Supporting Parents to Work:

How poverty reduction programs in Washington support employment and need to be strengthened

July 2018

WASHINGTON STATE BUDGET & POLICY CENTER

By Julie L. Watts, deputy director

Good jobs are the foundation on which families build economic security and opportunities for the future. Yet far too many Washingtonians face barriers to getting and keeping jobs that pay well and provide them with stability and security. Despite a strong economy, families with lower incomes still struggle to meet their basic needs, get quality child care, and stay healthy so they can work and secure a better future for their children.

The good news is that poverty reduction programs help Washingtonians to work and grow their incomes over time.

These programs are designed to allow families to take advantage of wage and income growth. Washington's public benefits gradually phase down as a participant's income grows so that their income, in addition to their benefits, helps their financial bottom line. In almost all Washington's poverty reduction programs, families benefit from working more hours and earning higher wages, even as benefits phase down.

However, families with children who receive child care subsidies through Working Connections Child Care face a benefit "cliff" – a sudden loss in benefits that results in a net loss in income – which can set them back substantially when they need to buy child care at market rates. Time limit and sanction policies can also result in a sudden loss in benefits, making it harder for them to get back on their feet.

Every family should be able to meet their basic needs so that they can work, get ahead, and help their children reach their full potential. Washington lawmakers should take some commonsense steps to strengthen poverty reduction programs, remove the cliff in child care, and create opportunities for all our families to thrive.

What is the "cliff effect" in anti-poverty programs?

A "cliff effect" is a sudden loss in benefits that harms a household's financial bottom line, sometimes triggered by only a small increase in earnings.

Is the "cliff effect" a problem for Washingtonians who receive benefits?

Almost all benefits phase down gradually, allowing families to take advantage of increased earnings. The only program in which families face a benefit cliff is in Working Connections Child Care.

With public assistance, it pays to work

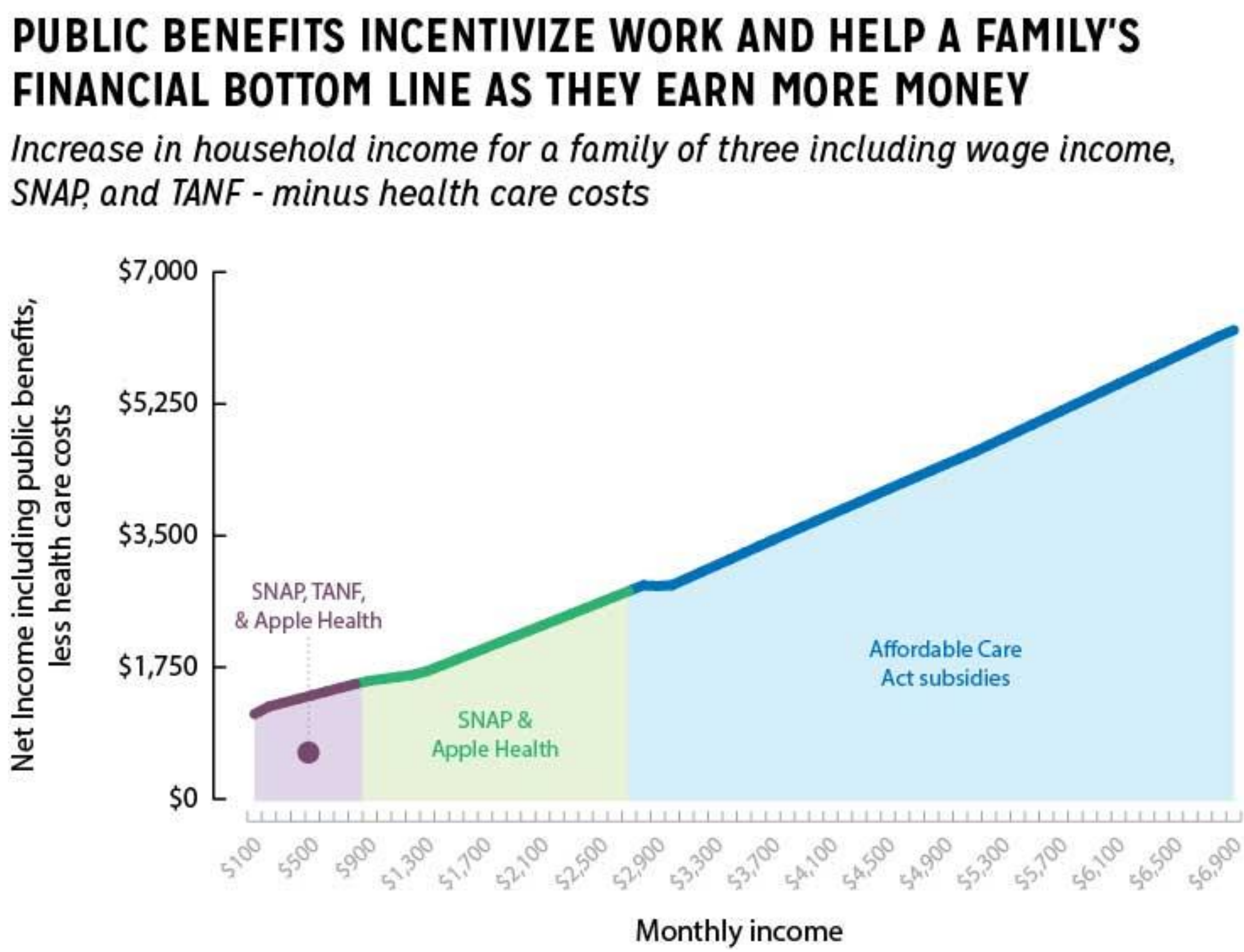
Almost all benefit programs in Washington including the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Apple Health, and Affordable Care Act subsidies support households to work and grow their incomes. Families in these programs are almost always better off when they work – even when their incomes increase and public benefits phase down.

Because they phase down gradually and ease transitions, poverty reduction programs help families take advantage of earning more money when they get a promotion, a raise, more hours, or a better-paying job. Chart 1 below shows how a family of three's income grows when combined with their public benefits even once they've paid their premiums with Affordable Care Act health insurance subsidies.

SNAP and TANF are both programs that disregard a portion of a family's earnings when determining the amount of benefits they will receive. TANF benefits disregard 50 percent of a family's earnings and SNAP disregards 20 percent. SNAP additionally includes deductions for the cost of things like shelter and child care up to a certain limit. This allows families to keep their earnings and improves their financial bottom line as their work income goes up.

Federal housing programs also support families to work and earn more and keep more of their income for up to two years, through the earned income disallowance, also called earned income disregard. In the first year of an increase in a household's income because of employment, additional earnings do not count toward calculating the household's rent. In the second year, only half of the additional income counts toward rent.

Chart 1:



However, there are some situations in which a family may face a sudden loss of benefits that actually harms their bottom line. This is the case in Working Connections Child Care.

Eligibility for WCCC abruptly ends at 200 percent of the federal poverty line (or $3,462 per month for a family of three.) If a family earns above this line, they have a short period of three months before they lose the benefit altogether. At this point a family must pay market rate for child care, which absorbs a large percentage of their income.

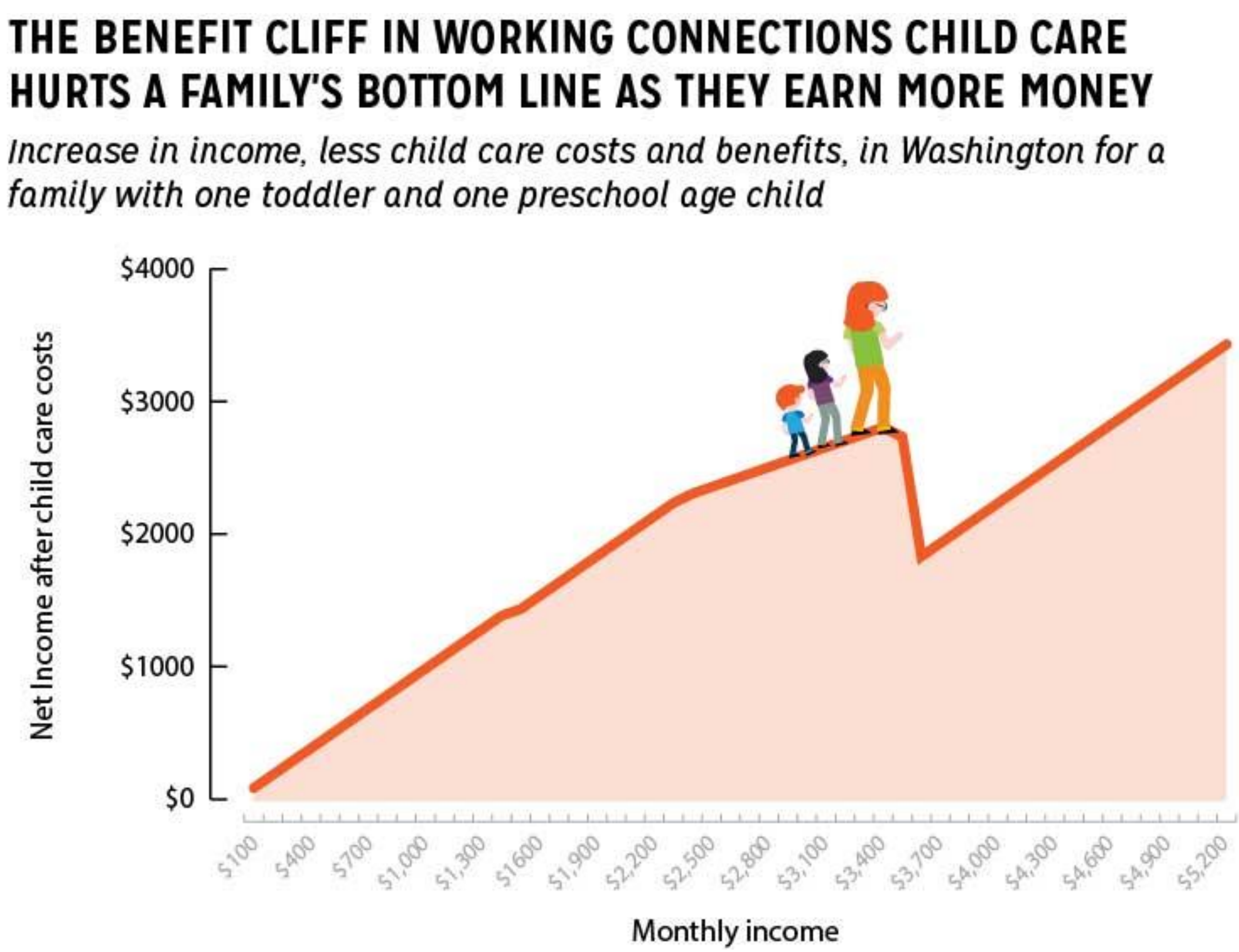
Chart 2 shows how this cliff effect in child care harms a family's bottom line. A family of three in Washington state that hits the cliff in benefits may need to spend between 30 and 70 percent of their income to afford market rate for child care for one toddler and one preschool age child, depending on where they live in the state.[1]

The benefit cliff in Working Connections Child Care could be addressed within the current co-pay structure by raising eligibility for the program up to 325 percent of the federal poverty line (or $5,625 a month for a family of three.)

The state would also need to enact other measures to ensure affordable access to quality child care like increasing reimbursement rates for family and center providers. Currently, WCCC subsidies only reimburse providers for 30 percent of the market cost of child care, meaning many providers struggle to make their business work while accepting the benefit. Many providers cap the number of WCCC families they will take, making it hard for families to find care.

Likewise child care workers themselves often do not make enough money to meet their own basic needs. To ensure affordable access to care lawmakers must also increase wages for child care workers.

Chart 2:



Families can face a sudden loss in benefits without an increase in income

Benefit cliffs do not just apply when family wages go up. Families can face a benefit cliff even when they do not see an increase in earnings. This can happen when families hit time limits or face sanctions in Washington's Temporary Assistance for Needy Families (TANF), or WorkFirst, program.

This cliff was created by a series of policies enacted over the last 12 years when the state cut off benefits for the entire family when the parent failed to meet work requirements and also restricted extensions to the 60-month lifetime limit.

These policy changes punish entire families when a parent faces obstacles to complying with program requirements, and the state has progressively reduced the period of time that families have to come back into compliance. The state kicked families off assistance who were "playing by the rules" but just hadn't been able to get a job or bring in sufficient income to leave the program before the 60-month time limit.[2]

This abrupt loss of benefits creates true hardship for families. Research has shown that families who lose benefits due to time limits face significant hurdles to economic security, including mental illness, chronic health problems, risk of homelessness, and the need for substance abuse treatment. Many of these conditions, if not addressed, leave children at high-risk for adverse childhood experiences (ACES) which can have ripple effects throughout a child's lifetime.[3]

Poverty reduction programs incentivize work, but not enough families get them or get too little

For most families in Washington, benefit cliffs are not the issue keeping them from better-paying jobs and earning more money. The more pressing problem is that many families who need benefits do not get them. And those who do don't get enough support to meet basic needs.

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Research has shown that households that receive public benefits do not get more than two benefits, which are usually food assistance and health care.[4] While benefits like SNAP, school lunches, Apple Health, and health insurance subsidies reach a large portion of the families that qualify for them, other benefits don't. For example:

- In Washington, for every 100 families with children living in poverty, only 25 are receiving TANF.[5]
- In Washington, a recent survey found that of families who qualify for Working Connections Child Care, only 63 percent actually get it.[6]
- Nationally, only 20 percent of families that qualify for housing assistance actually get it.[7]

Yet even for families that receive benefits, the benefits they get do not provide families in deep poverty with enough income to help them meet basic needs.

Even after accounting for the recent increase in benefit amounts passed by Washington's legislature in 2018, families who are working but have incomes low enough to qualify for TANF and SNAP do not receive enough assistance – their work income included – to bring them up to the federal poverty line for a family of three. That means even as they are working and earning money they don't have enough to pay for things like clothing, diapers, and transportation costs.

Policy Solutions

Public benefits clearly play a crucial role in helping families work. Fortunately, most of the public benefits that help Washington families do not require major changes in benefit structures or the way the benefits phase down. However, there are some commonsense steps that policymakers should take to help public benefits work better. Washington lawmakers should:

Address the benefit cliff in child care:

- **Extend the phase-down period** in Working Connections Child Care from three months to 12 months.
- **Increase eligibility** for Working Connections Child Care. State lawmakers can address the benefit cliff for many families by increasing eligibility for WCCC up to 325 percent of the federal poverty line, using the current cost-sharing structure.[8]
- **Increase reimbursement rates to providers.** In order to address the benefits cliff in child care, policymakers will need to balance ***both*** eligibility access 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.

Strengthen TANF to ensure families in deep poverty can meet basic needs:

- **Raise the cash grant.** Policymakers should increase the TANF grant to at least 50 percent of the federal poverty line to ensure families can meet more of their basic needs.
- **Expand hardship extensions to time limits for families who "play by the rules."** Allow families who are in compliance with WorkFirst requirements to get extensions from the 60-month lifetime limit.
- **Reorient system to incentivize compliance rather than sanctions.** Eliminate full-family sanctions and mandatory disqualification. Allow families to attend a compliance orientation to give them a chance to come into compliance before moving on to the next stage of sanctions.

Despite a growing economy, far too many Washingtonians are struggling to make ends meet. Fortunately, poverty reduction programs help families get back on their feet and remove barriers to getting and keeping jobs. Washington lawmakers should build on this foundation and take steps to strengthen public benefits and support parents on a pathway to better paying jobs and a better future.

Notes:

[1] Washington State Budget & Policy Center analysis of Child Care Aware of Washington data on market rates for child care by county as a portion of 200 percent of the federal poverty line.
[2] See "Reinvest in WorkFirst: How we can restore the promise of basic support to Washington families facing poverty," Washington State Budget & Policy Center, (January 2018.)
[3] DSHS, "TANF Caseload Decline: The well-being of parents and children leaving WorkFirst in Washington state (2015.)
[4] Urban Institute, "Characteristics of Families Receiving Multiple Public Benefits" February 2014.
[5] "Reinvest in WorkFirst."
[6] According to DSHS, reasons for families not receiving child care subsidies varied from not knowing about the benefits, to having difficulty finding providers in their area who would take the benefit or offered the hours families needed, to not needing the benefit due to alternative forms of care, like family, friend and neighbor care.
[7] Urban Institute: "Why we need to expand, not restrict access to housing assistance" January 4, 2018. Retrieved from: https://www.urban.org/urban-wire/why-we-need-expand-not-restrict-access-housing-assistance July, 5, 2018
[8] According to a B&PC analysis of the Working Connections Child Care Co-pay Calculation Table (April 2017) for a family of three and the statewide average market price of child care for a family with one pre school age child and one toddler.

Acknowledgments: The Washington State Budget & Policy Center would like to thank Liz Schott, Tazra Mitchell, and Elaine Mejia from the Center on Budget and Policy Priorities for their contributions to this report.

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