming the Pitfalls

Addressing the significant structural causes of these ruts in the pathway to the middle class is a complex process, which will require large-scale state and federal policy changes. In the meantime, strategies and policies are needed immediately to help working poor parents overcome these economic pitfalls on the way to self-sufficiency.

Immediate: Navigating Paths to Self-Sufficiency

Until systems are established to solve some of the financial obstacles inherent on the pathway to the middle class, service providers can help families make the best decisions to optimize their resources and navigate through the existing public benefits system. Case managers can be specially trained to provide in-depth financial and educational counseling. Work support “calculators” can be introduced to help families anticipate and plan for benefit loss. Although such strategies do not eliminate the financial obstacles outlined in this paper, they can be helpful in maximizing families’ economic opportunities until more long-term policy changes can be implemented.

Near-Term: Making the Leap

One proven way to support working poor parents’ “leap” over the economic pitfalls is by improving access to higher education and skills development. Educational attainment is a proven way for families to make significant jumps in income and, in doing so, catapult themselves past the need for significant public supports to meet the basic needs of their families. To do this, we must make education and training more accessible for working families with the following policy directions:

Improve financial aid for education to provide comprehensive coverage for working parents:

- Offer two years (or equivalent credit) of community college at no cost to low-income workers for degree or certificate programs either through tuition assistance or by creating a state higher education tax credit for working adults.
- Make permanent and raise the income eligibility cap for the **Education Rewards Grant** program, which provides grants to cover the cost of tuition and living expenses for part-time students at or below 200% of the federal poverty level.
- Encourage and enable more recipients of TAFDC to pursue higher education and training. For instance, allow TAFDC recipients to use education and training to satisfy their work requirement for more than just 12 months, and grant extensions of the time limit to those who are making satisfactory progress in such programs.

Increase availability of free or low-cost skills development programs:

- Make permanent the **Workforce Competitiveness Trust Fund**, which trains workers for jobs with family-supportive wages in regionally targeted, high-need sectors across the state.

Expand child care and housing supports for students:

- Phase out child care vouchers more gradually as workers progress from earning \$11 to \$16 per hour, expand the availability of these scarce subsidies, and increase the number of covered hours to include time spent on homework, studying for exams, and commuting.
- Increase the number of housing vouchers, including those provided by the Massachusetts Rental Voucher Program (MRVP), to make these supports available to more eligible families.
- Create subsidized campus-based child care for students at all of the state's community colleges.
- Remove all barriers to receiving child care and housing vouchers by creating a single set of consistent, objective eligibility standards and policies.

Long-Term Strategy: Building a Bridge

In the long run, both state and federal work support programs and eligibility rules must be reexamined and major, structural solutions undertaken. Building a “bridge” of supports to make benefit loss more gradual offers one alternative. Possible approaches include:

Update eligibility criteria and increase support levels:

- By raising eligibility criteria to higher wage levels Massachusetts' ground-breaking universal health care access law eliminates problematic cliffs that once existed. The new Commonwealth Care Connector program offers continuing subsidized health insurance to adults who lose their Mass Health coverage when their income rises above 133% of the federal poverty level (FPL). Adults remain eligible for subsidies until their income reaches 300% FPL. Any increase in eligibility limits must also include a corresponding increase in overall appropriations for these programs.
- Boost the state Earned Income Tax Credit (EITC) from 15% to 30% of the federal credit and initiate a state-funded outreach campaign to encourage all eligible families to claim the EITC.

Improve accessibility of work support programs:

- Implement complementary eligibility requirements and common definitions for income and assets across programs, so that different work supports do not phase out simultaneously but instead stagger their phase-outs gradually as incomes rise.
- Create a user-friendly website that streamlines the application process, provides benefits and eligibility information for all programs, screens applicants for preliminary eligibility, calculates benefits estimates, and provides downloadable application forms in appropriate languages.
- Simplify application and recertification processes and lengthen recertification periods, as Massachusetts' Food Stamp program has recently done with online applications and a standard, one-year certification period for most.

CONCLUSION

It is increasingly difficult for Massachusetts residents to gradually work their way into the middle class as past generations were able to do. This dream is particularly elusive to working poor single mothers motivated to provide a better life for their families. The high cost of living and low wages, coupled with the inadequacy of work support programs that fall far short of bringing recipients to true economic self-sufficiency, combine to make the pathway into the middle class a process of fits and starts, rather than one in which steady, hard work pays off.

Education and skills development are critical tools to help working families progress toward economic stability. Yet, existing work support programs, while helpful at very low wages, do little to help parents pursue transformative educational opportunities to move up the economic ladder. This problem calls for innovative solutions that help families catapult over the barriers on their road to success. Work support programs must expand and adjust to sustain workers who are also students and parents. New training programs must provide comprehensive supports to truly enable workers to transition from poverty to self-sufficiency. When workers are able to transform their efforts into economic advancement, the ranks of the middle class will once again increase. Each family that successfully makes the leap into the middle class strengthens their own economic future, as well as that of their communities and the Commonwealth as a whole.



Notes and References

1. Albelda, R., & Shea, J. (2007). *Bridging the Gaps between Earnings and Basic Needs in Massachusetts*. Boston, MA: Center for Social Policy, University of Massachusetts Boston. www.mccormack.umb.edu/csp
2. This reflects the median earnings in the past 12 months in inflation-adjusted 2005 dollars for the population 25 to 44 with positive earnings who worked at least 35 hours per week. Those with only a high school diploma earned \$32,614, those with only an AA earned \$40,768, and those with only a BA earned \$50,960. Source: National Center for Higher Education Management Systems (NCHEMS) Information Center for State Higher Education Policymaking and Analysis. (2006). Special Analysis: 2005 ACS PUMS: Median Earnings by State by Education Level. Accessed at www.higheredinfo.org/analyses/ on July 23, 2008.
3. Pearce, D. (2006). *The 2006 Self-Sufficiency Standard for Massachusetts: Work Support and Wage Adequacy Modeling Tables*. Seattle, WA: Center for Women's Welfare, School of Social Work, University of Washington.
4. In this report, full-time work refers to 38.5 hours per week for 52 weeks a year (or about 2000 hours per year).
5. The annual budgetary costs for basic needs are based on a single parent with one school-age and one pre-school-age child, as derived from Crittenton Women's Union's Massachusetts Family Economic Self-Sufficiency (FESS) Calculator (available at www.liveworkthrive.org). Mass. FESS used the child care cost at the 75th percentile by child's age and facility type. Preschoolers are assumed to receive full-time care in a daycare center, while school-age children are assumed to receive part-time care in after-school programs. These figures are in 2006 dollars.
6. United States Census, American Community Survey 2006. Calculations from Table B17010.
7. The Center for Women in Politics and Public Policy. (2003). *Growing Inequalities among Women in Massachusetts: Income, Employment, Education, and Skills*. Boston, MA: University of Massachusetts, Boston.
8. See note 7.
9. The 75th percentile of wages and earnings for each "Hot Job" met or exceeded the Massachusetts FESS for the typical single parent family of three. For more information about Crittenton Women's Union's Hot Jobs program, see the web tool at www.liveworkthrive.org/hotjobs.php. Source: Crandall, S., Hunt, D., Latner, J. P., & Singh, N. (2007). *Hot Jobs, Good Wages: How to Live, Work, and Thrive in Massachusetts*. Boston, MA: Crittenton Women's Union.
10. Comings, J., Sum, A., & Uvin, J. (2000). *New Skills for a New Economy: Adult Education's Key Role in Sustaining Economic Growth and Expanding Opportunity*. Boston, MA: Massachusetts Institute for a New Commonwealth.
11. This refers to adults between the ages of 18 and 54. Source: Working Poor Families Project. (2006). Education and Skill Status of Adults. Data set. Calculations from Table 2.A.9a. Accessed July 1, 2008 at www.workingpoorfamilies.org/xls/WPFP_Education_Skills.xls.
12. Massachusetts Department of Workforce Development. (2007). *Massachusetts Job Vacancy Survey: Hiring trends by industry and occupation, 2nd Quarter*. Boston, MA: Executive Office of Labor and Workforce Development.
13. After World War II, the GI Bill of Rights gave millions of veterans the opportunity to go to college for free, and was estimated to have generated \$6.90 for each dollar that the government spent on the program. Source: Subcommittee on Education and Health of the Joint Economic Committee. *A Cost-Benefit Analysis of Government in Post-secondary Education under the World War II G.I. Bill*, December 14, 1988. As cited in Public Higher Education Network of Massachusetts (PHENOM), *The Affordability Crisis in Massachusetts Public Higher Education*, October 2007.
14. Studies have shown that access to education helps people transition off cash assistance and other supports. One study of women receiving cash assistance in New York City (Gittell, 1990, as cited by Dann-Messier, 2001) found that upon college graduation, 87% of people no longer used cash assistance and 89% were employed. This study was replicated in Illinois, Tennessee, Pennsylvania, Washington, and Wyoming, confirming the same results. Source: Dann-Messier, B. (2001). Levers for change: Educational opportunity centers and welfare reform. *Journal of Council for Opportunity in Education* 4: 1-45.
15. This worker's net resources fall by more than the difference in wage increase and lost work supports because her payroll taxes are now higher, and she owes more state income taxes (which now exceed the state EITC).
16. See note 1.
17. Twenty-seven percent of low-income working families with at least one full-time, full-year worker report having to cut or skip meals because they are unable to pay for enough food, and 28% report missing at least one rent, mortgage, or utility payment over the course of the year. Source: Acs, G. & Loprest, P. (2005). *Who Are Low-Income Working Families?* Low-Income Working Families Paper 1. Washington, D.C.: The Urban Institute.
18. Massachusetts Department of Early Education and Care, personal communication, June 12, 2008.
19. This refers to the Metropolitan Boston Housing Partnership. Source: Massachusetts Department of Housing and Community Development, interview, June 4, 2008.



Crittenton Women's Union
One Washington Mall
2nd Floor
Boston, Massachusetts 02108
Tel: 617.259.2900
www.liveworkthrive.org



The Center for Social Policy
McCormack Graduate School
University of Massachusetts Boston
100 Morrissey Boulevard
Boston, MA 02125-3393
Tel: 617.287.5550
www.mccormack.umb.edu/centers/csp/