

One step forward, two steps back:

Why families fall behind while working to get ahead

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Washington's economy is growing and unemployment is low in many areas throughout the state. This is great news for families with lower incomes who are working to get ahead and give their kids an opportunity to thrive. And here is more good news: our state's poverty reduction programs such as food and rental assistance play a crucial role in removing barriers to work and supporting families to grow their incomes over time.

However, far too many in our state are falling behind, even when they are working hard to get ahead. Sadly, the nature of low-wage work creates new obstacles for families to get and keep jobs that pay well and provide them with stability and security. For example, many low-wage workers have erratic schedules, work odd hours and don't get paid time off. Although anti-poverty programs remove some of these barriers by helping families afford housing, health care and child care, they don't reach enough of the families that need support. Moreover, families who do get help, often don't get enough help when they need it most.¹

In order to truly help families work and move up, Washington policymakers need to strengthen public benefits so that they provide families with enough support to meet basic needs and reach more of the families who need them. They should implement solutions to improve job quality and provide more families with opportunities to get stable, good paying jobs.

Anti-poverty (or poverty reduction) programs are designed to remove barriers to work and support families and children to meet basic needs:

- Temporary Assistance for Needy Families (TANF) or WorkFirst provides cash assistance and work supports.
- Supplemental Nutrition Assistance Program (SNAP) provides food and nutrition support.
- Housing Assistance: Low income housing and Section 8 Housing Vouchers help people with subsidized rental assistance.
- Apple Health (Medicaid) offers no cost health insurance for people with very little to no income.
- Working Connections Child Care (WCCC) helps families afford child care through subsidies.

Many parents that work and get help from anti-poverty programs still can't afford the basics

For families that get support from poverty reduction programs, the combination of income from work and benefits is often not enough to pay for the essentials, like food, housing, transportation, diapers, shoes and other basic needs. Many families also face significant barriers to working. For example, it is extremely challenging for parents who don't have a high school degree to compete in the job market. Likewise, when families are homeless, parents often can't get jobs.

Even when parents work while receiving public benefits, they struggle to afford the basics. Chart 1 shows how a hypothetical family earning about \$1000 per month from work and participating in WorkFirst, Washington's Temporary Assistance for Needy Families (TANF) program and the Supplemental Nutrition Assistance Program (SNAP) would not have enough money to reach the federal poverty line.

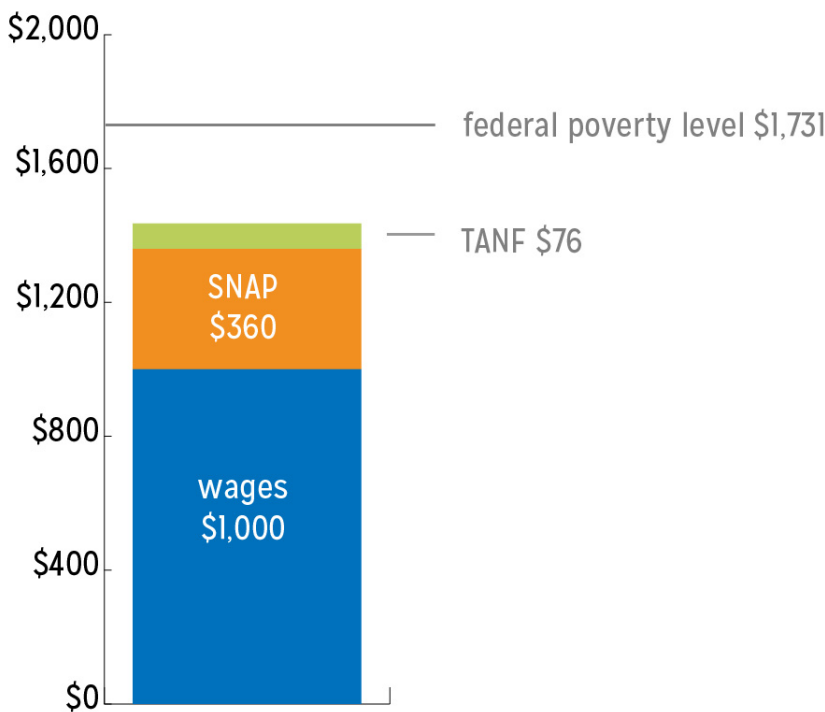
When families earn wages that are too low to afford the basics and when anti-poverty programs help, but do not bridge the gap, they face additional obstacles to get and keep jobs and meet program requirements. For example, when families cannot afford rent payments, they are at risk for housing instability, eviction, fines and even homelessness. This creates a kind of double-jeopardy for families because facing homelessness or housing instability disrupts a person's ability to work and meet work and other program requirements, putting their ability to get benefits at risk.

This is the case in WorkFirst/TANF, which is intended to provide basic assistance and work supports for families with children living in poverty. Currently, 1 in 6 families in the program are homeless and struggling to meet basic needs, let alone program requirements. A disproportionate share of families – 2 out of every 5 - who get kicked off the program each year are homeless at the time.²

Chart 1:

TANF grants are too low to lift families above poverty

Total income with SNAP, TANF and \$1,000 wage income for a family of three in Washington state relative to the federal poverty level, 2018.



Not enough families get help from programs designed to support work:

Anti-poverty programs support families to work by providing them with help to meet their basic needs so they can stay healthy, care for their children and get and keep jobs. However, most families who participate in programs like the Supplemental Nutrition Assistance Program (SNAP) and Apple Health (Medicaid) don't get help in other areas.³ The levels of income at which families are eligible for assistance is different and program requirements vary. While food and health programs reach a large portion of the families that qualify for them, other poverty reduction programs like TANF and WCCC don't. (see Figure 2 below).

Getting help in one area but not others - or not getting enough help altogether - leads families to struggle with the rising cost of living even while working and getting benefits. Some of the most common unmet needs include housing, child care, income supports and transportation.

The affordable housing crisis disrupts families' ability to work:

In order to work, families must have shelter and a stable place to live. Yet, over the last decade the median cost of rent in our state has *increased* by nearly 11 percent, while earnings for the lowest income Washingtonians have *decreased* by 7 percent.⁴ Fundamentally low wage jobs don't pay enough to afford rent.

Most poverty reduction programs incentivize work by gradually phasing down benefits as a family's income grows. However, increasing rents can more than offset the benefits of working for families who do not receive housing assistance. Unfortunately, most households who qualify for housing assistance don't get the help. State and federal investments in building affordable housing are insufficient to meet the need, and there are too few Section 8 housing choice vouchers – which help families afford rent - for families who qualify. Families can stay on waiting lists for up to 3 to 5 years to get a voucher.

Chart 2:

Too many families who qualify for benefits and need them, don't get them.



Sources: Center on Budget and Policy Priorities, "Three out of Four Low Income At Risk Renters Do Not Receive Federal Rental Assistance," 2017, Washington State Department of Social and Health Services, 2017 Working Connections Child Care Survey, and Center on Budget and Policy Priorities (CBPP) analysis of Current Population Survey data for families below 100 percent of the federal poverty line. CBPP uses two-year averages of the poverty and caseload number to improve the reliability of the data at the state level. Caseload data includes both WorkFirst and child-only TANF.

When families don't get housing assistance they face exorbitant costs for keeping a roof over their heads. In Washington, 71 percent of low income households that rent and do not receive housing assistance are severely housing cost-burdened, meaning they **pay more than half of their income** in rent.⁵

Transportation is a significant cost in family budgets:

Many families are forced to look for housing far away from urban centers where jobs are more readily available. In order to boost their pay and take advantage of these jobs, they are forced to endure long commute times and struggle to arrange child care that fit with both work schedules and complex commutes. Transportation costs also represent a significant portion of family budgets. In fact, lower income families spend nearly 16 percent of their incomes on transportation.⁶

Without adequate cash assistance or other help in paying for transportation, it is extremely difficult for families to own or maintain a car for work, or pay for transit costs. Yet, transportation remains a significant hurdle to good paying jobs. Recent research suggests there is a link between commuting times - and possibly car ownership - and economic opportunity for people experiencing poverty.^{7,8}

Additionally, the results of a recent pilot study conducted by Washington's Department of Social and Health Services indicates that there may be a relationship between a lack of access to transportation and families being sanctioned or penalized for not meeting work requirements on WorkFirst/TANF. In the pilot, families who got help with transportation were less likely to be sanctioned than families who didn't get the help at the same DSHS office. In fact, work participation rates have increased at all DSHS offices that have participated in the pilot.⁹

Lack of access to affordable, quality child care creates barriers to work:

Every parent who works outside the home needs access to safe, stable and affordable child care in order to work. However, they face two big problems with getting help through state subsidies designed to help them afford child care.

“Yet, transportation remains a significant hurdle to good paying jobs. Recent research suggests there is a link between commuting times - and possibly car ownership - and economic opportunity for people experiencing poverty.”

Many parents earn too much money to qualify for the assistance, but still can't meet the high cost of child care. Other parents who qualify for state child care subsidies can't access the benefit because providers in their communities don't take the subsidy.

Making too much and hitting the child care “cliff”:

Most poverty reduction programs like SNAP and TANF incentivize families to work and help them grow their incomes by gradually phasing down as they earn more. However, there is a “benefit cliff” in Working Connections Child care (WCCC) Washington's child care subsidy program that helps families afford care for their kids while they work. A benefit cliff is a sudden loss of benefits that harms a family's financial bottom line when they earn just a little more money.

Eligibility for WCCC abruptly ends at 200 percent of the federal poverty line. If a family earns above this line, they have a short period of 3 months before they lose the benefit altogether. At this point parents must pay market rate for child care, which absorbs a large percentage of their income.¹⁰ Because access to child care is such an essential need in order for a parent to work, the benefit cliff effectively penalizes them for getting ahead.

The reason this cliff is so dramatic is because of the high cost of child care throughout the state. Chart 2 shows how the cost of child care for families at 200 percent of the federal poverty line can range from between 35 to 75 percent of a family’s income, depending on where they live in the state.

Unable to find a provider to take the subsidy: Many families who do qualify for child care subsidies are unable to access the benefit altogether. In a 2017 survey of eligible families, the Department of Social and Health Services found that approximately 63 percent of families surveyed who were eligible to receive child care subsidies were not using them.

The reasons parents gave for not getting care ranged from not knowing about the benefit to not needing it (possibly due to having child care available from a family member, friend or neighbor). Approximately 1 in 3 families who are eligible, but not using the benefit cited problems with access related to a lack of providers in their area, providers not taking subsidies, or child care providers not be available when they need to work.¹¹

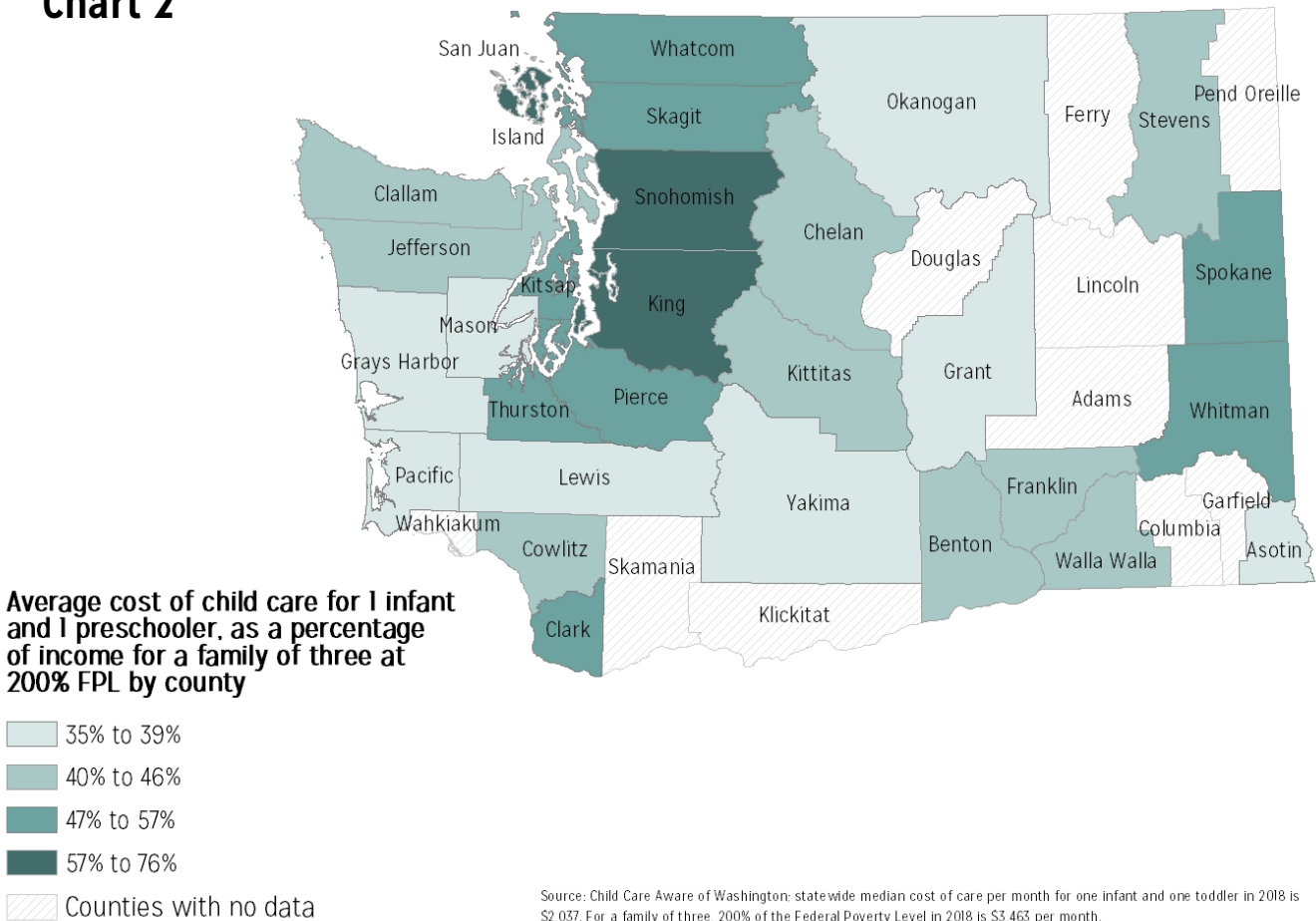
Availability of providers accepting the subsidies is likely related to low reimbursement rates paid to providers. Subsidy rates paid to providers only cover 30 percent of the cost of the market rate, which creates a significant financial disincentive for providers to accept families receiving the benefit.

The nature of low wage work can create unique obstacles to getting ahead:

In order to juggle the demands of securing affordable housing, transportation and child care, parents need jobs that pay well, offer a predictable and stable number of hours, advance notice of their schedules and paid leave.

Recent research has found that families that get support from poverty reduction programs are likely to have lower levels of educational attainment and most likely to work as health care workers, cashiers and cooks. Although, families in anti-poverty programs work substantial hours in these jobs, their incomes are often volatile and turnover in these professions is high.¹²

Chart 2



Jobs for health aides, grocery store cashiers, food servers and cooks often have volatile schedules and many workers get last minute notice about their work hours. This makes it extremely difficult for families who are trying to straddle the distance between work and housing where they can afford to live and long commute times to arrange child care at the last minute or at odd hours. This is especially pronounced for younger workers. Early career workers (ages 26-32) have little input into their job schedules and work hours, have little notice on their schedules and are often assigned hours that vary by 8 hours or more per week.

Additionally, not knowing when you may be called upon to work or how many hours you will get, makes it difficult for families to meet work requirements and meet with case workers in order to keep their benefits.

Income volatility due to unstable work and jobs makes it harder for families to get ahead:

Income volatility – dramatic fluctuations in income from week to week, month to month or year to year – can also stop families from getting ahead while working. Many families are forced to deplete their savings, raid retirement and education accounts, and rely on unsafe and predatory lending products to get by when their income is low or nonexistent. Having few financial assets and debt from loans and credit cards can leave families in a financial hole that can take them years to dig out from.

Income volatility can also disrupt the ability of families to leverage tax credits like the Earned Income Tax Credit which is based on annual, not month to month income. A family may live in deep poverty for a significant part of the year, but qualify for little or no help from the tax credit when tax time rolls around.

Fortunately, Washington has taken steps to ensure that families do not get penalized in other anti-poverty programs when their incomes go up¹⁴, but a sudden drop in income can still make it hard for families to meet basic needs.

“Income volatility - dramatic fluctuations in income from week to week, month to month or year to year - can also stop families from getting ahead while working.”

When families report a change in income, it can take time before the change in benefit is delivered to the family, resulting in parents not being able to buy food the week they need it. Additionally, income volatility can “eat up time” as families are on public assistance and reaching time limits. Families may gain enough work hours for a period of time, but then lose them with seasonal changes, forcing them to return to the caseload. Too much time spent in jobs with income volatility can lead parents to lose eligibility due to time limits, despite the fact that they have been working.

Conclusion:

Despite a growing economy, far too many families in our state are struggling to meet their basic needs. Our state’s public benefit programs provide incentives for parents to work and help remove barriers to getting good paying jobs. However, not enough families get the help, and those who do don’t get enough support for the things they need to truly get ahead. Furthermore, parents who are striving to get ahead face multiple obstacles – access to child care, transportation assistance, housing close to work and unpredictable scheduling – that cause them to fall behind when they are working hard to get ahead.

Policy Solutions

Poverty reduction programs clearly play a crucial role in helping families to work and grow their incomes over time. In order to help families move out of poverty while working, state policymakers should take steps to make sure that anti-poverty programs work better to support families as their incomes grow. They also need to take steps to improve the quality of low-wage jobs so that families can meet their basic needs while working.

Strengthen Temporary Assistance for Needy Families to ensure families in deep poverty can meet basic needs

- **Raise the cash grant.** Policymakers should increase the TANF benefit level so that parents with low incomes can meet the basic needs of their families.
- **Expand hardship extensions to time limits for families who “play by the rules.”** Allow families who are in compliance with WorkFirst requirements get extensions from the 60-month lifetime limit.
- **“Stop the clock” on time limits when families are working.** When families are able to get jobs and work the time they spend employed and meeting work requirements should not count against the 60 month lifetime limit.
- **Reorient system to incentivize compliance rather than sanctions.** Eliminate full-family sanctions and mandatory disqualification. Allow for families to attend a compliance orientation to give them a chance to come into compliance before moving on to the next stage of sanctions.
- **Expand opportunities for parents to access education and job skills training.** Parents on WorkFirst face multiple barriers to getting the education and job training they need to get better paying jobs. State lawmakers should provide more funding for parents to pursue up to 24 months of postsecondary education and training.

Increase access to affordable housing

- **Increase investments in the Affordable Housing Trust Fund.** The lack of affordable housing is a significant barrier to work for many families, yet most families who qualify do not get assistance. Policymakers should make investments to build more affordable housing.

- **Increase the Housing and Essential Needs program for disabled adults.** Adults experiencing a short or long-term physical or mental health disability need rental assistance, but the demand has far outpaced the funding for this critical program.

Examine opportunities to link transportation assistance to receipt of public benefit programs to remove barriers to work for families on assistance.

- **Help families on WorkFirst remove barriers to transportation:** Scale up the Department of Social and Health Services transportation pilot program to remove obstacles to work and meeting program requirements for low income families on WorkFirst/TANF.
- **Explore opportunities to link transportation benefits to affordable housing and other anti-poverty programs:** State lawmakers should look for ways to support local communities scale up projects and programs that link local transit pass programs to public benefits, like the Orca Affordable Housing Passport Pilot.

Address the benefit cliff in child care.

- **Extend the phase-down period** in Working Connections Child Care from 3 months to 12 months.
- **Increase eligibility** for Working Connections Child Care: State lawmakers can address the benefit cliff by increasing eligibility for WCCC and revise co-pay system to ensure that no family pays more than 7 percent of their income in child care costs.
- **Increase reimbursement rates to providers.** In order to address the benefit cliff in child care, policymakers will need to balance both eligibility and access to quality care. State lawmakers must also increase the rate paid to providers in Working Connections Child Care to encourage more providers to take the subsidy and provide care to low-income families.
- **Increase wages and benefits for child care workers in collective bargaining contracts.** In order to make sure parents have affordable access to quality care, child care workers need to earn enough to meet their basic needs as well.

- **Eliminate work requirements for parents attending college and receiving WCCC.** Parents who are going to school to improve their employability and get better and more stable jobs in the future should not have to work in addition to getting a degree.

Improve job quality for low wage workers:

- **Require big corporations in the retail and food service industry to provide workers with secure scheduling.** Ensure employees have access to at least 2 weeks advance notice on their schedule and encourage employers to offer additional hours to part-time workers before hiring new employees in the same positions.

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Notes:

¹ "Supporting families to work: How poverty reduction programs in Washington support families to work and how they need to be strengthened" Washington State Budget & Policy Center, July 2018.

² Department of Social and Health Services, TANF Time Limit Termination Report, August 2018.

³ Urban Institute, "Characteristics of Families Receiving Multiple Public Benefits" February 2014.

⁴ Washington State Housing Finance Commission, "Why? Rising homelessness in Washington State," May, 2016.

⁵ Center on Budget and Policy Priorities, "Washington Fact Sheet: Federal rental assistance, March 30, 2017.

⁶ Pew Charitable Trusts, "Issue Brief: Household Expenditures and Income." March 20, 2016.

⁷ Chetty, R. & Hendren, N. "Impacts on Neighborhoods on Intergenerational Mobility: Childhood exposure effects and county-level estimates." April 2015.

⁸ Urban Institute, "Driving to Opportunity: Understanding the links among transportation access, residential outcomes, and economic opportunities for housing voucher recipients" March 31, 2014.

⁹ "Evaluating the Impact of Washington State's Transportation Initiative for TANF Adults," presented at NARWS 2017 Workshop" and "Transportation Initiative Pilot: July 2018 Update" provided by the Washington State Department of Social and Health Services.

¹⁰ For more information see our policy brief: "Supporting families to work: How poverty reduction programs in Washington support families to work and how they need to be strengthened" Washington State Budget & Policy Center, July 2018.

¹¹ Availability of providers accepting the subsidies is likely related to low reimbursement rates paid to providers. Subsidy rates paid to providers only cover 30 percent the cost of the market rate, which creates a significant financial disincentive for providers to accept families receiving the benefit.

¹² Center on Budget and Policy Priorities, "Most workers in low wage labor market work substantial hours in volatile jobs," July 24, 2018.

¹³ Center for Law and Social Policy, "Volatile Work Schedules and Access to Public Benefits," September 26, 2017.

¹⁴ Washington allows for verification flexibility, appropriate certification periods, and exercises good practices with regard to reporting of changes between certifications.

¹⁵ For more information about the pilot project see: <https://seattletransitblog.com/2018/06/15/time-make-orca-passport-program-work/>