Economic Security: Key to Recovery and Prosperity

By Kim Justice

Introduction

State investments play a critical role in protecting Washingtonians against the continued economic downturn. Strong public structures-such as unemployment insurance, child care, housing, and food assistance – protect our families from poverty and deprivation when someone loses a job or faces a financial hardship. These types of investments are especially important when the impact of a downturn is as severe as the one we are experiencing now.

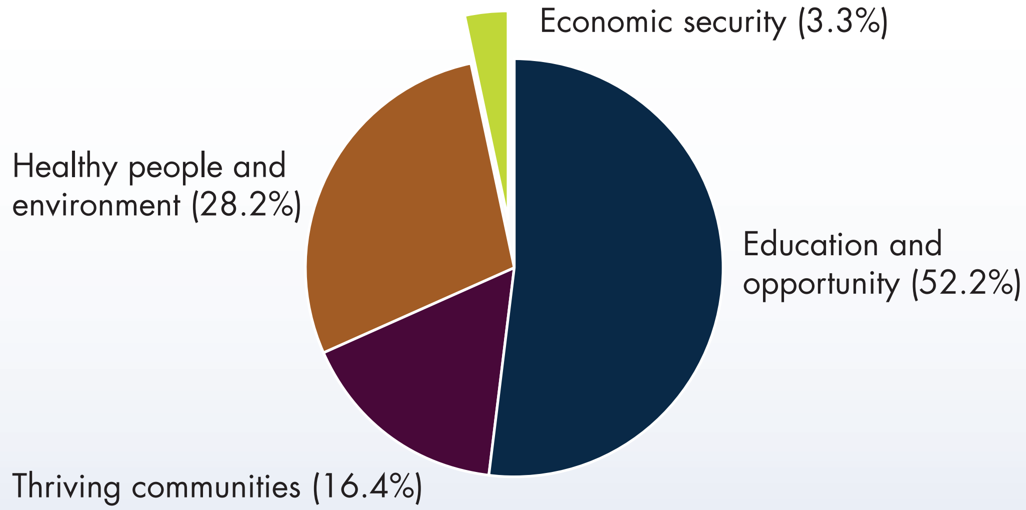
No one knows the importance of these investments better than Sarah. Like many parents with low-wage jobs, affordable child care is what kept her employed. So when her child care support disappeared due to budget cuts, the cost of child care outweighed her paycheck. Sarah had no choice but to leave her job and apply for additional support so she could keep her son in preschool, which provided him with crucial early learning opportunities (see Box 1 for Sarah's full story).

Our recovery is made much more difficult when people like Sarah are unable to keep their jobs, find new ones, or maintain their basic needs during difficult economic times. Yet, recent budget decisions have impaired our recovery and have put families and individuals at risk of further financial hardship:

- Over 20,000 adults and children have been impacted by the loss of assistance needed for families to get and keep a job; roughly 7,000 low-income working parents have lost crucial child care support; and 20,000 individuals who cannot work due to a disability face the imminent loss of financial assistance.
- Over 320,000 people in our state are unemployed (over 9 percent) and nearly 890,000 people in our state now live below the federal poverty line (13 percent). State investments are necessary to help people get and keep jobs.
- Further budget reductions being considered include additional limits to assistance for families seeking employment which would impact an estimated 4,000 adults and children, and completely eliminating support for 37,000 people with disabilities.

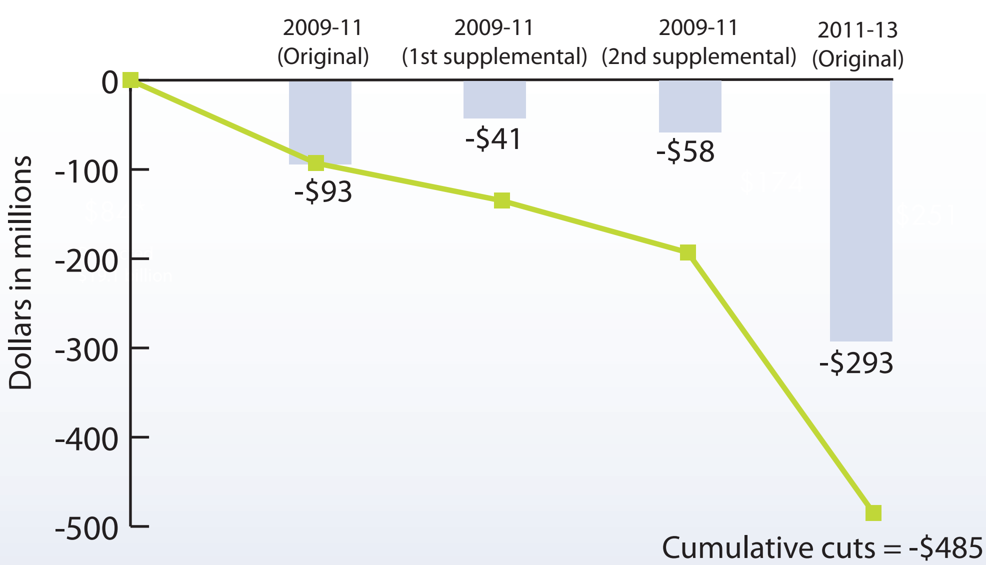
In the face of further revenue declines, policymakers should take a different approach to solving the budget situation. That approach must include boosting our

Figure 1: Economic Security makes up the smallest portion of state spending



Source: Budget & Policy Center calculations of data from LEAP; 2011-13

Figure 2: Drastic cuts have been made to work supports just when people need them the most



Source: Budget & Policy Center analysis; data from LEAP; Near General Fund-State; Reductions are based on most relevant mainenance levels revenue so we can maintain our commitment to those most impacted by the recession. This can be accomplished by modestly increasing state tax rates, eliminating unproductive tax breaks, or both.

Economic Security makes up smallest portion of state spending, and is in decline

Despite the importance of keeping our friends and neighbors in jobs and protecting people from the impacts of the recession, investments in economic security make up the *smallest* portion of state spending compared with other major spending areas (Figure 1).[1]

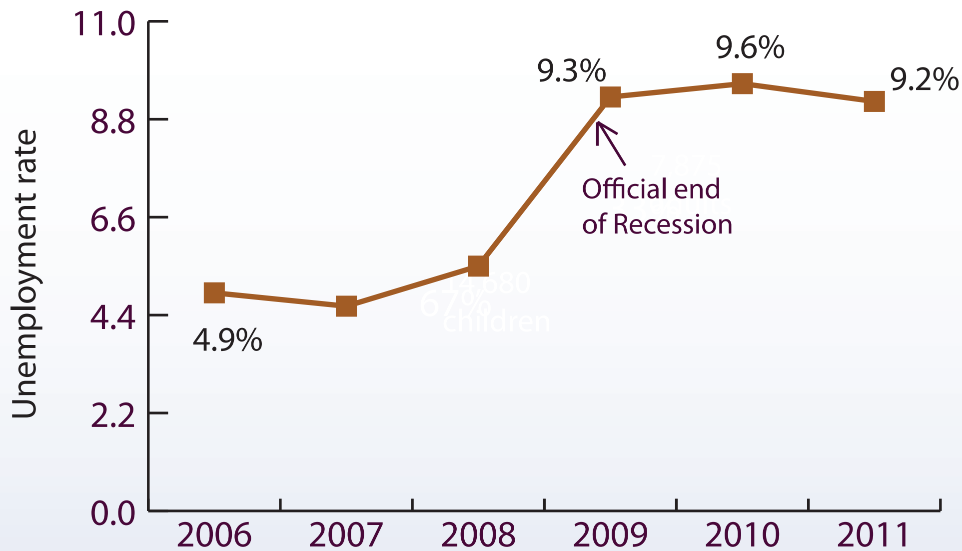
In addition, state support for economic security has been in dramatic decline in the wake of the recession. Since 2009, nearly $500 million has been cut from programs that ensure that people who are out of work or cannot work due to a disability are able to meet their most basic needs (Figure 2). Providing work supports is critical to the economic recovery of our state. This type of assistance keeps people engaged in the economy and helps to prevent the prospect of additional pressure on other public systems such as child welfare, emergency rooms and jails.[2]

State investments are declining when Washingtonians need them most

Our state's unemployment has remained stubbornly high since the recession technically ended in June 2009 (Figure 3). The rate has remained above 9 percent and hit a high of 10 percent in December of 2009 and January and February of 2010- double the rate it was prior to the recession.[3]

The sluggish economy and large number of people out of work are major contributors to recent rises in poverty. According to the latest US Census data, nearly 890,000 people in our state now live below the federal poverty line. For a family of four, that means surviving

Figure 3: Unemployment has remained above 9 percent in the wake of the recession



Source: Budget & Policy Center analysis; data from ESD; seasonally adjusted; annual averages on less than $23,000 a year. What's worse, the number of people living in deep poverty – with incomes below $12,000 a year (for a family of four) – now account for 45 percent of all people living in poverty. Until the economy improves and unemployment declines we can expect high poverty rates to continue.

State investments have a critical role in supporting Washingtonians when the economy is failing them. **Investing in programs that help people retain their jobs and meet their basic needs pays off in the long-run.** Unfortunately, the short-sighted approach is to make drastic cuts to these programs, jeopardizing the well-being of children and families, and straining an already fragile economy.

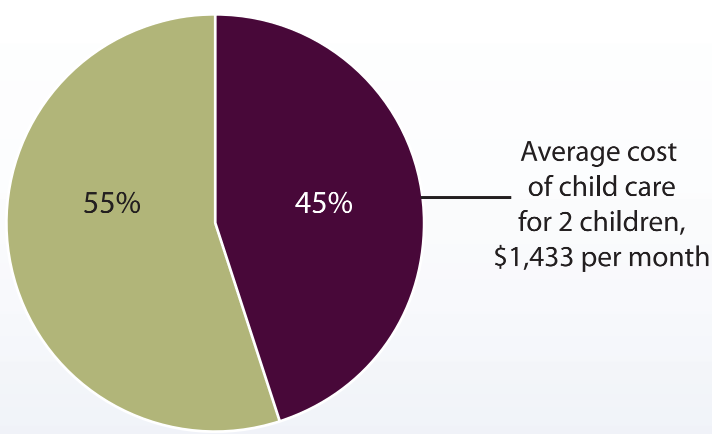
Child care is good for kids and the economy

High-quality early child care helps prepare young children to succeed in school and helps parents keep their jobs. Maintaining a job can be difficult if not impossible without affordable child care. The Working Connections Child Care (WCCC) program helps low-income families pay for child care so they can participate in the labor force and gradually achieve self-sufficiency.

Without WCCC, affording the full cost of child care presents an enormous challenge to low-wage workers who are trying to make ends meet. The average monthly cost for child care for two children is $1,433.[4] For a family of four with an income at 175 percent of the federal poverty level, or $3,216 per month, paying for child care would be unaffordable given other living expenses (Figure 4).

At a time when families and our economy need child care more than ever, nearly 7,000 families have lost child care support over the past two years due to a drop in eligibility from 200 percent of the federal poverty level (FPL) to 175 percent of FPL (Figure 5). A cap was also placed on the program to limit the number of families receiving child care support.

Figure 4: Average child care costs are unaffordable for families with low incomes



Gross monthly income= $3,216 for a family of four

Source: Budget & Policy Center calculations; data from Washington State Child Care Resource & Referral, 2010 Data Reports; assumes income at 175% FPL

Box 1: Child care support can mean the difference between work and poverty

Sarah* is 30 years old, and lives in south King County with her five year-old son. Until recently she worked at a company that helped connect people with developmental disabilities to employment opportunities. Sarah loved her job – "I have always enjoyed helping other people…it gives me the opportunity to give back to the community". Her passion for her job didn't go unnoticed. In December 2010 she was awarded Employee of the Year at her company, and was given a $500 bonus check.

Receiving $500 should have been cause for celebration. But Sarah grew concerned that the extra money would make her ineligible for Working Connections Child Care (WCCC) – a state work support program that allowed her to put her son in an early learning program while she worked. Her concern was warranted – at the same time she received her reward, the state reduced eligibility for WCCC to offset budget cuts, leaving Sarah with no support for her son to attend preschool.

Sarah explored all of her options, but she ended up with two devastating choices: to continue to keep her son in child care so she could work, but be homeless because she couldn't afford rent, or leave her job so she could continue to receive support , keep her home, and keep her son in school.

"Without child care support, I simply could no longer keep my job."

The outcome was devastating for Sarah: "the fear of not being able to provide for my son sent me into a deep depression. I felt powerless." She looked for other employment, but the bad economy worked against her. Eventually, she applied for cash assistance, food stamps, and health insurance to meet her basic needs – costing the state, in her estimation, three to four times more than what she received when she was working and just receiving child care support: "It didn't make sense to me...the state thinks it's saving money by cutting the budget, but reducing my eligibility for child care forced me to apply for three other support programs. How is that saving money?"

After several months of financial and emotional distress, Sarah and her son are once again economically secure. She considers herself lucky, and the experience has strengthened her desire to give back to the community. But Sarah's story is emblematic of the devastating impact cuts to important programs like WCCC have on people's lives, not to mention the long-term economic costs to the state.

*Name has been changed to protect confidentiality.

Without affordable child care, families face a dilemma in balancing their own budgets: pay for child care in order to keep a job, but no longer be able to pay rent; or quit working altogether. Sarah, a working mother who lost her child care benefits knows this dilemma all too well (see Box 1).

At a time when our focus should be on creating and retaining jobs, situations like Sarah's illustrate the upside down logic of cuts to critical programs like child care support.

When families are forced to quit their jobs because they can no longer afford child care, the state may end up paying more. Once low-income families are no longer working, they may qualify for benefits that assist unemployed workers. These supports are critical for families who are out-of-work, but wouldn't be necessary if families didn't have to leave their jobs in the first place. Not only is this a step backwards for families, but it's also a step backwards in the state's goal of cutting costs and creating jobs.

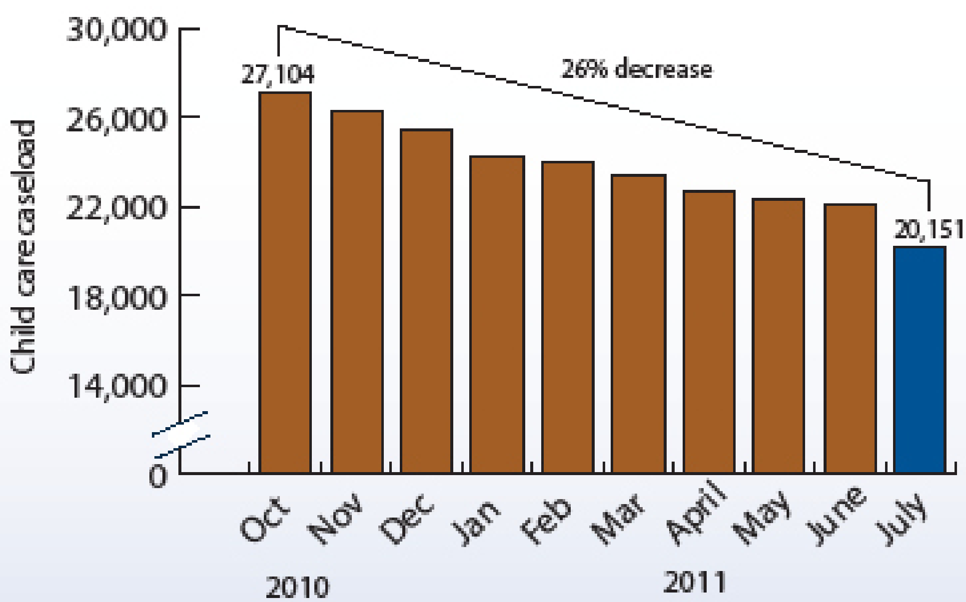
In tough times, policymakers should be doing more, not less, to help people get and keep jobs. That is the key to our recovery and future prosperity. Ensuring that families such as Sarah's can continue to participate in the workforce, and thus the economy, benefits everyone in the state.

Economic recovery depends on getting families back to work

Washington state's WorkFirst program provides the assistance low-income families need to get and keep a job.[5] Those supports include education and training, job search, child care, and financial assistance. But just as those supports are becoming increasingly important in light of a dismal job market, the rug is being pulled out from underneath thousands of families.

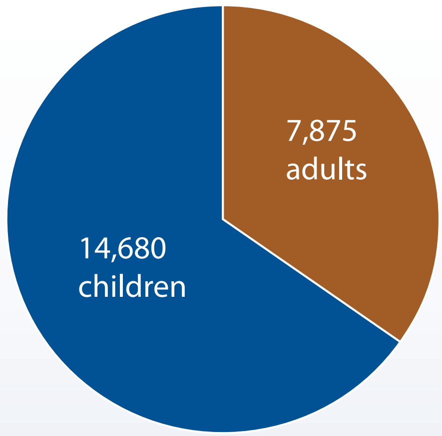
Earlier this year, a 60 month time limit was enforced for families receiving WorkFirst benefits. The result: over 20,000 adults and children have been left without necessary help to find work, maintain housing and care for their children (Figure 6).

Figure 5: Nearly 7,000 families have lost child care support



Source: Budget & Policy Center calculations; data from DSHS

Figure 6: To date, over 20,000 adults and children have lost work supports in 2011



Source: Budget & Policy Center analysis; data from DSHS; terminations due to 60 month time limit

A study conducted by the Department of Social and Health Services found that families who remain on WorkFirst the longest are more likely to have high barriers to self-sufficiency including substance abuse, mental health needs, family violence, and temporary or chronic health conditions.[6] When already fragile families are cut from WorkFirst, they are extremely vulnerable to further risk including the safety of children and stability of the whole family.

Yet, under current proposals, benefits would be further limited to 48 months, immediately impacting 2,380 families. When accounting for the number of adults and kids, this cut will likely impact 4,000 people.

Getting families back to work is a central component to our state's recovery from tough economic times. Revenue options must be part of the solution to fill the budget gap, or else more families will see their lifeline to jobs disappear.

State must maintain a lifeline for people with disabilities

For decades Washington state has made sure that individuals who cannot work due to a disability are provided medical support and modest financial assistance to meet their most basic needs. This support has served as a lifeline for those who are awaiting long-term federal benefits or who do not qualify for any other assistance but have a medically-assessed disability that prevents them from working.

Due to deep budget cuts in the last year, these individuals have seen that support drastically fall. What was a $339 per month stipend dropped to $197, and starting in November, all financial support will disappear entirely for 20,000 individuals. In its place, local jurisdictions and organizations will attempt to provide housing support for clients who are homeless and maintain an "essential needs" bank to offer personal health and hygiene items, household cleaning supplies, and bus passes.

The most recent data available from the Department of Social and Health Services reports that one third of this population is already homeless (Figure 7). Modest income assistance is often what allows the remaining 67 percent of these individuals to afford rent. With the complete loss of income assistance, it is anticipated that many more individuals will face homelessness.

This lifeline is at risk of full elimination under proposals to address the further shortfall for the remainder of the biennium. Without this crucial lifeline, and no prospect of employment or income, not only will these individuals will be unable to participate in the state's economy, but their mere ability to survive will be jeopardized.

Conclusion

The state budget is a reflection of our values and goals. The decisions we make to balance the budget will have an impact on our future prosperity and determine what kind of state we live in. Washington state should continue to make investments that create jobs, protect families, and make smart investments in our future.

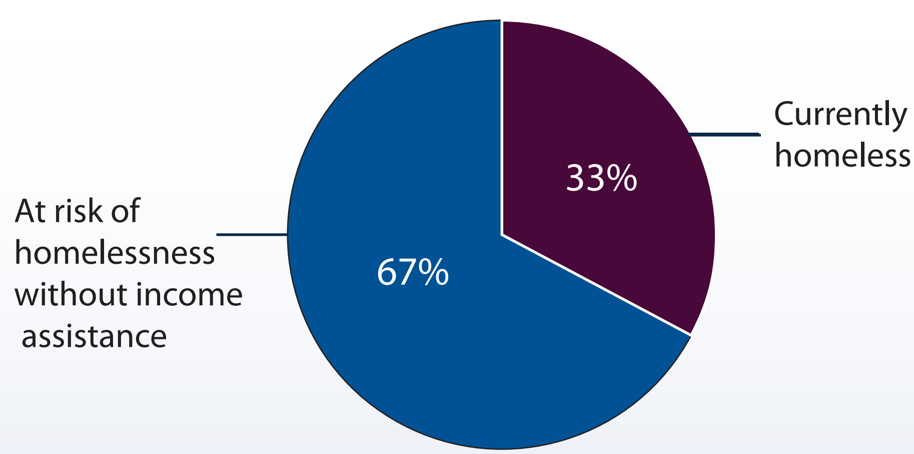
Maintaining and strengthening our investments in economic security, especially during tough times, helps cushion the impact for families and ensures that people can take steps to improve their quality of life.

Policymakers have tried and failed to do more with less for the past three years—which has not created jobs and not pulled our state out of tough economic times.

Without additional revenue, investments in economic security, like many areas of the state budget, will continue to fall short of meeting the needs of all our residents.

The Legislature and the Governor should take a balanced and responsible approach to the budget that preserves vital public services such as funding for economic security, through tax increases, the elimination of wasteful tax breaks, or both. The prosperity of our state and its residents depends on it.

Figure 7: Of the 20,000 individuals with disabilities, 1 in 3 are currently homeless and the remainder are at risk



Source: Budget & Policy Center analysis; data from DSHS, 2009; reflects the population of clients receiving GA-U/ Disability Lifeline assistance

Acknowledgments

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Endnotes

1. The primary source throughout the report is the authors' analysis of budget data from the Legislative Evaluation and Accountability Program and the Office of Financial Management (see http://fiscal.wa.gov, http:// leap.leg.wa.gov/leap/budget/index_lbns.asp, and http://ofm.wa.gov).

2. Research conducted by DSHS (see footnote 6) finds that thirty-one percent of TANF clients had an identified alcohol/drug treatment need at some time over the FY 2005 to FY 2009 period. The prevalence of alcohol/drug problems amongst TANF recipients is a key driver of arrest risk and involvement with child protection services. Access to alcohol/drug treatment is a key intervention for the WorkFirst population.

3. Data from Washington State Employment Security Department, Labor Market and Economic Analysis Branch. Figures are seasonally-adjusted.

4. Washington State Child Care Resource & Referral, 2010 Data Reports. Average statewide cost for one preschooler and one toddler. Assumes children are in full-time, full-year center care.

5. Funding decisions for the state's WorkFirst program are at the discretion of the Governor.

6. "Adults on TANF in Washington State: Risks and Outcomes for Leavers, Cyclers and Stayers," DSHS Planning, Performance and Accountability, Research and Data Analysis Division, August 2010.