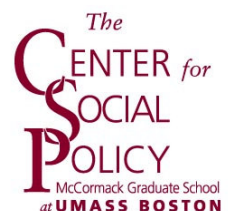


# BRIDGING THE GAPS:

## A Picture of How Work Supports *Work* in Ten States

By Randy Albelda and Heather Boushey,  
*with Elizabeth Chimienti, Rebecca Ray and Ben Zipperer*

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*Bridging the Gaps (BTG)* is a multi-year, multi-state intensive research and outreach project intended to provide a full picture of public work supports in the United States. The project was led by the Center for Economic and Policy Research and the Center for Social Policy at the University of Massachusetts Boston in collaboration with organizations in nine states (Illinois, Iowa, Massachusetts, Minnesota, New York, North Carolina, Ohio, Texas, and Washington) and the District of Columbia. The conclusions presented in this report represent only the views of the authors, not necessarily the views of any of the BTG state partners.

The Bridging the Gaps state partners are:

- Illinois**
  - Center for Urban Economic Development at the University of Illinois-Chicago
  - Heartland Alliance
  - Sargent Shriver National Center on Poverty Law
- Iowa**
  - Iowa Policy Project
- Massachusetts**
  - Center for Social Policy, University of Massachusetts Boston
- Minnesota**
  - Children’s Defense Fund Minnesota
  - JOBS NOW Coalition
  - Legal Services Advocacy Project
  - Minnesota Budget Project
  - Minnesota Community Action Association
- New York**
  - Fiscal Policy Institute
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  - North Carolina Justice Center
- Ohio**
  - Policy Matters Ohio
- Texas**
  - Center for Public Policy Priorities
  - Ray Marshall Center for Human Resources at the University of Texas-Austin
- Washington**
  - Seattle Jobs Initiative
- Washington, DC**
  - DC Fiscal Policy Initiative

*More information about the project and our partners can be found at: [www.bridgingthegaps.org](http://www.bridgingthegaps.org).*

## Organizational Partners

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## About the Authors

*Randy Albelda* is Professor of Economics and Senior Research Fellow at the Center for Social Policy at the University of Massachusetts Boston. *Heather Boushey* is Senior Economist, *Elizabeth Chimienti* is Policy Analyst, and *Rebecca Ray* is Research Assistant at the Center for Economic and Policy Research. *Ben Zipperer* is a doctoral candidate at the University of Massachusetts Amherst.

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## Executive Summary

In the United States, it is generally assumed that getting a job is enough to make ends meet. But, in today's labor market, where nearly a quarter of jobs pay low wages and offer no benefits, this couldn't be further from the truth for millions of workers and their families. Work supports—programs to assist working families to access basics, such as health care, child care, food, and housing—are supposed to fill in the gaps for families, helping them to afford a safe and decent standard of living. The Bridging the Gaps (BTG) project finds that work supports work for the families who receive them. Across the ten states we studied, they close nearly half (44 percent) of the gap between a family's earnings and needs.

This success is qualified by the fact that too many families do not receive such help. Nationwide, one-in-five people—over 41 million people—find that work coupled with work supports does not pay all the bills. These people are falling into a **hardships gap**; they do not earn enough to make ends meet, even after taking into account work supports. Most of these people are either ineligible for work supports or they do not access them. Our hardships gap measurement is limited to families with at least one worker, so the cause of the hardships gap is not unemployment, but rather some combination of insufficient work hours, low earnings, and inadequate work supports. For these families, the answer is either finding a better job, or accessing public work supports to fill in the gap between earnings and needs. This problem is not unique to one locality, but is common across all of the states in our study.

The BTG project finds that we have not gotten serious enough about making work *work* for families. Public policy has not caught up to the reality that even working families may need public work supports. Most low-wage workers do not get employment-based benefits common to higher-paid workers. Without public work supports, they and their families go without health insurance, adequate child care, safe housing, or other necessities. Many of those in the hardships gap earn too much, or do not meet other eligibility criteria, to qualify for work supports, even though they are low-income. These people face an **eligibility gap**.

Eligibility for work supports is not, however, the sole problem. There is also a **coverage gap**. Many—if not most—of those eligible for work supports do not receive them. This report finds that across BTG states:

- The Earned Income Tax Credit (EITC) has the highest participation rate among those eligible to receive it. This is undoubtedly related to the fact that the application process is the simplest of the six work supports studied here. Further, unlike most other work supports, the EITC was explicitly designed to help *working* families.
- Fewer than 25 percent of those eligible for child care or housing assistance actually receive it. In these cases, the problem is a lack of resources to cover all eligible families. Limited program funding results in lotteries and waiting lists that can take years.
- Just over half of those eligible for Food Stamps and close to two-thirds of those eligible for Medicaid/SCHIP access these work supports, while about one-third of those eligible for Temporary Assistance to Needy Families (TANF) receive it. In most states,

Medicaid, TANF, and Food Stamps assistance phase out quickly with earnings and the application processes can be cumbersome.

Our findings are clear. To fill in the gaps, we need to focus on better wages, mandates for employers to provide employment-based benefits, and work supports—or some combination of the three. Better wages and improved employment-based benefits for health care, retirement, and paid time off could make every job a good job. But there is a critical role for public work supports. Work supports must reach all families who need them. Despite low incomes, many families with low-wage workers do not have access to work supports because they are either ineligible or not receiving supports to which they are entitled. This problem is not unique to one locality, but is common across all of the states in our study. The work support that is most effective at reaching families is the EITC, and we should use this as a model to simplify the eligibility criteria and application requirements for other work supports.

This report documents the hardships, eligibility, and coverage gaps for working families in nine states (Illinois, Iowa, Massachusetts, Minnesota, New York, North Carolina, Ohio, Texas, and Washington) and the District of Columbia. We measured who is eligible for six work supports: child care assistance; Earned Income Tax Credit (EITC); Food Stamps; housing assistance (Section 8 and public housing); Medicaid and the State Children's Health Insurance Program (SCHIP); and Temporary Assistance to Needy Families (TANF). We also talked to parents in low- and moderate-income families in four states (Illinois, Massachusetts, Minnesota, and North Carolina) and the District of Columbia about how they combine earnings and public work supports; how they make ends meet when resources are scarce; and why so many families who are eligible for public work supports do not use them.



*“If we’re serious about getting people off welfare and into work, we must ensure that work pays.”*  
Robert Reich, July 1995<sup>1</sup>

## Chapter 1

# Making Work Supports Work for Working Families

Millions of jobs in the United States pay low wages. These jobs also tend to provide very few benefits. Taken together, these facts mean that millions of Americans work, but find it difficult to attain a safe and decent standard of living. Public work supports—programs to assist working families with access to basics, such as health care, child care, food, and housing—could fill in the gaps and for many, they do. The Bridging the Gaps Project (BTG) examines the extent to which public work supports fill in the gap between earnings and need for working families in nine states (Illinois, Iowa, Massachusetts, Minnesota, New York, North Carolina, Ohio, Texas, and Washington) and the District of Columbia.<sup>2</sup> We find that for those living in families below a basic standard of need, work supports close nearly half (44 percent) of the gap between their earnings and their needs. However, the BTG project finds that work supports do not reach enough families. Most low-income workers, in spite of need, earn too much to qualify.<sup>3</sup> Even among those who do qualify, many, if not most, are unable to access these programs. Across the nation, we find that one-in-five people—over 41 million—have a gap between their income and the resources necessary to meet a basic standard of need, even though they have at least one worker in their family.<sup>4</sup>

A focus group participant described it best. When asked about Medicaid, she said, “I love it. I would not switch it for nothing in the world. I even asked if they have what they call a commercial account like Blue Cross/Blue Shield in case I ever come out of Medicaid and just buy insurance separately.” In all likelihood, this mother will be phased out of Medicaid long before she is able to afford the full cost of private health insurance.

Families who cannot make ends meet on their combined earnings and work supports struggle with a **hardships gap**. These families work, but their earnings and work supports do not raise them to a basic standard of living, based on expenses in their local area. Despite their low incomes, some of these families do not have access to work supports because they are either ineligible or not receiving supports to which they are entitled. This problem is not unique to one locality, but is common across all of the states in our study.

Families fall into the hardships gap because the low-wage labor market provides meager pay and few employment-based work supports for low- and moderate-wage workers. In 2005, nearly one-quarter (22.1 percent) of U.S. workers were in “bad jobs”: jobs that paid less than the median wage in 1979 (in inflation-adjusted dollars), with no employer-based health insurance or retirement plan (Schmitt forthcoming 2008). The share of bad jobs in the U.S. economy has not changed in over a quarter century. Employer-based benefits can close the gap for workers who are able to access them; however, most low-wage workers are not offered or cannot afford these kinds of benefits. While workers with moderate or high earnings commonly receive health insurance, paid time off, and retirement plans, low-wage workers most often do not (Mishel, Bernstein and Allegretto 2007, p. 133 and p. 136).

Because of low wages and limited employer-based benefits, nearly a third of the population is left below a basic family budget. Public work supports could fill in the gaps for working families, but as currently structured they do not reach far enough up the income ladder. This leaves many struggling in an **eligibility gap**, earning too much to qualify for work supports, but not enough to afford a basic standard of living. Many of our work support programs were established to assist very low-income, non-working families or single parents with very low, but steady, earnings. Over the past century, Congress established each work support separately as they sought to meet a particular need at a specific historical moment. This resulted in little coordination among these programs, even though they are often referred to as a “support system.” These programs were not typically designed to serve working families with earnings above the official poverty threshold, even though low-wage workers are not typically offered employment-based benefits. As a result, the BTG project finds that most people who are unable to meet a basic standard of need are ineligible for most work supports, the EITC being the exception. Across BTG states, about a quarter of people living in families with income below a basic family budget are ineligible for *any* work supports.

But, millions of those who are eligible for work support programs do not access them, resulting in a **coverage gap**. The BTG project finds that across BTG states, most of those eligible for the EITC use it, but other programs are not as good at reaching all eligible families. In BTG states, fewer than 25 percent of those eligible for child care and housing assistance actually receive it, while about one-third of those eligible for Temporary Assistance to Needy Families (TANF) receive it. At the other end, just over half of those eligible for Food Stamps and close to two-thirds of those eligible for Medicaid/SCHIP access these work supports. For programs where funding is available to serve all who are eligible, take-up rates—the share of those eligible actually receiving the support—are low because workers either do not know they are eligible; find the application process too cumbersome or time consuming; or receive so little support that it is not worth the effort required to access and/or maintain the assistance. However, in some cases, such as housing and child care assistance, the problem is more often than not insufficient state and federal funding. For these supports, take up may be an issue, but whether the state allocates enough resources to effectively cover those eligible for them is a larger problem. Some state programs have higher take-up and effective coverage than others, but these problems are generally widespread.

The combined effect of narrowly defined and cumbersome eligibility rules, long waiting lists for programs like child care and housing assistance, and limited funding, is that work supports do not raise enough families to a basic standard of living. Across BTG states, only about one-fifth of those living below a basic family budget before work supports are brought up to a basic needs standard once work supports are included in their income and resource calculations.

This current reality of working families stands in contrast with the debates over welfare reform in the mid-1990s, when advocates on both the right and the left agreed that low-wage workers would need government work supports to get employed, stay employed, and care for their families (Sawhill and Haskins 2002). At the time lawmakers recognized that too many jobs paid low wages, and that too few low- to moderate-wage jobs provided employer-based benefits. Supporting low-wage work ranked high on the nation’s policy agenda, and,

around the time welfare reform was passed, Congress and state legislatures extended work supports by raising the minimum wage, expanding the Earned Income Tax Credit (EITC), and creating the State Children's Health Insurance Program (SCHIP).

These policy reforms represented an important step in the right direction, but the BTG project finds that more action is needed to help working families bridge the gaps. We need to move to a different model, one where all workers have the opportunity to meet their needs. To move families out of the hardships gap, they need an adequate combination of better wages, employer-provided benefits, and work supports. Fulfilling the first two agendas would mean that every job would have to be a good job, with some combination of higher wages and benefits, like health insurance coverage, paid time off, and retirement plans.

To improve the set of public work supports available to all workers, we need to rethink the existing work-support system. This would be the most effective way to deal with both the eligibility and the coverage gaps. For example, some of these supports, in particular health insurance and child care, would be more effective if they were structured as universal benefits, modeled on Social Security or Medicare. A universal system of work supports would relieve employers of having to provide benefits, while ensuring that workers have access to necessary supports. A universal system would be more efficient to manage and coordinate, and easier for people to access. For the other programs, expanding coverage and eligibility, while reducing unnecessarily burdensome application processes, would go a long way toward closing the hardships gap. We see this already: the work support with the highest take-up rate is the EITC, which, essentially, is universally administered, has no separate application process from the tax filing procedure, and extends higher into the earnings range than the other five work supports we study.

This report documents the hardships, eligibility, and coverage gaps for working families in nine states (Illinois, Iowa, Massachusetts, Minnesota, New York, North Carolina, Ohio, Texas, and Washington) and the District of Columbia. We measured who is eligible for six work supports: child care assistance; Earned Income Tax Credit (EITC); Food Stamps; housing assistance (Section 8 and public housing); medical coverage (Medicaid and the State Children's Health Insurance Program (SCHIP)); and the cash assistance programs in Temporary Assistance to Needy Families (TANF).<sup>5</sup> We also talked to parents in low- and moderate-income families in four states (Illinois, Massachusetts, Minnesota, and North Carolina) and the District of Columbia about how they combine earnings and public work supports; how they make ends meet when resources are scarce; and why so many families who are eligible for public work supports do not use them.

Our findings are clear. We need to provide more opportunities for families to support themselves through employment. We must recognize that in our current labor market, earnings and employer benefits are simply insufficient. Families need access to health care, child care, affordable housing, and other basics. Millions struggle in low-wage jobs that do not offer any benefits at all. While some public work supports are available, millions are ineligible due to archaic rules that do not recognize the realities of the low-wage labor market; and millions of those eligible are unable to access support.

## Bridging the Gaps Project Method and Data

The Bridging the Gaps (BTG) project is a unique, collaborative effort. State-level partners collected eligibility rules for each work support in their state. In five of the states, they also conducted focus groups. Our partners participated in each step of the research process: discussing methods to estimate the gaps, learning how to conduct focus groups, and discussing the results. This is the first project to use survey data to estimate eligibility and coverage of these six work supports in these ten states. More detail on our data and methods can be found in *Bridging the Gaps: Technical Report on Data and Methods*.

A family falls into the **hardships gap** when their income remains below a basic standard of need, even after the value of work supports is incorporated into their family budget calculation. The amount of a family's hardships gap is the difference between their income, including all work supports, and the costs of goods and services in their local area. To estimate the hardships gap, we make adjustments to the family income and the EPI/CEPR family budgets. If a family reports receiving Food Stamps, the EITC, or TANF, then we add the cash value of EITC, Food Stamps, and TANF benefits to their total family income. If a family reports receiving child care assistance, housing assistance, or Medicaid/SCHIP we replace the market prices for child care, housing, or medical care with the expenses that family actually reports paying for these items. We estimate the hardships gap in 45 states and District of Columbia for eight specific family types: households comprised of families with one or two adults and zero to three children under the age of 13.

The **eligibility gap** measures the share of people living below a basic family budget who are ineligible for each work-support program. We estimate eligibility for each work support by mapping the work support eligibility rules onto survey data. We estimate the eligibility gap for the 10 BTG states for the same eight specific family types used in the hardships gap calculation.

The **coverage gap** refers to the share of people within each state who are eligible, but do not receive each of the six work supports compared to the share of the state population eligible for these programs. To estimate the coverage gap, we first estimate the number eligible for each work support. We divide this by the number receiving the work support based on state administrative data for the latest year available and subtract the resulting share from one. We do not use reported receipt of programs from the survey data because it is under-reported and would therefore overestimate the eligibility gap. The samples are based on the populations covered by each program: the child care coverage gap is based on the number of children under age 13; for EITC, it is based on the number of tax filers; for housing assistance, it is based on the state's total number of households; and for Food Stamps, Medicaid/SCHIP, and TANF it is based on state's total number of people.

For some programs, we refer to the coverage gap as being problem of "take up," while for others, we talk of "effective coverage." Anyone who is eligible for the EITC, Food Stamps, and parts of Medicaid, can access these work supports so long as they apply. In these cases, the coverage gap is a problem of take up. However, child care assistance, housing assistance, and TANF are often not available to all who are eligible. In many BTG states, there are waiting lists, and in some cases, these lists have been closed to new applicants. Here, we refer to the eligibility gap as a problem of effective coverage.

We use five kinds of data to estimate the hardships, eligibility, and coverage gaps:

**Family budgets.** To measure the hardships gap we begin with the Economic Policy Institute's (EPI) basic family budgets. Family budgets tally the cost of the goods and services necessary to purchase basic goods and services at market prices in each location, including child care, food, health care, housing, taxes (including tax credits), transportation, and miscellaneous basic personal items. The budgets do not include

expenses for eating out, entertainment, debt repayment, or savings for retirement or children's college education. The budgets are calculated for the state's metropolitan areas and one statewide rural area.<sup>6</sup> The EPI budgets include households comprised of six family types: families with one or two parents with up to three children under the age of 13. Using the same methodology and sources as the EPI budgets, CEPR calculated budgets for two additional family types: households comprised of one or two adults.

**Survey data.** We use the Survey of Income and Program Participation (SIPP) for all nine states and the Current Population Survey's Annual Social and Economic Supplement (ASEC) for the District of Columbia in estimating all three gaps. These surveys are representative of the U.S. non-institutionalized population, including the elderly, children, disabled people, and any others not in the military or an institutional setting. The SIPP is a three-year panel, with interviews conducted every four months, beginning in 2001. The ASEC is conducted annually in March, and we use the data that cover calendar years 2001 through 2005. The SIPP is the best survey for this kind of analysis, but it has an insufficient sample size for the District of Columbia so we use the ASEC in that case. Family budgets for these eight family types cover 72 percent of the U.S. population.

**Work support eligibility rules.** The BTG state partners, working with CEPR, gathered the work support eligibility rules we use to estimate the eligibility and coverage gaps. The rules were compiled from government sources as well as non-governmental sources, including information from advocates and providers. We collected all eligibility rules available, including those related to income thresholds, asset limitations, citizenship status, and work requirements. The exception is the EITC, for which we used the National Bureau of Economic Research's online TAXSIM model to estimate eligibility.

The work support program eligibility rules are from the latest year available, and, unless noted, match the year of the administrative data. For the District of Columbia, Iowa, Illinois, New York, and North Carolina, the eligibility rules are from 2006; for Minnesota, Ohio, and Washington, they are from 2005; and for Massachusetts and Texas, they are from 2004. An appendix that describes the eligibility rules for each work support that we mapped onto the survey data can be found at: [www.bridgingthegaps.org/appendices](http://www.bridgingthegaps.org/appendices).<sup>7</sup>

To ensure accuracy, the eligibility rules were reviewed by practitioners familiar with the programs in each state. The eligibility rules for the six major work supports programs rarely (if ever) could be found in any central source. Further, some rules are extremely complicated; thus, it was key to work closely with state partners to ensure the accuracy of the rules. As a part of this process, CEPR and BTG partners held meetings in every BTG state with advocates and policy experts to review the rules we compiled.

**Administrative data.** We use administrative counts of the average monthly number of units served, across one full year, for each work support to estimate the coverage gap. The unit of analysis differs across administrative programs: for child care, the unit of analysis is the number of children under age 13 served; for EITC, the unit of analysis is tax filers; for housing assistance, the unit of analysis is the number of households served; and for Food Stamps, Medicaid/SCHIP and TANF, the unit of analysis is the number of people served.

**Focus Groups.** Five of the BTG partners (District of Columbia, Illinois, Massachusetts, Minnesota, and North Carolina) conducted a total of 22 focus groups with over 100 parents whose incomes ranged from 75 to 325 percent of the federal poverty line to shed light on how families experience and cope with all three gaps. In all of the states except Illinois, separate focus groups were conducted for those with higher family incomes (225-325 percent of the poverty line), and those with lower incomes (75-250 percent of the poverty line). Using the same protocols across locations, focus group participants discussed the ways they combine earnings and public work supports; the reasons so many families who are eligible for public work supports do not use them; and the strategies families employ to make ends meet.

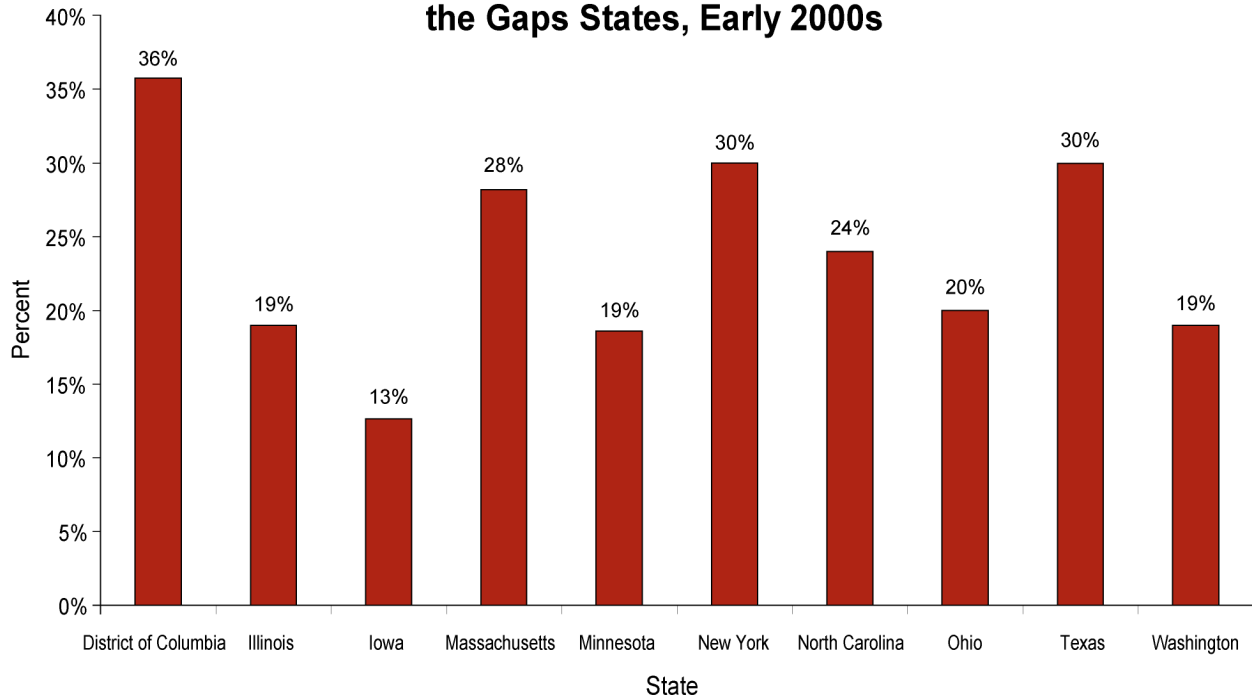
*“There’s nothing out there for those stuck in the middle.”*  
Focus group participant, Willmar, MN

## Chapter 2

# Working, but Not Making Ends Meet: The Hardships Gap

Using the most recent data available, the BTG project finds that over 41 million nationwide are coping with a hardships gap. These people live in families whose income and work supports combined are insufficient to meet a basic standard of need. Figure 2A shows the share of people with a hardships gap in the BTG states. Of the states studied, the District of Columbia has the largest share of people living in the gap, followed by Texas, New York and Massachusetts; Iowa has the lowest proportion. (Figure 2B shows the share of people with a hardship gap in 45 states and the District of Columbia.)

**Figure 2A. Share of People With a Hardships Gap in Bridging the Gaps States, Early 2000s**



Source: Bridging the Gaps Project; analysis of SIPP 2001-3 panel.

Notes: A person has a hardships gap if their income, including work supports, is lower than their family budget adjusted for work support receipt. Sample includes households comprised of families with one or two working adults and up to three children under the age of 13.

We measure the hardships gap as the difference between a basic standard of need, as defined by basic family budgets (see box: *Bridging the Gaps Project Method and Data*), and the amount of income available to a working family, including resources from work supports. Families who have a hardships gap are unable to afford a basic standard of need, even though they may have already tapped into the work supports available to them. Our hardships gap measurement is limited to families with at least one worker, so the cause of the hardships gap is not unemployment, but rather it is a combination of insufficient work hours, low

earnings, and inadequate work supports. For these families, the answer is either finding a better job, or accessing public work supports to fill in the gap between earnings and needs.

### A Basic Standard of Need

Scholars agree that U.S. poverty thresholds are outdated and do not adequately capture true income needs (Citro and Michael 1995). Thus, our analysis uses family budgets as the basic standard of need, rather than the federal poverty thresholds. The poverty thresholds are based on finding from the 1950s that families spent about one-third of their income on food. The poverty line was calculated by multiplying a bare-bones food budget by three, adjusting for family size. Since the 1960s, this threshold has been adjusted for inflation, but has not incorporated significant changes in family economics over time. For our standard of need, we use the EPI/CEPR basic family budgets. These budgets include households comprised of eight family types: families with one or two adults and zero to three children under the age of 13. Households outside of these eight family types are not included in the analysis of the hardships gap. (For more information on our methods, see box: *Bridging the Gaps Project Method and Data*.)

*"You have no room for investing, you have no room for planning for the future, you have no room for your kids' education, you have no room for savings.... All you are doing is surviving from paycheck to paycheck."*

Focus group participant,  
Chicago, IL

*"First my gas got shut off, so I have no gas, but I have a microwave, so I keep the electric running. I said, okay ... I can deal without heat in the wintertime."*

Focus group participant,  
Washington, D.C.

Using basic family budgets to measure whether families are making ends meet is superior to using the federal poverty threshold for a variety of reasons. Basic family budgets measure the actual costs of attaining a basic standard of need at market prices. The family budgets recognize that even though most middle- and higher-income families rely on employer-provided work supports for health insurance and retirement plans, low-income families do not typically have access to these employment-based benefits, because these families only include low-wage workers, and so, they must be able to purchase these at market prices. The budgets are also useful, because, unlike the federal poverty threshold, they are geographically specific. Using a representative city from each BTG state, Table 2A shows that costs vary widely across cities, with housing and child care being particularly variable.

### The Role of Work Supports in Closing the Hardships Gap

Work supports do make a difference for families who receive them. Table 2B shows that across BTG states, work supports close 44 percent of the hardship gap.<sup>8</sup> Before work supports, the median monthly hardships gap across BTG states is \$1,524, while after work supports, this falls to an average of \$855. Annually, this means that the typical family with a hardships gap before work supports sees a savings of about \$8,000 in work supports, be that in cash from the EITC or TANF, near cash, as in Food Stamps, or lower costs for health care, housing, or child care. In general, the places in which the share of people brought above the family budget is smaller also tend to have a larger overall gap to fill (i.e., their cost of living is higher).

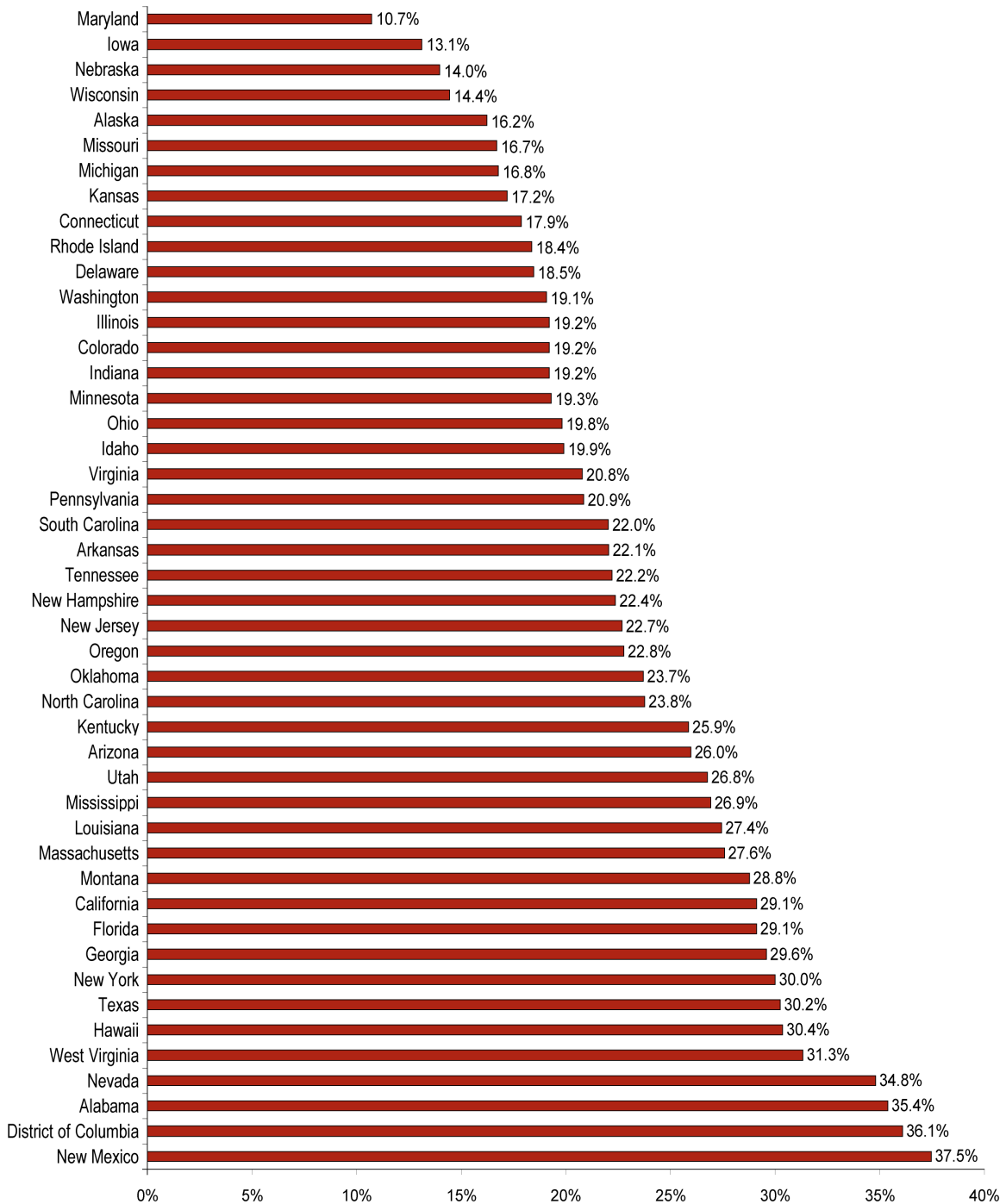
**TABLE 2A**  
**EPI/CEPR Family Budgets for Two Family Types in Ten Cities**

	Housing	Food	Child Care	Transportation	Health Care	Other Necessities	Taxes	Monthly Total	Annual Total
<b>Two adults, no children</b>									
Washington, DC	\$1,134	\$396	n/a	\$331	\$397	\$413	\$1,130	\$3,801	\$45,611
Chicago, IL	\$832	\$396	n/a	\$331	\$390	\$332	\$733	\$3,014	\$36,169
Des Moines, IA	\$565	\$396	n/a	\$334	\$380	\$259	\$605	\$2,539	\$30,471
Boston, MA	\$1,164	\$396	n/a	\$331	\$462	\$421	\$1,048	\$3,823	\$45,870
Minneapolis-St. Paul, MN	\$456	\$396	n/a	\$370	\$377	\$230	\$480	\$2,309	\$27,709
Rochester, NY	\$564	\$396	n/a	\$370	\$513	\$259	\$629	\$2,730	\$32,761
Raleigh-Durham-Chapel Hill, NC	\$764	\$396	n/a	\$370	\$460	\$313	\$826	\$3,129	\$37,546
Cleveland-Lorain-Elyria, OH	\$583	\$396	n/a	\$370	\$378	\$264	\$581	\$2,571	\$30,858
Houston, TX	\$633	\$396	n/a	\$331	\$439	\$278	\$529	\$2,606	\$31,270
Seattle-Bellevue-Everett, WA	\$710	\$396	n/a	\$370	\$424	\$299	\$581	\$2,779	\$33,347
<b>One parent, two children</b>									
Washington, DC	\$1,187	\$405	\$1,316	\$222	\$324	\$430	\$857	\$4,741	\$56,890
Chicago, IL	\$906	\$405	\$763	\$222	\$285	\$354	\$284	\$3,219	\$38,628
Des Moines, IA	\$657	\$405	\$924	\$239	\$264	\$287	\$211	\$2,987	\$35,841
Boston, MA	\$1,266	\$405	\$1,298	\$222	\$416	\$451	\$802	\$4,860	\$58,322
Minneapolis-St. Paul, MN	\$928	\$405	\$1,364	\$255	\$279	\$360	\$600	\$4,191	\$50,291
Rochester, NY	\$687	\$405	\$1,195	\$255	\$388	\$295	\$302	\$3,527	\$42,322
Raleigh-Durham-Chapel Hill, NC	\$779	\$405	\$866	\$255	\$286	\$320	\$315	\$3,226	\$38,708
Cleveland-Lorain-Elyria, OH	\$703	\$405	\$1,111	\$255	\$270	\$299	\$377	\$3,420	\$41,042
Houston, TX	\$733	\$405	\$720	\$222	\$336	\$307	\$75	\$2,798	\$33,579
Seattle-Bellevue-Everett, WA	\$834	\$405	\$1,054	\$255	\$251	\$335	\$237	\$3,371	\$40,446

Source: Bridging the Gaps Project.



**Figure 2B. Share of People With a Hardships Gap, Early 2000s**



Source: Bridging the Gaps Project; analysis of SIPP 2001-3 panel.

Notes: A person has a hardships gap if their family income, including work supports, is lower than their family budget adjusted for work support receipt. Sample includes households comprised of families with one or two working adults and up to three children under the age of 13.

Even though work supports close a significant portion of the hardships gap, across BTG states, only about one-fifth of people in families with at least one worker, with income below a basic family budget before work supports completely close their hardships gap through these support programs (Figure 2C). Families in relatively low cost states, like Iowa, Texas, and Ohio, are more likely to be moved above their basic family budget by the work supports they receive than families in higher costs states like Massachusetts and the District of Columbia. (Figure 2D shows this trend for 45 states and the District of Columbia).

People living in the hardships gap are not necessarily poor. In most states, they have income putting them above the official poverty threshold for a family of three. Table 2C shows the median monthly and annual incomes of people with a hardships gap for 45 states and the District of Columbia. In all but seven states, the median income of families living in the hardships gap is above the poverty threshold for a family of three; in 15 states, it is more than 125 percent of the poverty threshold.

### Explaining the Hardships Gap

We find a hardship gap in every BTG state. The variation in the share of people living in the hardships gap across BTG states can be explained by several factors. Some places, notably the District of Columbia and Massachusetts, have a very high cost of living. Housing and child care in these states are typically much more expensive than in the other states. This difference underscores the importance of using a measure of need that incorporates local costs, rather than one, national poverty threshold. In turn, it also highlights the weakness of

*“I don’t care if I get sick, but my child, I worry about her. . . God forbid if something happens to me or whatever, I’ll deal with that later.”*

Focus group participant,  
Raleigh, NC

federal work supports when benefit levels are set nationwide. These programs lift more families above a basic needs standard in low-cost localities, but in places with very high costs of living, working families remain in a hardships gap.

*“When I had to go to ask for Food Stamps, I started crying too, in front of the social worker, because I don’t like that. . . I like to work, but when I feel I have the need, I go and look for aid, even if I don’t want to. I do it for my children, for their future, their well-being.”*

Focus group participant,  
Lawrence, MA

Variation in the hardships gap across states also depends on differences in local labor markets and the share of low-wage workers across states. People living in states with higher average earnings, and a high cost of living, will be less likely to benefit from work supports only open to families with very low incomes. Chapter 3 explores the share of low-wage jobs and access to employer-based benefits in each state.

Some states are more effective than others at closing the hardships gap through public work supports. Chapter 4 examines who is eligible for work supports and Chapter 5 examines who is able to use them. States that have more inclusionary policies and cover more families above the official poverty thresholds are likely to have fewer families in the hardships gap. States that do a better job of ensuring that all who are eligible for public benefits receive them also have a smaller number of people living in the hardships gap.

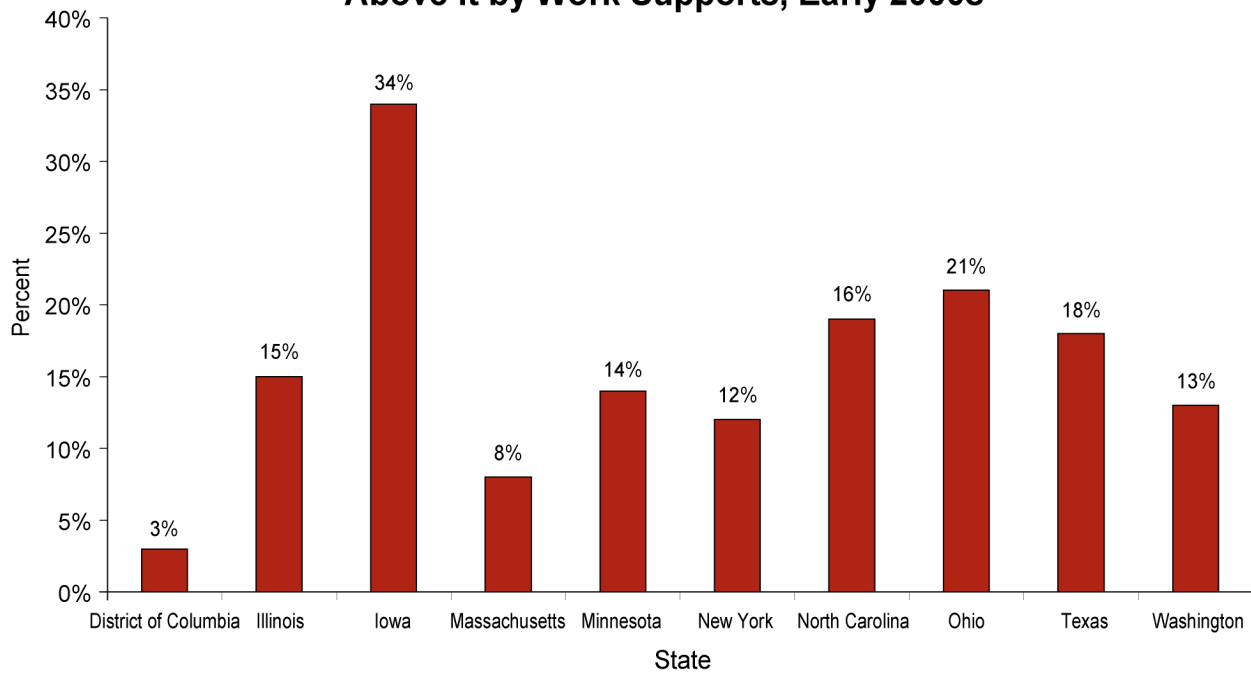
**Table 2B**  
**Median Hardships Gap for Families, by State**

	Median monthly hardships gap (in 2004\$)		Share of median monthly hardships gap closed by work supports
	Before work supports	After work supports	
District of Columbia	\$1,765	\$1,395	21.0%
Illinois	\$1,472	\$760	48.4%
Iowa	\$1,083	\$638	41.1%
Massachusetts	\$1,403	\$1,036	26.2%
Minnesota	\$1,204	\$845	29.9%
New York	\$1,819	\$1,079	40.7%
North Carolina	\$1,377	\$665	51.7%
Ohio	\$1,682	\$662	60.6%
Texas	\$2,084	\$754	63.8%
Washington	\$1,357	\$714	47.4%
<b>BTG states</b>	<b>\$1,524</b>	<b>\$855</b>	<b>43.9%</b>

Source: Bridging the Gaps Project analysis of the SIPP 2001-3 panel.

Note: All geographic areas in each state are covered. Sample includes households comprised of families with one or two working adults and up to three children under the age of 13.

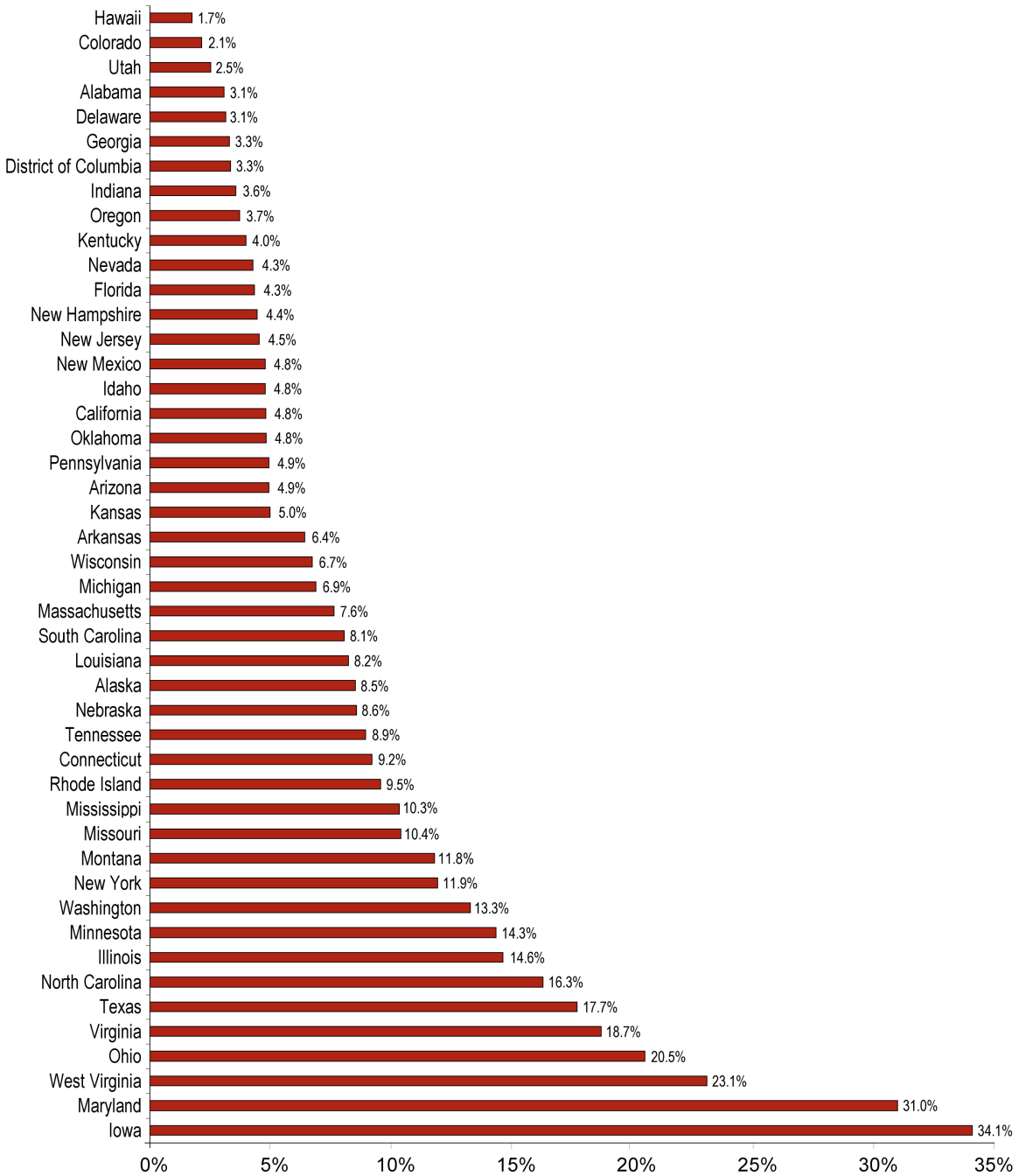
**Figure 2C. Share of People Below their Family Budget Moved Above it by Work Supports, Early 2000s**



Source: Bridging the Gaps Project; analysis of SIPP 2001-3 panel.

Notes: Sample includes households comprised of families with one or two working adults and up to three children under the age of 13.

**Figure 2D. Share of People Below Their Family Budget Moved Above it by Work Supports**



Source: Bridging the Gaps Project; analysis of SIPP 2001-3 panel.

Sample includes households comprised of families with one or two working adults and up to three children under the age of 13.

Work supports help close some of the gaps and are much needed. However, we find that many low-income working families are either ineligible for work supports, or do not receive the supports to which they are entitled. The problem is threefold: too many jobs offer inadequate pay and benefits to support a family; public work supports often exclude working families who are unable to make ends meet; and these supports do not reach all who are eligible for them.

**TABLE 2C**  
**Median Monthly and Annual Earning of Families in the Hardships Gap, by State**

State	Median family earnings (in 2004\$)		Share of poverty for three-person family	State	Median family earnings (in 2004\$)		Share of poverty for three-person family
	Monthly	Annual			Monthly	Annual	
Arkansas	\$1,065	\$12,775	83.9	Florida	\$1,490	\$17,876	117.5
Mississippi	\$1,065	\$12,783	84.0	Texas	\$1,495	\$17,938	117.9
West Virginia	\$1,234	\$14,809	97.3	Illinois	\$1,531	\$18,373	120.7
Montana	\$1,246	\$14,955	98.3	Arizona	\$1,538	\$18,458	121.3
Tennessee	\$1,248	\$14,972	98.4	Utah	\$1,547	\$18,569	122.0
Wisconsin	\$1,252	\$15,028	98.7	Virginia	\$1,552	\$18,623	122.4
Nebraska	\$1,253	\$15,034	98.8	Georgia	\$1,570	\$18,845	123.8
Louisiana	\$1,277	\$15,328	100.7	Pennsylvania	\$1,574	\$18,885	124.1
Iowa	\$1,278	\$15,340	100.8	Oregon	\$1,595	\$19,145	125.8
Michigan	\$1,295	\$15,537	102.1	Delaware	\$1,632	\$19,581	128.7
Alabama	\$1,320	\$15,837	104.1	District of Columbia	\$1,645	\$19,737	129.7
Kansas	\$1,320	\$15,839	104.1	Colorado	\$1,680	\$20,159	132.5
Ohio	\$1,341	\$16,093	105.7	New York	\$1,701	\$20,414	134.1
Maryland	\$1,383	\$16,599	109.1	Nevada	\$1,720	\$20,640	135.6
Missouri	\$1,384	\$16,606	109.1	California	\$1,735	\$20,815	136.8
New Mexico	\$1,403	\$16,836	110.6	Rhode Island	\$1,750	\$20,998	138.0
South Carolina	\$1,425	\$17,101	112.4	New Jersey	\$1,775	\$21,304	140.0
Idaho	\$1,427	\$17,121	112.5	Hawaii	\$1,804	\$21,649	142.2
Oklahoma	\$1,433	\$17,191	113.0	Alaska	\$1,804	\$21,653	142.3
Kentucky	\$1,441	\$17,292	113.6	Minnesota	\$1,810	\$21,726	142.8
Indiana	\$1,453	\$17,438	114.6	Connecticut	\$1,854	\$22,251	146.2
Washington	\$1,465	\$17,582	115.5	Massachusetts	\$2,063	\$24,759	162.7
North Carolina	\$1,483	\$17,801	117.0	New Hampshire	\$2,087	\$25,047	164.6

Source: Bridging the Gaps project analysis of SIPP 2001-3 panel.

Note: Sample includes households comprised of families with one or two working adults and up to three children under the age of 13.

*“I never dreamed I’d make \$13 an hour, ever. I can’t make it on \$13 an hour. And I don’t have a very high house payment or any of those things.”*  
 Focus group participant, Raleigh, NC

## Chapter 3

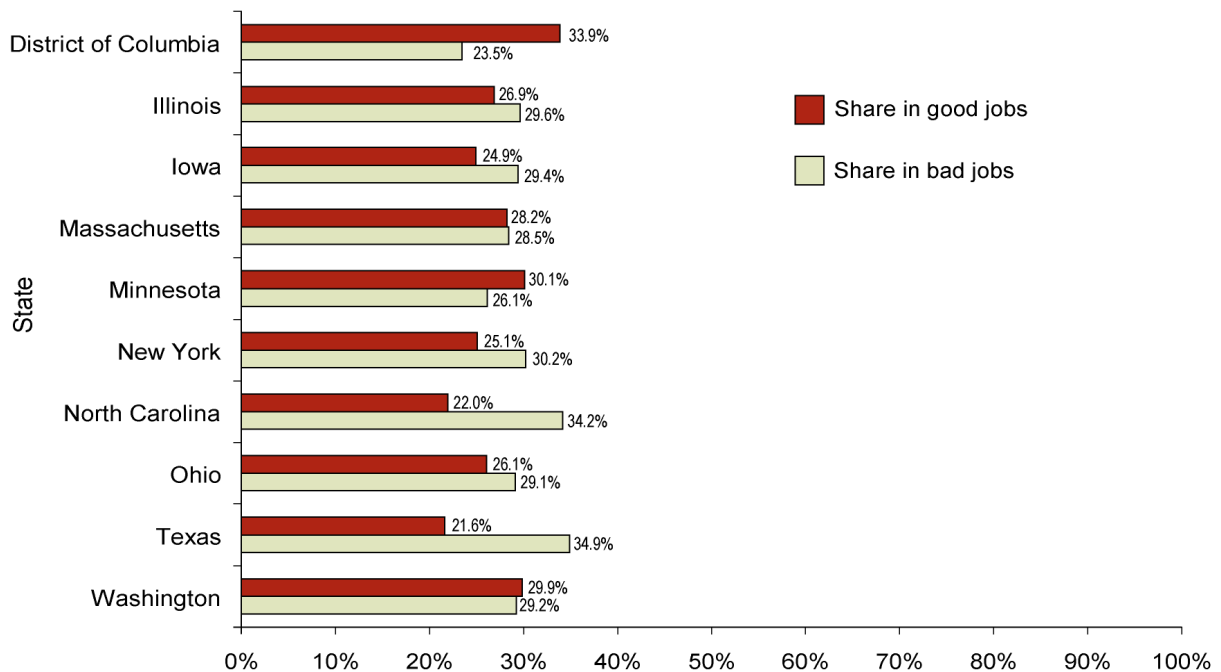
# A Good Job is Hard to Find

Most families in the United States earn the majority of their income through work. To address the hardships gap, we must begin by looking at whether jobs are providing sufficient wages and benefits for families to bridge the gaps. Unfortunately, the U.S. labor market creates millions of jobs that cannot support a family. In what follows, we define a “bad job” as one that pays less than the median wage in 1979 (adjusted for inflation), and has *neither* employer-sponsored health insurance nor a retirement plan.<sup>9</sup> By this definition, in 2005, almost a quarter (22.1 percent) of Americans were in bad jobs. Even worse, despite substantial economic growth since the end of the 1970s, the share of bad jobs in the U.S. economy has remained essentially unchanged for over a quarter century.<sup>10</sup> Just under one-third of U.S. jobs are good jobs, offering decent pay (more than the 1979 median wage) and employer-sponsored health insurance and a retirement plan. In 2005, 30.1 percent of American workers had a job that met all three criteria, about the same share as in 1979. Figure 3A shows the share of jobs that are bad jobs in BTG states averaged over the three years from 2003 to 2005. (For comparison, Table 3A shows the share of workers in bad jobs for all fifty states for the same years.) About one-half of all jobs are neither good nor bad. These jobs have either one or two of the elements of a good job, but not all three.

*“If I had family I’m sure they would have helped a lot. With the kind of family I have – with most people -- I don’t think you could stay very long. You have to have a job, a good job.”*

Focus group participant,  
 Chicago, IL

**Figure 3A. Share of Workers in Good and Bad Jobs, 2003-05**



Source: CEPR analysis of the ASEC for survey years 2004-06

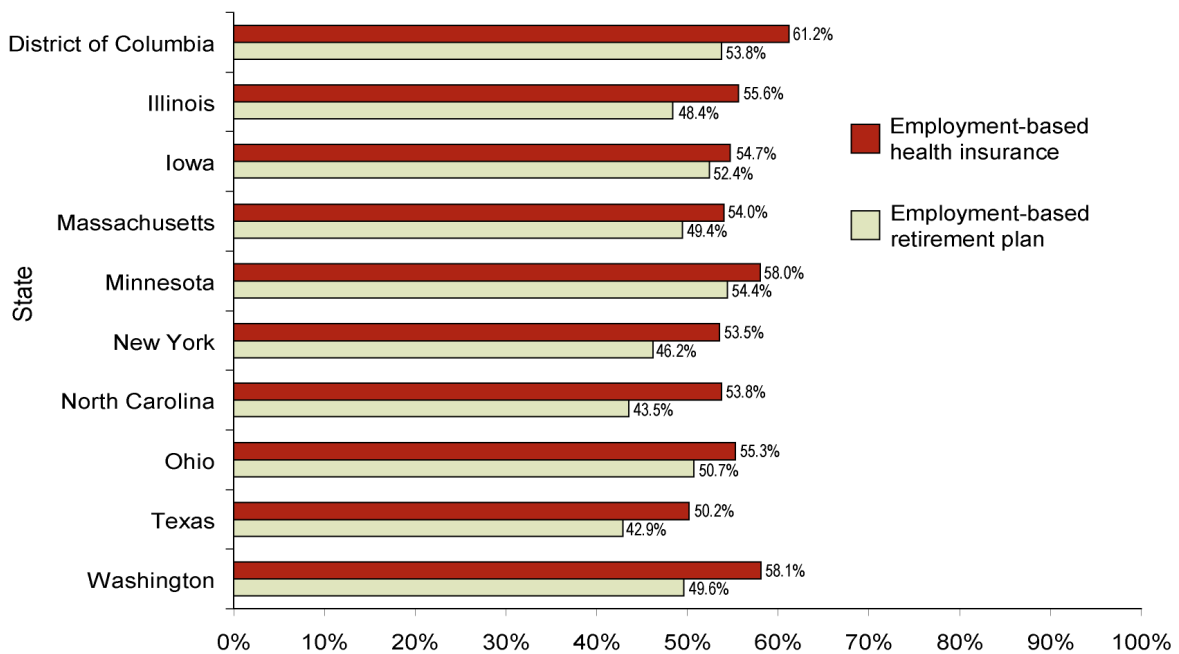
There is a wide range in the share of bad jobs across occupations. Table 3B shows the occupations where more than two-thirds of the jobs are bad jobs by our definition. Bad jobs are heavily concentrated in jobs in the service sector. Many of these occupations require nonstandard hours of work, especially since many service establishments are open beyond the usual nine-to-five workday. Further, since many are in services, workers may not be employed consistently full-time, but have erratic schedules (Lambert and Henly 2007). Erratic schedules can make it difficult for workers to coordinate child care, apply for work supports, or check in with caseworkers.

*"I was in that situation before where even though I was working in a full-time job or whatever, but in Medicaid they cut me off because they said I made too much money. To me [I] wasn't [making] that much money because I needed the insurance."*

Focus group participant,  
Washington, D.C

While workers who are moderately or highly-paid often receive benefits, such as health insurance, paid time off, and retirement plans from their employer, low-wage workers generally do not. Figure 3A shows the share of workers who have low wages and no employment-based health insurance or retirement plan. Figure 3B shows the share of workers in BTG states who have employer-based health insurance and pensions. Across BTG states, workers are more likely to have an employment-based health insurance plan, than a pension. Texas had the highest share of bad jobs, followed closely by North Carolina. Correspondingly, workers in Texas, followed by North Carolina, are least likely to have employment-based health insurance and retirement plans. At the other end, Minnesota and the District of Columbia had the largest share of good jobs, and similarly have the most workers with employment-based health insurance and retirement plans, although Washington has more workers with health-insurance plans than Minnesota. (Table 3A shows these data for all fifty states.)

**Figure 3B. Share of Workers with Employer-based Benefits, 2004-2006**



Source: CEPR analysis of the ASEC for survey years 2004-06.

**Table 3A**  
**Share of Workers in Good and Bad Jobs, and Share with Employment-based Benefits, 2003-05**

State	Share in Good Job	Share in Bad Job	Share with Employment-based Health Insurance	Share with Employment-based Pension	State	Share in Good Job	Share in Bad Job	Share with Employment-based Health Insurance	Share with Employment-based Pension
Alabama	24.7	30.8	55.0	49.6	Montana	17.3	39.6	46.8	44.0
Alaska	27.0	33.3	49.7	47.7	Nebraska	23.6	29.7	53.3	50.3
Arizona	21.7	33.9	51.4	41.1	Nevada	22.3	28.9	58.9	41.3
Arkansas	16.9	36.4	48.0	42.4	New Hampshire	28.5	27.1	56.2	51.3
California	25.3	34.0	51.8	41.4	New Jersey	31.1	27.3	55.9	50.2
Colorado	24.6	29.7	53.0	44.0	New Mexico	18.5	38.6	44.4	41.6
Connecticut	32.1	25.8	57.2	52.4	New York	25.1	30.2	53.5	46.2
Delaware	26.8	25.1	58.8	51.2	North Carolina	22.0	34.2	53.8	43.5
Dist. of Columbia	33.9	23.5	61.2	53.8	North Dakota	21.2	33.7	51.0	51.9
Florida	19.4	33.0	51.5	39.0	Ohio	26.1	29.1	55.3	50.7
Georgia	21.9	28.5	54.4	45.0	Oklahoma	21.1	33.8	50.9	45.3
Hawaii	24.2	20.6	64.7	51.1	Oregon	25.7	33.7	54.1	47.5
Idaho	22.0	35.1	52.6	44.5	Pennsylvania	26.5	27.3	58.0	50.9
Illinois	26.9	29.6	55.6	48.4	Rhode Island	24.7	30.4	53.6	46.6
Indiana	25.8	29.3	54.8	50.4	South Carolina	20.9	31.6	54.2	46.7
Iowa	24.9	29.4	54.7	52.4	South Dakota	17.3	33.7	50.4	46.9
Kansas	25.0	29.6	55.4	51.1	Tennessee	22.1	31.7	53.4	45.7
Kentucky	22.6	30.3	56.6	48.8	Texas	21.6	34.9	50.2	42.9
Louisiana	20.7	33.3	50.5	43.5	Utah	21.5	37.1	48.2	42.0
Maine	23.5	33.6	53.6	46.7	Vermont	22.7	32.5	50.9	46.5
Maryland	29.3	25.7	56.5	49.8	Virginia	28.2	27.8	56.1	50.2
Massachusetts	28.2	28.5	54.0	49.4	Washington	29.9	29.2	58.1	49.6
Michigan	28.1	30.1	55.3	49.7	West Virginia	21.5	33.5	51.0	47.8
Minnesota	30.1	26.1	58.0	54.4	Wisconsin	25.8	29.3	54.6	51.2
Mississippi	19.5	33.9	51.7	44.8	Wyoming	24.2	35.2	50.7	46.3
Missouri	26.1	29.1	56.7	49.8					

Source: CEPR analysis of the ASEC for survey years 2004-06.



**TABLE 3B**  
**Occupations with More Than Two-Thirds Bad Jobs, 2003-05**

Detailed Occupation	Share of Occupation Comprised of Bad Jobs
Hosts and hostesses, restaurant, lounge, and coffee shop	87.0
Counter attendants, cafeteria, food concession, and coffee shop	87.0
Ushers, lobby attendants, and ticket takers	85.4
Fabric and apparel patternmakers	82.2
Lifeguards and other protective service workers	81.6
Waiters and waitresses	80.4
Tour and travel guides	79.4
Models, demonstrators, and product promoters	79.2
Dishwashers	78.8
Motion picture projectionists	78.1
Dancers and choreographers	77.5
Fishers and related fishing workers	77.3
Child care workers	76.8
Miscellaneous personal appearance workers	76.4
Food preparation and serving related workers, all others	75.7
Fence erectors	74.9
Telemarketers	74.7
Miscellaneous agricultural workers	74.6
Door-to-door sales workers, news and street vendors, and related workers	74.5
Bartenders	74.4
Food preparation workers	73.8
Cashiers	72.7
Helpers, construction trades	72.2
Entertainers and performers, sports and related workers, all others	72.0
Cooks	71.8
Combined food preparation and serving workers, including fast food	71.6
Hairdressers, hairstylists, and cosmetologists	71.4
Service station attendants	71.0
Miscellaneous entertainment attendants and related workers	69.7
Parking lot attendants	69.2
Forest and conservation workers	69.2
Pressers, textile, garment, and related materials	69.2
Maids and housekeeping cleaners	68.9
Farmers and ranchers	68.3
Grounds maintenance workers	68.2

Source: CEPR analysis of the ASEC for survey years 2004-06.

*“When I applied for the [childcare] voucher for my son when I needed to go back to work after maternity leave ... she told me, ‘You don’t qualify. You’re over the income.’”*

Focus group participant, Cambridge, MA

## Chapter 4

# Low-income, but Ineligible for Work Supports: The Eligibility Gap

Families living below a basic family budget cannot afford to purchase all of the goods and services necessary for meeting a basic standard of need. For some, public work supports help fill in the gap; however, many low-wage working families are excluded from these supports. This is in part due to the fact that most of the programs currently perceived as work supports were not originally intended to serve low-income working families, but rather were aimed at very poor or non-working families.

Table 4A shows the eligibility gap, the percentage of people below their family budgets who are ineligible for public supports, for people living in families with one or two working adults and up to three children under the age of 13. While many people in these low-income families may be eligible for at least one work support, very few are eligible for a full package of benefits. Averaging across all 10 BTG states, one-in-five (21.1 percent) people in these low-income families are not eligible for a single benefit. Washington reaches the most low-income families, with only one-in-ten (10.8 percent) ineligible for a single work support. Massachusetts reaches the fewest, as 41.9 percent of people in low-income families are not eligible for a single benefit. Even the program with the lowest eligibility gap – the EITC – leaves a relatively high share of low-income tax filers in Massachusetts (66.9 percent) ineligible. Unlike other work supports, EITC benefit levels are set by the federal government. This can be beneficial, but because they are tied to national averages of living expenses, low-income families in higher cost-of-living states miss out on work supports that they may very much need.

*“It wasn’t worth me going to work because I had to pay all these fees for my kids to be in day care, so it just wasn’t worth my time to go to work.”*

Focus group participant,  
Willmar, MN

*“I’m saying there is some stuff out there that I probably could be eligible for – I’m pretty sure. I work, so in order for me to go there I got to take off. And with the regular stuff that I have to take off for, it’s kind of hard to hold a job if you tell them ‘look I got to do this and I got to do that.’”*

Focus group participant,  
Chicago, IL

In general, among all work-support programs, people in low-income, working families are least likely to be eligible for TANF, closely followed by housing assistance and Food Stamps. The District of Columbia has the lowest share of low-income households ineligible for housing assistance. The District of Columbia and Iowa have the lowest share of households ineligible for Food Stamps. Two programs, EITC and Medicaid/SCHIP tend to have high eligibility rates, reaching further up the income distribution than TANF or housing assistance. Most tax filers in low-income families are eligible for the EITC in Illinois, Iowa, New York, North Carolina, Ohio, and Texas. Most people in low-income families are eligible for Medicaid/SCHIP in the District of Columbia, Illinois, Ohio, and Washington, but not so in other states.

**TABLE 4A**  
**Share Living Below Family Budget and Ineligible for Work Supports**

	Child Care	EITC	Food Stamps	Housing Assistance	Medicaid/SCHIP	TANF	Any
District of Columbia	49.5	54.0	71.7	65.9	37.0	77.1	25.3
Illinois	56.6	44.4	70.0	75.1	39.1	94.8	16.9
Iowa	70.8	41.6	62.2	78.7	65.5	87.9	21.5
Massachusetts	68.6	66.9	68.3	88.7	60.3	90.7	41.9
Minnesota	59.2	53.0	65.2	84.1	51.2	87.4	26.2
New York	72.2	49.2	72.8	80.5	55.8	79.6	28.0
North Carolina	42.4	36.5	67.2	86.1	58.2	92.9	21.8
Ohio	52.6	36.1	64.6	76.2	34.3	83.2	13.8
Texas	88.2	34.7	56.5	84.1	65.3	96.9	16.0
Washington	45.5	46.1	70.7	77.7	20.1	86.0	10.8
BTG state average	69.0	44.6	65.4	81.3	53.1	89.5	21.1

Source: Bridging the Gaps project analysis of SIPP 2001-03 panel, except for all work supports in the District of Columbia and for the EITC in North Carolina where data comes from the ASEC for survey years 2004-06.

Note: Sample households comprised of families with one or two working adults and up to three children under the age of 13.

The variance across BTG states reflects the fact that states have made widely varying decisions on how many working families to serve. This is particularly the case in the two service-oriented programs: child care and Medicaid/SCHIP. States typically exclude from one-third to one-half of low-income, working families from their child care eligibility rules (but as indicated in Chapter 5 below, few can access it) and also exclude one-third to two-thirds in the Medicaid/SCHIP programs. Texas is an outlier for child care, with nearly nine-in-ten low-income children ineligible for child care assistance. Washington is an outlier for Medicaid/SCHIP, where only 20 percent of people in low-income families are ineligible for this work support.

Focus group participants in all five BTG states talked eloquently about the frustrations of life in the eligibility gap. They were employed and not making enough to meet their family budgets, but making too much to be eligible for the supports they needed. They almost uniformly reported preferring employment and being “self-sufficient” to collecting work supports. Still, they needed and missed these supports because family earnings were just not enough. Many told us about getting work supports, with the support slipping away, often quickly, after landing a steady job. This was especially true of TANF, Food Stamps, and adult Medicaid. We heard several stories of people unable to put together a budget that included food, yet they were no longer eligible for Food Stamps. Other participants simply went without health insurance for themselves, and sometimes for their children.

## Many Working Families Ineligible for Work Supports

Work support eligibility rules differ across the six programs, and across states. These differences affect who is eligible for each work support and how far up the income distribution a family can be while remaining eligible for supports. We first examine the federal rules guiding work support eligibility (Table 4B), then compare how BTG states have used their discretion in limiting or expanding eligibility in their states (Table 4C).

Of the six work support programs studied here, only the EITC, SCHIP, and child care assistance were designed specifically to address the needs of working families (Table 4B). The others were originally intended to serve families with little or no earnings, at income levels below or near the official federal poverty line. Further, many of the programs were not explicitly designed to help families whose earnings fluctuate over the year, as is common in many low-wage, hourly, or seasonal occupations as shown in Table 3B above. For these families, earnings may be enough to cover expenses one month, but not the next.

These six work supports programs are the major supports used by working families with children. Other well-known supports, such as Head Start, Women, Infants, and Children

*"I don't know, sometimes we don't have enough information, and we don't ask, because we are ashamed, for many reasons, because of the language, mainly because of the language."*

Focus group participant,  
Lawrence, Mass

*"They expect you to know what you want when you get, like DSS [Division of Social Service] you've got to go in there knowing what you want and be prepared a couple of hours to get it and they're not going to tell you anything extra they have unless you already know about it."*

Focus group participant,  
Raleigh, NC

*"I was working in two jobs and then they turned around and said, you need to quit working because you're making too much money [to receive Medicaid]. And they wouldn't help me and I said no. I prefer to keep working and I said I don't know how I'm going to make it . . . thank God she never got sick."*

Focus group participant,  
Willmar, MN

(WIC), and the Low-Income Home Energy Assistance Program (LIHEAP) are more limited in their scope of coverage and affect fewer families, and were therefore not included in this analysis. With the exception of the EITC, each of the work supports in our analysis provides monthly assistance for basic needs.<sup>11</sup> Aside from TANF and EITC, these programs are dedicated to providing for very specific needs: food, child care, shelter and health care. Families can use their refundable EITC and TANF cash assistance any way they wish.

With the exception of the federal EITC, states have always played a key role in administering work support funds. Over the past several decades, the federal government has granted states more legislative authority in developing eligibility criteria, designing programs, and utilizing funds. This increased state discretion—often referred to as “devolution”—has allowed states to target programs as they see fit, with the promise of more effective coverage and more efficient use of funds.

States have made use of the considerable leeway granted them around eligibility requirements. Both across and within states, work support programs have different eligibility requirements and often use different definitions of what constitutes income, assets, work, and citizenship status. In

addition, it is common for different work supports to require different types of documentation and provide different ways by which people can apply. Different government agencies or units within an agency administer many of the programs.

**TABLE 4B**  
**Brief Overview of Six Work Support Programs**

Program	Originating legislation (and precursors)	Originally intended target population	State's role
<b>Childcare Assistance</b> U.S. Department of Health and Human Services sets guidelines	This primarily includes Child Care Development Funds (CCDF) established in 1996, TANF funds used for child care, and funds provided by states to help families with child care expenses. Precursors include temporary funding for child care in the 1930s and 1940s; Title XX of the Social Services Amendments of 1974; the 1981 Social Service Block Grant (SSBG); and funds for child care included with the passage of the Family Support Act of 1988.	These programs have had dual purposes. One is to assist poor and low-income adults with children to participate in employment or educational and training activities. The other is to expand educational opportunities for poor children.	CCDF funds are administered by states. States have considerable leeway in setting provider payment levels, parent co-payment levels, income eligibility requirements, and regulation of programs.
<b>EITC (Earned Income Tax Credit)</b> U.S. Internal Revenue Service	The EITC was established as part of the federal personal income tax code in 1975.	The original intent was to reward poor parents with earnings and reduce the impact of payroll taxes on low earners. While expanded somewhat to earners without children, it has maintained the same intent.	States can and have enacted their own EITCs in their state personal income tax provisions. In 2007, 20 states and the District of Columbia provide a refundable EITC.
<b>Food Stamps</b> United State Department of Agriculture (USDA) sets guidelines	Food Stamps began as a pilot program in the early 1960s and became a national program with the Food Stamp Act of 1964.	The Food Stamps program was originally established to improve nutritional levels of low-income households and to bolster the agricultural industry. The federal Food Stamps program is targeted to reach poor and near-poor persons.	States administer the program using mostly federal funds. States can provide their own funding to expand eligibility and have some leeway in establishing some eligibility requirements.
<b>Housing Assistance</b> U.S. Department of Housing and Urban Development (HUD) sets guidelines	Public housing was established in 1937 with the Housing Act as part of New Deal public works programs. In 1974, President Nixon established the Section 8 Rental Assistance program.	Public housing was originally intended to alleviate urban slum conditions for families with earners. Since the 1970s, public housing has come to serve very low-income persons and families, with rents linked directly to income. Section 8 assistance promotes market-based incentives to low-income families to find privately-owned housing using vouchers.	Local Housing Authorities administer the program using mostly federal funds.
<b>Medicaid &amp; SCHIP (State Children's Health Insurance Plan)</b> U.S. Department of Health and Human Services sets guidelines	The Medicaid program was enacted through legislation in 1965. It is the federal program which enables states – through matching grants – to provide funds to providers of health care to meet the medical needs of low-income persons. SCHIP was established in 1997 through the Balanced Budget Act of 1997.	Medicaid was originally designed to provide health care for those who were not expected to work – specifically the aged, blind, disabled, and mothers and their children receiving AFDC. It currently serves the same population. SCHIP increased Medicaid funding and incentives for states to broaden health insurance for children living in low-income families with the intention of filling the gap between public health coverage and employer-sponsored insurance.	States administer Medicaid and SCHIP. They are required to provide matching funds and have significant leeway in determining eligibility, care coverage, and payment rates for services.
<b>TANF (Temporary Assistance to Needy Families)</b> U.S. Department of Health and Human Services sets guidelines	Established through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which replaced its precursor AFDC (Aid to Families with Dependent Children) – a program initially established in the Social Security Act of 1935.	AFDC was originally established to provide monthly cash assistance to very low-income families with children, all of whom were presumed to have little or no income from earnings. TANF serves the same population with strong incentives for employment and marriage.	States administer the block grant and have considerable leeway in designing cash assistance programs. They are required to provide a share of funding based on amounts spent on AFDC in the early 1990s.

Sources: Cohen 1996; Edie 2006; Moore and Smith 2005-2006; Solomon 2005; State EITC Online Resource Center 2007; Stoloff 2004; USDA 2007.

As a result, with the exception of the EITC, no two states have exactly the same eligibility rules for any given work support. (See box, p. 26: *EITC: The Exception to the Rule.*)

In addition to being uncoordinated, program rules are complex. BTG research partners, who are experienced advocates and researchers, had a difficult time locating and interpreting eligibility rules. Eligibility rules for the six work-support programs rarely (if ever) could be found in any central source. Focus group participants confirmed that determining one's eligibility for a work support can be a remarkably difficult task. Applications are lengthy and often repetitive across programs. When discussing work-support programs, focus group participants in all five states told us that the application processes were stressful, invasive, time-consuming, and required high levels of organization.

To illustrate the range of eligibility requirements for the various programs across BTG states, the top half of Table 4C provides an across-state comparison of just one of the major requirements: the maximum amount of gross monthly income a single parent with two children may have to qualify for each of the six programs in 2006.<sup>12</sup> The table also shows median monthly earnings and the monthly wages someone would receive when working full-time at the state's minimum wage in 2006. The bottom half of Table 4C does the same, but lists monthly income and earnings as a percent of the federal poverty level (FPL) for a family

with one adult and two children in 2006. We use the FPL here because policymakers often (though not always) tie program eligibility to a multiple of the official poverty line for a family's particular size and composition.

*"I love EITC. It's kind of like a savings account. It's not supposed to be. My husband and I have almost always quickly qualified for that and it's kind of a neat thing because all of a sudden you know you get back a few thousand dollars, gosh you spend it in two weeks getting caught up on all your bills. And then you have the whole rest of the year – 11 months to fall behind on them again until the next EITC."*

Focus group participant,  
Willmar, MN

*"A while ago my husband was making very little money, and so was I. Then, I went to the clinic, spoke with the young lady in charge of distributing the [medical] insurance, and she told me "let's fill out the forms, send them and they will send you the card to your home" and that's how it happened. They sent me my card."*

Focus group participant,  
Lawrence, MA

*"What I like about the Medicaid is the renewal time. Now I'm talking about the paperwork with other things but you don't have to do a lot of paperwork with that. You get it; you know, paperwork once a year."*

Focus group participant,  
Greensboro, NC

The range of income thresholds varies tremendously across the states and across programs. Table 4C has figures highlighted in red if the work support's income eligibility threshold is below the FPL for a family of three. Figures are highlighted in blue if the work support's eligibility threshold is higher than the state's median earnings. It is notable that there is no state in which a worker employed full-time at minimum wage has gross earnings above the FPL for a family of one adult and two children. Outside of Iowa, to be eligible for TANF, family income must be well below the FPL, and in several of the BTG states, a family must be below the FPL to qualify for public housing.<sup>13</sup> This is also the case in several states for adults applying for Medicaid. The EITC has the highest income eligibility thresholds, surpassing median earnings in five BTG states. Eight of the BTG states consider some children eligible for Medicaid/SCHIP in families with earnings levels higher than the state median. Only North Carolina has child care assistance income eligibility thresholds above median earnings.

We know from the eligibility gap findings that not all those who are below a basic family budget are eligible for work supports, even though they may need them. Figure 4A compares the share of those eligible

TABLE 4C

**Family Income Eligibility Thresholds for Single Parent Family with Two Children in 2006**

State	Child Care	State EITC	Food Stamps	Medicaid & SCHIP		Public Housing & Section 8 <sup>1</sup>	TANF	Median monthly earnings	Monthly earnings at 2006 state minimum wage for 40 hrs/ wk
				Adults	Children				
<b>Dollar Amounts</b>									
District of Columbia	\$3,458	\$3,025	\$1,798	\$2,767	\$2,767	\$1,352	\$407	\$4,515	\$1,213
Illinois	\$2,533	\$3,025	\$1,798	\$1,840	\$2,767	\$1,499	\$3,822	\$2,638	\$1,127
Iowa	\$2,006	\$3,025	\$1,798	\$1,571	\$2,767	\$1,301	\$1,571	\$2,293	\$893
Massachusetts	\$2,890	\$3,025	\$2,767	\$1,850	\$2,767 <sup>3</sup>	\$1,703	\$1097/ \$1171 <sup>4</sup>	\$3,113	\$1,170
Minnesota	\$2,421	\$3,025	\$1,798	\$1,383	Under 2 \$3,873 Ages 2-12 \$2,075	\$1,535	\$964	\$2,797	\$1,066
New York	\$2,767	\$3,025	\$1,798	\$1,017	\$3,458	\$1,384	\$5,912	\$2,931	\$1,170
North Carolina	\$2,966	n/a	\$1,798	\$533	\$2,767	\$1,211	\$533	\$2,332	\$893
Ohio	\$2,076	n/a	\$1,798	\$1,383	\$2,767	\$1,314	\$692	\$2,508	\$893
Texas	\$1,176	n/a	\$1,798	\$751	\$2,767	\$1,222	\$751	\$2,298	\$1,014
Washington	\$2,767	n/a	\$1,798	\$546	\$3,458	\$1,400	\$546	\$2,914	\$1,323
<b>As a Percent of Federal Poverty Line (FPL)</b>									
District of Columbia	250%	223%	130%	200%	200%	98%	29%	326%	88%
Illinois	183%	223%	130%	133%	200%	108%	28% <sup>2</sup>	191%	81%
Iowa	145%	223%	130%	116%	200%	94%	114%	166%	65%
Massachusetts	209%	223%	200%	133%	200% <sup>3</sup>	123%	79%/ 85%	225%	85%
Minnesota	175%	223%	130%	100%	280%	111%	70%	202%	77%
New York	200%	223%	130%	75%	250%	100%	43% <sup>2</sup>	212%	85%
North Carolina	214%	n/a	130%	39%	200%	88%	39%	169%	65%
Ohio	150%	n/a	130%	100%	200%	95%	50%	181%	65%
Texas	85% <sup>2</sup>	n/a	130%	54%	200%	88%	54%	166%	73%
Washington	200%	n/a	130%	39%	250%	101%	39%	211%	96%

Sources: Boushey (2007); U.S. Department of Labor, Bureau of Labor Statistics (2007); U.S. Department of Labor, Employment Standards Administration (2007).

Notes: The federal poverty threshold (FPL) in 2006 for a family of three was \$16,600 annually and \$1,383 per month. Amounts depicted in red are at or below the FPL for a family of three, those in blue are above state median earnings. In some programs and in some states, income eligibility varies by county or area. For illustrative purposes we use representative thresholds. Eligibility rules for all programs are summarized in the appendices in Boushey (2007).

<sup>1</sup> In this table, we only use 30 percent of HUD's published state-wide median family income. However, income eligibility for public housing and section 8 vouchers can go up to 80 percent of median income, but most housing assistance is reserved for those with incomes below 30 percent of median income. Further, eligibility levels vary by area within the state based on area income and cost of housing.

<sup>2</sup> Eligibility varies by county.

<sup>3</sup> Increased to 300% on July 1, 2006.

<sup>4</sup> Level depends on whether the family is receiving housing assistance and whether an adult in the family is exempt from time limits and work requirements.

for each program to the share of people living below the FPL in each BTG state. We use the FPL as a reference point for Figure 4A because some work supports, such as housing and Food Stamps do not reach many families above the FPL. Further, a family with one worker employed full-time, full-year at the minimum wage in 2006 would not be able to pull their family above the FPL for a family of three.

Figure 4A shows the share eligible for each work support by state in order of the state's poverty rate for all persons, from lowest to highest.<sup>14</sup> Across the six programs and the BTG states, we estimate that the percentage of those eligible to receive work supports varies from 3.5 percent of all persons (TANF in Illinois) to 36.7 percent of all persons eligible for Medicaid/SCHIP in the District of Columbia. Across BTG states, there are fewer people eligible for TANF than people living in poverty, which means that these programs cannot be reaching all who are officially poor, let alone all of those in families below a basic family budget. Across BTG states, the percent eligible for the other work support programs extends above the FPL, indicating that work supports could reach working families. Looking back to Table 4A, however, we note that these programs are not reaching all families living below a basic family budget, which is typically about twice the FPL in BTG states. In particular, eligibility for Food Stamps and housing assistance does not extend very far above the FPL.

The share of those eligible for work supports varies considerably across BTG states. For the TANF program, there is a 10 percentage point difference in the share of the state population eligible between DC, with the most eligible, and Illinois, with the fewest. For Food Stamps, housing assistance, and EITC, the difference across BTG states is between 12 and 14 percentage points. For child care assistance and Medicaid/SCHIP, the difference across BTG states is 22 percentage points. Variations in asset, citizenship, and work requirements result in differences between states with the same income eligibility thresholds (like Food Stamps) and similar costs of living.

### **EITC: The Exception to the Rule**

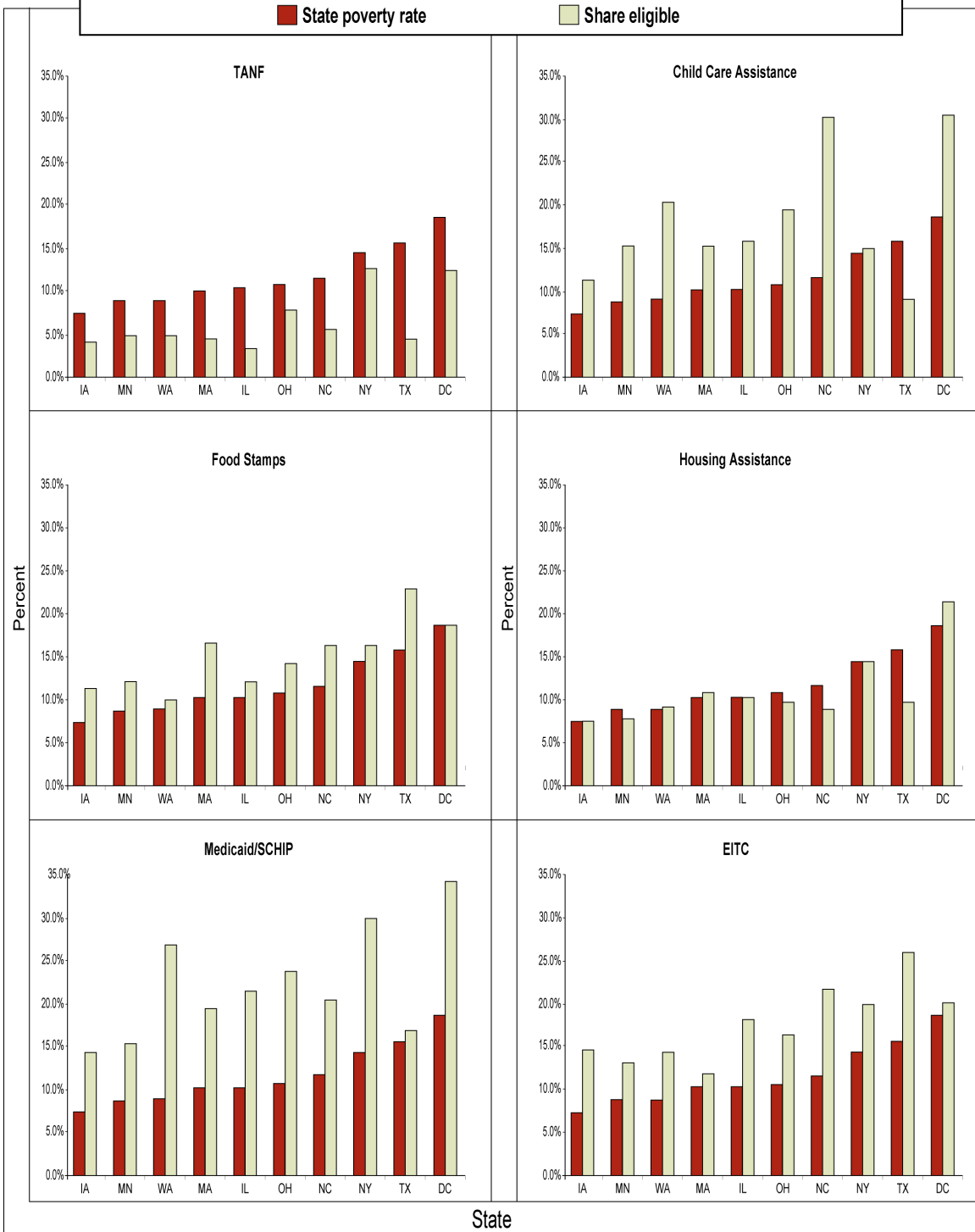
**The EITC was specifically designed to support low-income families with workers.** The other programs, with the exception of child care assistance and, more recently, SCHIP, were originally designed to provide assistance to families with no or little income from earnings.

**The EITC application is part of tax filing and does not require a separate application.** EITC applicants do not need to go to an office to apply or provide extensive documentation to prove eligibility. Instead, filers fill out a tax schedule which identifies dependent children. State EITC programs piggyback on the federal EITC; therefore, there is no additional paperwork required to claim the state credit. By contrast, the other five work supports usually require a physical visit to an office, and a good deal of documentation.

**There are no requirements or oversight of how families use their EITC.** Beneficiaries use the EITC very differently than they do other work supports. Rather than pay for basic everyday necessities, EITC refunds are often used to pay overdue bills for prior purchases of basic necessities, to purchase or repair major household items (like a car), save, or to do things the filer might not otherwise be able to do, such as go to the dentist (Mammen and Lawrence 2006, Smeeding et al. 2000, Boston EITC Campaign 2006).



**Figure 4A. Poverty and Eligibility Rates Across BTG States, by Work Support**



Source: Bridging the Gaps project analysis of SIPP 2001-03 panel, except for all work supports in the District of Columbia and for the EITC in North Carolina where data comes from the ASEC for survey years 2004-06.  
 Note: Sample households comprised of families with one or two working adults and up to three children under the age of 13.

*“I couldn’t afford the co-pays, so I just didn’t fill out the paperwork anymore and I let it go.”*

Focus group participant, St Paul, MN

## Chapter 5

# Many Families Eligible for Work Supports Do Not Receive Benefits: The Coverage Gap

Even families who are eligible for work supports may find themselves unable to access them. These families are in the coverage gap: they qualify for the support but do not receive it. The reasons for this discrepancy are as varied as the programs and their rules. Some families lack information about the work supports that are available. Some find the application process invasive and cumbersome; others may be diverted from applying. Some are on waiting lists, because there are insufficient funds available for them to access the benefit. Some find the value of benefits too low to take the time to apply (as is often reported for Food Stamps) and many simply cannot find a health or child care provider, or a rental unit that will take their work support voucher.

In fact, with the exception of the EITC, most of those eligible for work supports do not actually receive them (Figure 5A). Of the six programs in the ten BTG states, the majority of work supports do not cover even two-thirds of those eligible to receive them. The differences in coverage among the BTG states are overshadowed by the differences across programs within each state. By a considerable amount, the EITC and Medicaid/SCHIP are the most effective programs in reaching a substantial share of those eligible. Housing and child care assistance cover the fewest of those eligible, followed closely by TANF and Food Stamps.

No single BTG state does exceptionally well or poorly in providing work supports to all who are eligible. States vary the most in their ability to reach families through TANF. In North Carolina, 84 percent of those eligible do not receive TANF, while in Washington DC, 44 percent of those meeting eligibility requirements do not receive it.<sup>15</sup> The program that most uniformly covers families across BTG states is the EITC, followed by housing assistance.

Three of the programs we examine, the EITC, Food Stamps, and Medicaid/SCHIP are available to everyone who meets the eligibility requirements and are often referred to as entitlements.<sup>16</sup> The other three work supports are limited by the availability of child care facilities or housing, or simply by federal or state funding. As a result, many people can be eligible, but insufficient funding means the support may not be forthcoming. Access may then be allocated through priority lists, lotteries, or queues. This fundamental difference in the funding streams for these programs helps explain some, but not all, of the variation in coverage.

*“They only had so much dollars or so many open slots for subsidized child care and I never ever made it to the top of that list. By the time I got to the top of the list my kids were old enough that I didn’t need this.”*

Focus group participant,  
Willmar, MN

*“Oh Section 8, I have been on wait lists forever.”*

Focus group participant,  
Boston, MA

*“You got to have the qualifications – you got to almost be the president man – they going to ask so many questions – and once you apply for it [housing assistance] – you going to be put on a waiting list so long you going to be disturbed.”*

Focus group participant,  
Chicago, IL

The two most generous programs, with the broadest eligibility requirements, Medicaid/SCHIP and EITC, also tend to be the most used.<sup>17</sup> One main lesson we draw from this data is that relatively well-funded programs that are widely available and relatively easy to access will be most successful in reaching their intended recipients. Further, with bipartisan support, the EITC and SCHIP have gained considerable political favor over the last two decades. They both expanded significantly in the 1990s, while other programs had their budgets cut and their popular favor decline. Some employers of low-wage workers actively encourage their employees to apply for both EITC and Medicaid/SCHIP. These programs are not stigmatized by politicians, administrators, advocates, or as the focus group participants indicate, by the people using them. While housing and child care assistance are not stigmatized (or less stigmatized than other programs), they are also not widely available.

### No Two Alike: The Incredible Maze of Eligibility Rules

There is a strong pattern in the coverage gaps for work supports in each of the BTG states. Generally, EITC and Medicaid/SCHIP are the most effective at reaching most of those who are eligible, while child care and housing assistance are the least effective, with TANF and Food Stamps falling in between. While limited funding is critical for understanding the coverage gap, there are other reasons for the gap as well. Focus group participants revealed

*"But it's like everywhere you go you run into, no, it's not the rule book. ... Well, it says here that you got to do this, you got to do this, and if you don't have everything that fits right in their little box, they're helpless. They don't know where to send you."*

Focus group participant,  
Washington, D.C.

*"I had an experience where I applied for a medical card. I had to go to the emergency room, so I had to apply for it right there. I thought they forgot me. Finally they sent me a letter and it said 'Denied' because I didn't produce adequate documentation by a certain date."*

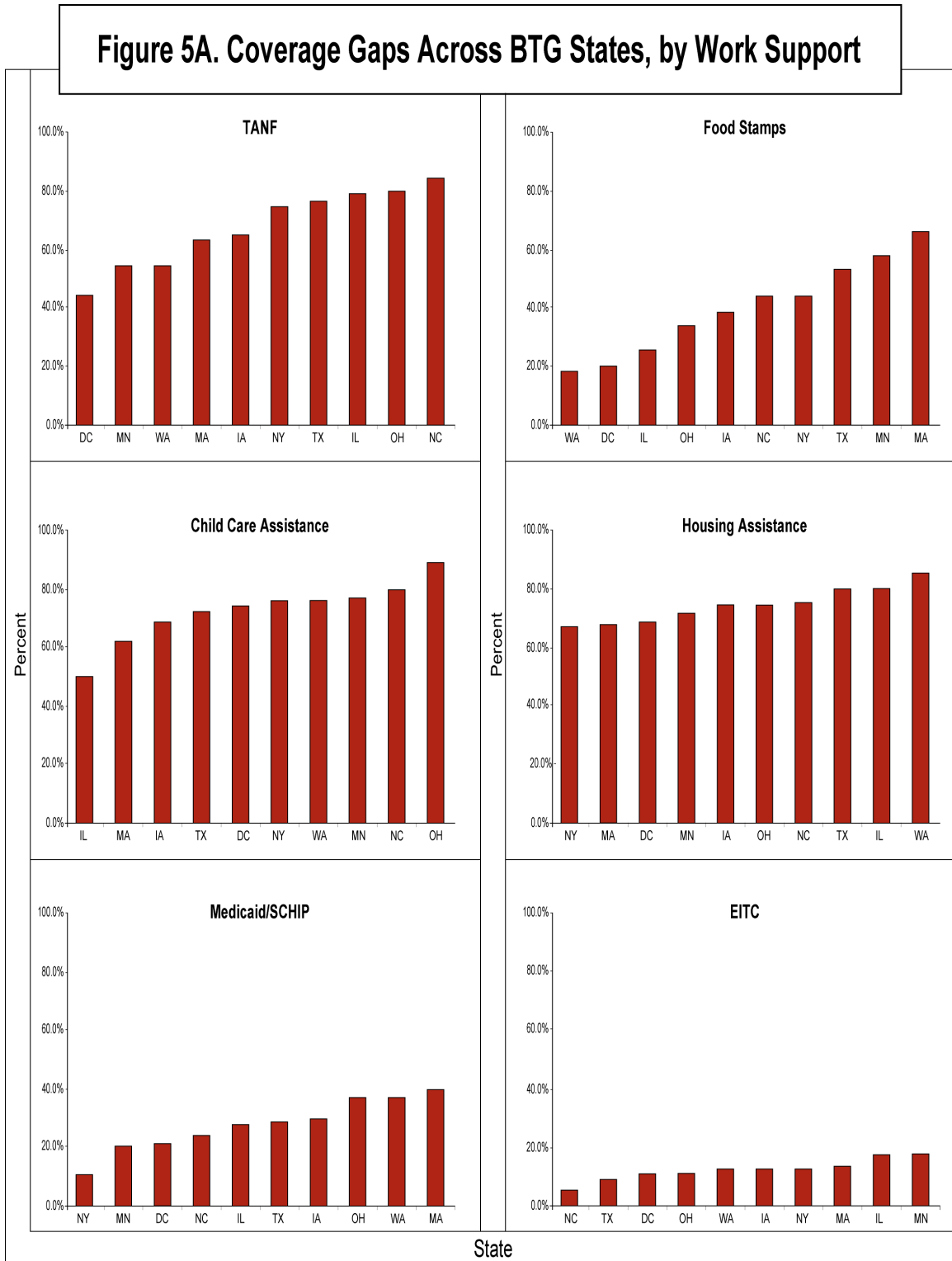
Focus group participant,  
Chicago, IL

that they do not access work supports for a number of other reasons: it is too difficult to find out what is available; administrative procedures are too complex and strict; participants face a stigma when applying for or receiving work supports; and program benefits fall too quickly as earnings increase.

Focus group participants often had received or were currently receiving work supports and often knew of places that could help people find these resources. Yet, participants in every state spoke of no comprehensive system to guide people to the types of work support programs for which their family might be eligible. Virtually every focus group participant who had access to comprehensive information had stumbled across it by luck. The lack of comprehensive information led to confusion about eligibility requirements and application procedures. The exception to this is the

EITC, which people found out about as they prepared their taxes themselves or through a paid tax preparer. Among those who reported receiving the EITC, some did not know that this was a special program until they learned about it in the focus group sessions.

Historically, families often applied for Food Stamps and Medicaid at the same time as they applied for Aid to Families with Dependent Children (AFDC). However, after the 1996 welfare reform, there was a dramatic drop in TANF caseloads and applicants. Since families



Source: Bridging the Gaps project analysis of SIPP 2001-03 panel, except for all work supports in the District of Columbia and for the EITC in North Carolina where data comes from the ASEC for survey years 2004-06.

Note: Sample households comprised of families with one or two working adults and up to three children under the age of 13.

were not applying for TANF, they may have been unaware that they remained eligible for Food Stamps and Medicaid/SCHIP. While it is debatable whether TANF should remain the entry point for programs that have shifted to support working, rather than non-working, families, many states have not established new, easily accessible entry-points to their work support system. Some states, however, have made progress in creating streamlined application processes that allow individuals to apply for several work-support programs at once.

Focus group participants who received work supports were grateful for them and told us the ways in which they helped them take care of themselves and their families. Focus group discussions, not unlike talk radio or Congressional debates, provide enormous insight on people's views of work supports. TANF and Food Stamps, while highly valued by participants who had or were currently receiving them, were seen differently than the other supports. Applying for these public work supports was often discussed as a last resort, and participants almost always justified their receipt of them as if they were not supposed to use them. Participants spoke about receiving any housing or child care assistance as if it were a godsend or like winning the lottery. People glowed about receiving the EITC and appreciated the ease by which they could access the credit. They were especially positive about their children receiving Medicaid/SCHIP.

*"Now I just this year I got a fifty-five cent an hour raise. The biggest raise I ever got since I've been with the company. Okay? I got the raise. I went for my Section 8 review. My income went up now. Mind you fifty-five cents only makes you bring home an extra fifteen dollars a week. Okay? So I got an extra sixty dollars a month in my pocket. My rent went up two hundred and fifty."*

Focus group participant,  
Greensboro, NC

Focus group participants reported that applying for work supports required high levels of organization and considerable patience. Applications are lengthy and often require people to submit the same information to several agencies in order to apply or re-confirm eligibility. Participants found that complying with the rules was often unnecessarily difficult and at odds with their employment responsibilities. With rules and application procedures difficult to find and follow, people relied on caseworkers to help them navigate the work-support system. Participants noted that the helpfulness of their caseworker made a large difference in their experience applying for and receiving benefits. However, getting a helpful caseworker seemed to depend more on luck than anything else, which led to a feeling that the system was capricious and unfair.

*"Every time it seems like you are getting ahead, your rent goes up—if you get a pay increase, your rent goes up—the more you make, your food stamps go down."*

Focus group participant,  
Boston, MA

*"Well, I was getting them [Food Stamps]. I am no longer getting them and I really miss them. It is a hole, a hole in my pocket. That's the best invention of this country."*

Focus group participant,  
Lawrence, MA

In most states TANF, housing assistance, and Food Stamps seemed to be the most onerous in terms of both applying and confirming continuing eligibility. The EITC was the easiest. Having to frequently confirm that their economic or household circumstances had not changed in a way that made them ineligible to continue to receive support was quite onerous for those who relied on support from TANF, Food Stamps, child care or housing assistance.

Requiring frequent confirmation of income creates two distinct problems for families. First, the administrative burden is about equivalent to having to pull together all the documents to prepare your taxes every few months, rather than once a year. The work and time required to confirm one's eligibility status can be time consuming and difficult to coordinate with work schedules, especially if application offices are not open during evenings and weekends.

Second, many low-wage workers have earnings that fluctuate widely over a month or over several months, due mostly to changes in hours worked. This means that a family's level of support can change frequently depending on the timing of the re-application.

*"I had the [childcare] voucher for my daughter when she was little.... Once I started working, it stopped paying. The more you make, the less and less you get."*

Focus group participant,  
Springfield, MA

*"You have a chance to finally get a few overtime hours or at least get up to 40 and you're calling off because [the extra hours] going to cut you off of this, this, and this."*

Focus group participant,  
St. Paul, MN

Finally, several focus group participants told us about tradeoffs when work support benefits decreased or co-payments increased as earnings rose. (See box: *Cliffs and Running in Place*.) Phase-outs happen in work supports because these programs are tied to income eligibility and do not provide benefits to everyone. These phase-outs often occur before a family can afford these goods and services at market prices. For example, when child care co-payments increased too high, several participants quit working because they could not afford market prices for child care. In the case of Food Stamps, when their value fell, people stopped re-applying for benefits

### Cliffs and Running in Place

The work support programs discussed here provide support only to those below certain income levels. At some income level the support ends. There are two ways this happens: support can be fully cut off once a certain income level is reached, or the benefit can be phased out over a range of income. Both present challenges to policymakers and to those who receive the assistance.

**Cliffs.** In only one of the six programs we examine – Medicaid/SCHIP – does an individual usually lose the benefit completely once they hit an income threshold (although this is not always the case; in some states, co-payments rise with income). This creates a rather steep cliff for families whose income rise above the threshold. The off-or-on nature of this program can create strong incentives for families to keep earnings under the income threshold.

**Running in Place.** In the other five work support programs, as earnings increase above a certain level, some portion of the benefit is reduced, creating a phenomenon sometimes referred to as "running in place." For every dollar earned there is a substantial loss in public support. And for several of the programs, the reduction is large and happens quickly.

Programs that phase out (or require increasing levels of co-payments) as earnings rise present receiving families with difficult choices. Every additional dollar in earnings means a loss in valued supports. Ironically, the more supports a family receives, the higher the cost of increased earnings. If a family received three or more of these support, every additional dollar earned could easily be a loss of 100 percent the value of the supports.

*“My ends ain’t meeting.”*

Focus group participant, Washington, DC

## Conclusion

### Bridging the Gaps

Work supports can—and do—help close families’ hardships gap. Focus group participants confirm this finding; despite the difficulties in getting some work support assistance, people consistently told us the supports they received allowed their families to get things they needed but could not afford. While it is true that work supports close a substantial share of the hardships gap, they bring relatively few families above a basic standard of need. It is not that work supports do not work, but rather that work supports often focus on bringing families above the official poverty line, rather than a basic standard of need. By focusing on the official poverty line, federal policies leave many without any form of assistance.

From our research, we find that while some work supports reach a majority of eligible families, others do not. Work supports like the EITC and Medicaid/SCHIP reach more families than others. These programs typically reach further up the income distribution, covering more families with income below a basic family budget. The EITC is probably the easiest to apply for and does not require a special trip to an office to get an application. While Medicaid and SCHIP require extensive applications, these benefits are incredibly valuable to families and as a result, are worth the time required to apply. Other work supports, such as child care and housing assistance, often cover only a small share of those who need them due to limited funding and long waiting lists. Even work supports like Food Stamps, which have their eligibility rules set at the federal level, have varying take-up rates across states. These trends suggest that well-funded federal programs with eligibility, and in some cases, benefits targeted to local or regional standards of basic need would be more effective in getting work supports to those who need them.

#### The Hardships Gap Can Be Closed

Families experience a hardships gap because millions of jobs do not pay enough to support a family and most low-wage jobs do not offer the employment-based benefits common for higher-paid workers. To close the hardships gap policymakers should start by recognizing that having a job does not necessarily mean that families can afford to make ends meet. Better wages, mandates for employer benefits, and public work supports (or some combination of all three) are critical components in closing the hardships gap.

The United States is out of sync with our industrial counterparts. Our main economic competitors in industrialized countries in almost all cases have higher minimum wage levels and employer-sponsored and public supports. It is true that taxes in these countries are also higher, but it is also true that these countries are surpassing the United States in many health, social, and economic indicators, suggesting that far too many American families are paying a high price for lower taxes (Schmitt and Zipperer, 2006). Not offering families higher employment standards and a better set of public work supports is a political choice, not an

economic imperative. By staying on our current course, we will leave more and more families in the hardships gap. The costs of this path are high to both these families and the nation. When a substantial share of families struggle to make ends meet, we begin to undermine the promise of equal opportunity and the rewards attached to hard work and “playing by the rules.”

We could close the hardships gap for many families by making every job a good job, paying decent wages and, importantly, offering employment-based benefits like health insurance. Federal and state policymakers can promote good jobs by establishing and enforcing higher employment and wage standards than we currently have. In early 2007, Congress raised the minimum wage for the first time in over a decade and this will undoubtedly help families to bridge the gaps.<sup>18</sup> Employer supports that would help close the hardships gap include health insurance coverage, paid sick days, paid parental leave, and pensions. While no state currently requires most employers to provide health insurance or pensions, California has paved the way with paid family leave as an extension of its workers disability insurance program.

If all jobs are not good jobs, then there is an important role for work supports to fill in these gaps. The question then becomes, what kinds of policy interventions do we need to implement to reach all those who need work supports? There are two criteria to consider. First, to be effective and reach working families, work supports must reach higher up the income distribution than they do now, including offering work supports to families up to median income in many places. Second, we need to ensure that all families receive the work support for which they are eligible.

Reducing the hardships gap ultimately requires a national effort to set minimum employment and public work-support standards. First, the presence of a hardships gap across states illustrates the need for federal policy intervention. The strength of our workforce and the well-being of all our families is a national concern. But, perhaps as important, the federal government has the resources and the ability to set national standards. States face more binding budget constraints, than the federal government. Every state but one must have a balanced budget; in times of economic downturns, work-support programs are often the first to get cut. For example, in 2003 when Minnesota faced a budget deficit, policymakers cut the child care assistance program by reducing the eligibility level from 75 percent down to 45 percent of state median income and dismantling the program elements that tied child care assistance funding to the actual cost of providing care. As a result, in 2007, fewer working families are eligible for child care assistance and child care provider rates continue to lag behind current market rates so much so that many providers cannot afford to serve children whose families depend on child care assistance.

### **Expanding Eligibility for Work Supports**

Across BTG states, one-in-five people living below their basic family budget were found to be ineligible for any work support. Our work support system too often focuses its attention on the very bottom of the income distribution, leaving out families who work, but still cannot afford basics like health care and child care. Further, federal limits often disproportionately limit the effectiveness of work supports in states with higher costs of



living. In states with a relatively high cost of the living, the federally-defined amounts for Food Stamps or the EITC do not go as far to help families as they do in low-cost states.

The federal government should support states who want to expand work supports further up the income ladder. However, this is not the direction they appear to be moving in. In September 2007, President Bush threatened to veto any reauthorization of the SCHIP program that allowed states to expand coverage to children in families with income above 200 percent of the federal poverty threshold. As a result, the children and adults who live in families that earn upwards of 200 percent of the official poverty threshold but cannot afford health insurance will most likely go without. Further, the federal government has been working to limit state discretion to expand SCHIP coverage. For example, New York requested a waiver to expand SCHIP to children in higher-income families, but was denied the waiver by the federal government. This denial limits the ability of a high-cost state like New York to cover all of those who live in families that work, but remain uninsured.

Another way to reduce the gaps would be to expand some work supports to cover all families, not just those at the bottom of the income distribution. This builds on the success of programs like Social Security, which is generally available to all workers and their dependents.<sup>19</sup> In 2005, there was a national debate over whether to reengineer Social Security. Americans nationwide responded that they like Social Security because everyone gets something from it. Unlike the work supports studied here, it's a program that covers all workers and their families.

Along these lines, some states are experimenting with providing universal coverage, rather than targeting specific populations:

- Massachusetts is experimenting with universal health insurance coverage. To ensure this, the state has enlisted the participation of individuals and employers, in addition to state government financial support.
- In Illinois, The Healthcare Justice Act of 2004 created a commission to develop recommendations for universal health care in Illinois based on public hearings.
- In 1997, New York established the Universal Pre-Kindergarten Program, which aims to provide access to pre-kindergarten for all 4-year-olds. However, local communities decide what criteria to use in selecting age-eligible children for enrollment and currently preference is usually given to economically disadvantaged children.

It may be too soon to tell whether these particular efforts to provide work supports for health insurance and child care for all families will indeed work. However these state initiatives are worth noting because they recognize that everyone—not just those who are poor enough to be eligible for work supports or are lucky enough to have employers pay for substantial portions of their health insurance—needs access to work support benefits.

### **Ensuring Eligible Families Get the Work Supports They Need**

We already know how to reach all who are eligible for work supports: fully fund programs and streamline the application process. Of the six work supports studied here, the EITC is most effective at reaching eligible families. It is administered differently than the other five

work supports. Applicants do not need to make a special trip to an office and the application process is embedded in tax filing, making it more likely that the applicant will have the necessary information on hand to fill out the tax forms. Further, there are no budget limitations on how much funding the EITC may deliver, thus all who are eligible and apply receive the benefit.

States have the capacity to change application procedures and conduct outreach to eligible populations. Many states have worked hard to streamline the application process and conduct outreach to eligible populations for other work supports. For example, in the early 2000s, Texas simplified the application and re-application processes for Food Stamps and Medicaid, making it easier to get and retain benefits; then in 2007, Texas further simplified the Medicaid re-application process so that families only have to re-apply once a year, rather than more often. The state also waived the 90-day waiting period for uninsured children. North Carolina has also recently streamlined their application process.

Other states have conducted extensive outreach campaigns, often with assistance from the federal government.

- The Illinois Hunger Coalition (IHC) received two major USDA Food Stamp Program national outreach grants in 2001-2004 to conduct outreach through improved use of technology. In 2005-2006, IHC became the first group to seek and obtain USDA outreach match money to conduct enrollment and training in the 100 Chicago Community Schools. With these funds, IHC trained KidCare (the Illinois SCHIP program) application agents stationed in Chicago public schools to conduct outreach and enrollment for Food Stamps.
- In June 2003, Iowa began a campaign to reach people eligible for, but not receiving Food Stamps. It included radio ads targeted in particular markets, especially in Eastern Iowa. There was house-to-house canvassing in low-income neighborhoods of Des Moines, and flyers and pamphlets were distributed at Food Banks and Department of Human Services offices. While results are hard to quantify, enrollment increased after the campaign was launched.

### **Finding the Political Will**

For the past generation, innovations in social policy have been targeted most often at specific populations. Much of the foundation for today's work support system is based in early policies to help poor, often non-working families. Smaller, targeted programs have the advantage of creating clear constituencies and being seen as "affordable," especially important in eras of high budget deficits. However, the U.S. economy has changed over the past generation in ways that should push us to rethink this model. Our labor market has become increasingly unequal, with families at the bottom having seen little or no net wage gains for a generation, barring the extraordinary period of low unemployment in the late 1990s. For families that do not have a working wife, family income is the same today in inflation-adjusted terms as it was nearly 30 years ago. Families need that second earner to see real income gains. At the same time, employers have reduced health insurance coverage for workers and, even more dramatically, their dependents. Working class families are feeling an economic squeeze. Meanwhile, our work-support system does not recognize that most

families do not have a stay-at-home parent and fail to provide access to safe, affordable, and enriching child care to every family. It ignores that workers need access to affordable health insurance coverage. It does not recognize that having a job may not be enough to ensure that a family can meet its basic needs. The currently reality is that jobs and many work supports do not always have a healthy relationship – one does not necessarily support the other.

Our work-support system does a good job of reaching many of the neediest, but it does not do enough to confront the decline in living standards among low-wage workers and their families. Building a political will to expand work supports to cover all families in the hardships gap will require bridging the gaps between the poor and low-wage workers, recognizing that both groups need access to support. It will also require that states push the federal government to help them confront these challenges.

## Endnotes

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<sup>1</sup> Quoted in Risen, James. “Fighting For Public Investment Amid a Revolution of Budget Cuts,” *Los Angeles Times*. July 30, 1995.

<sup>2</sup> We will refer to these 10 BTG locations as the “BTG states” even though the District of Columbia is not a state and therefore residents do not have same right to representation as do citizens elsewhere in the United States.

<sup>3</sup> There is not uniform agreement on what are considered the major work support programs in the United States. Sawhill and Haskins (2002) list the EITC, the Child Tax Credit, earned disregards in TANF, Food Stamps, and Medicaid and SCHIP. Zedlewski et al. (2006) examine Medicaid and SCHIP, Food Stamps, child care subsidies, and the EITC. The *Finance Project* (2005) defines key work support programs as the EITC, Child Tax Credit, TANF income disregards, child care assistance, transportation assistance, housing assistance, Food Stamps, Medicaid and SCHIP.

<sup>4</sup> We are unable to establish the share with a hardships gap in five states, Maine, North Dakota, South Dakota, Vermont, and Wyoming, because the SIPP does not distinguish among people who live in these states.

<sup>5</sup> States can use TANF funds to provide monthly cash assistance to families with little or no other form of income, as well as for other needs, including child care and state EITC programs. Throughout this report we refer only to the portion of TANF funds dedicated to cash assistance.

<sup>6</sup> The SIPP public release data does not identify the name of smaller metropolitan areas. For example, in Massachusetts, the SIPP identifies the name of the city only for those living in Boston/Worcester/Lawrence or Springfield. This leaves 12 percent of the state without a specific area of residence, with two-thirds reporting living in a metropolitan rather than rural area. To get around this issue, we assign all metropolitan residents without a specific city the budgets of the city with the median cost in the state, excluding the named places. We assign everyone who lives in a rural area the rural statewide budget.

<sup>7</sup> We could not map every eligibility rule onto the survey data.

<sup>8</sup> Note that the term “work supports” only refers to the six programs studied in this project, child care assistance, EITC, Food Stamps, housing subsidies, Medicaid/SCHIP and the cash assistance programs of TANF.

<sup>9</sup> In 2005 dollars, the 1979 median wage was equal to \$16.50 per hour or \$34,320 per year for a full-time, full-year worker.

<sup>10</sup> The analysis for this section was conducted by John Schmitt. A longer discussion of good jobs in the U.S. economy can be found in Schmitt (forthcoming 2008).

<sup>11</sup> Through their employers, tax filers can receive a portion of their federal EITC in paychecks, although this option is rarely used and is not available for every state's EITC. Smeeding et al. (2000) reports that 95 percent of tax filers take their EITC as an annual lump-sum payment.

<sup>12</sup> In most states, there are two income criteria a family must meet: gross income and net income. Gross income includes all income from a set list of sources; net income is gross income minus deductions for certain expenses. In some states, income thresholds are set by local governments; in these cases, this table provides the state median or a representative threshold level.

<sup>13</sup> While gross income eligibility for public housing and Section 8 vouchers extends to as high as 80 percent of median income, in many states, a substantial portion of housing assistance is reserved for very low-income families.

<sup>14</sup> We use poverty rate estimates from the SIPP, rather than the ASEC.

<sup>15</sup> In many states, some work support programs are not administered at the state level, but by local government or authorities. The appendices on eligibility rules in the Bridging the Gaps: Technical Report on Data and Methods discuss how we incorporate these sub-state rules.

<sup>16</sup> State and federal budget cuts have resulted in states changing eligibility rules to restrict usage when funds available have shrunk.

<sup>17</sup> We ran a simple linear regression model, by work support and state, of the percent eligible and the share in poverty, on the share of those eligible actually receiving the work support. We found that the coefficient on percent eligible is positive and significant (at 95 percent level) and the coefficient on the poverty rate is positive but insignificant, meaning that the more people who are eligible for each program, the greater likelihood of people actually using it.

<sup>18</sup> Some workers remain excluded from Social Security.

<sup>19</sup> But, at the same time, this complicates the picture for some working families, since higher earnings will reduce their eligibility for work supports aimed at very low earners, like Food Stamps, Medicaid (especially for adults), and TANF.

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