

**GOVERNMENT WORK SUPPORTS AND LOW-INCOME FAMILIES: FACTS AND FIGURES***Assessing the New Federalism*
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Welfare reform in 1996 was accompanied by an increased focus on policies that help low-income parents find and keep employment and support their families as many moved into low-wage jobs with few benefits. The core supports that assist families while they are working include the Earned Income Tax Credit (EITC), health insurance, food assistance, and child care subsidies. Unemployment Insurance (UI) provides the core support for unemployed families, paying a cash benefit that partially substitutes for lost earnings.

The core supports for working families (those with some paid work during the year) underwent many changes in the period leading up to welfare reform and subsequently. The EITC was expanded substantially in 1993; the 1996 reforms increased federal money for child care and gave states more flexibility to enhance working families' access to benefits through administrative changes; and Congress enacted the State Children's Health Insurance Program (SCHIP), a broad expansion of health insurance coverage for children, in 1997. In contrast, UI has remained relatively unchanged during this period.

Despite the substantial expansion of work support programs, they fall far short of fulfilling the needs of low-income working families (income below twice the federal poverty level or about \$39,600 for a family of four in 2005). The complexity of program rules, lack of information, asset tests, and stigma, however, inhibit many families' participation in these support programs. In addition, child care funds fall short of demand in most states, and the expanded subsidy program has challenged states' administrative capacity and families' ability to understand the program. Relatively few unemployed families qualify for UI benefits.

The Core Supports for Working Families

- Spending on the core work support programs (Medicaid/SCHIP, food stamps, child care subsidies, and the EITC) increased in real terms by 27 percent between 1996 and 2002. Federal and state governments spent \$131 billion on these programs in 2002. Expansions of Medicaid and SCHIP coverage and higher medical costs accounted for the lion's share—\$22 billion or 48 percent—of the spending increase. But spending on child care subsidies also tripled during this period (from \$4 billion to \$12 billion in 2002).
- This package of supports can be tremendously valuable to working families. For example, in 2002 a single parent with two children earning \$10,000 (a full-time job at minimum wage) could have received about \$23,600 in work supports (including child care subsidies of \$12,000 for two young children, Medicaid for the parent and both children, food stamps, and the EITC).

- Most low-income working families do not receive the full set of supports. Even among the working poor (income below the federal poverty level)—families most clearly within all the programs’ income eligibility ranges—only 7 percent received all four supports in 2002.
- All four work support programs have unique eligibility rules and, with the exception of the federal EITC, the rules vary across states. Eligibility can vary by age of children, immigrant status, income, assets, and even family expenditures. SCHIP and child care subsidies require cost sharing by the recipients that varies with income and across states.
- There remains a continued, strong relationship between receipt of work supports and welfare (Temporary Assistance for Needy Families, or TANF). In 2002, 25 percent of working poor families with a current or recent connection (in the past two years) to welfare received the entire package of support, compared with 6 percent of families without a welfare connection.
- About 8 in 10 low-income working families are eligible to receive the EITC; this support program has the highest participation rate. The EITC provides the simplest delivery system: working families can file for benefits electronically and, in effect, are subject to no asset test. Also, families can pay professionals, usually tax preparers, to apply for the credit for them.
- Considerable research documents how lack of knowledge, fear of deportation, difficulties surrounding the application process, and stigma inhibit participation among eligible families in Medicaid/SCHIP, food stamps, and child care subsidies—all work support programs still tied in various ways to states’ welfare systems.
- Some recent innovations in service delivery show that states can increase participation among working families. Simplification of application forms and outreach to working families to help them with the process can increase participation. Coordination across programs also increases participation by simplifying the application process for families.

The Challenge of Delivering Child Care Subsidies

- Children under age 13 may be eligible for child care subsidies. State income eligibility ceilings ranged from 111 percent to 287 percent of the federal poverty level in 2005 for a family of three (\$16,090 a year), though only a few states guarantee payments to all eligible applicants. In most cases, parents must be working or in a TANF-approved work-related activity to qualify, though states have flexibility in how they define work and related activities. Subsidy levels and co-payment requirements vary tremendously across states.
- There are many reasons eligible parents may not participate. Because of limited funding, 20 states had waiting lists of eligible families or stopped taking new applications in 2005. Also, nearly all states set eligibility cutoffs below the federal ceiling and do relatively little outreach. Further, parents sometimes fail to understand that child care subsidies may

be available without welfare participation. On the other hand, not all parents want or need subsidies, while some have made other arrangements.

- Child care subsidies can be unusually challenging to administer and to receive, since many factors can affect eligibility (such as income, work status, work hours, and TANF status) and payments (including income, which affects co-payment levels, and the choice of provider). As a result, agencies closely monitor changes in family circumstances to ensure that they accurately determine eligibility and payments. Some states require applicants to make frequent visits or contact multiple caseworkers, while others minimize the required interactions or allow parents to contact the agency by phone.
- Providing subsidies to families receiving TANF can be even more challenging for states, since it requires coordinating the systems handling cash assistance, welfare-to-work services, and child care subsidies. Also, low-income parents' variable work patterns require these systems to closely monitor employment changes and ensure that parents comply with multiple program requirements. States vary widely in the administrative approaches they take to coordinating these services.
- Further, staffing decisions, policies about what TANF parents must do at each stage of the process, and infrastructure issues (such as management information systems) also vary widely. Each of these areas can affect administrative complexity and client burden.

Unemployment Insurance

- State unemployment insurance provides temporary, partial replacement for the loss of earnings due to unemployment. Eligibility depends on having a sufficient level of past earnings and an acceptable reason for unemployment (usually a non-prejudicial job separation or layoff from the employer).
- UI benefit payments totaled \$35.6 billion in 2004 to 2.56 million unemployed workers. The program is financed primarily through a tax on wages, but the federal government helps to finance special extended benefits payments.
- During a typical week in 2004, only 31 percent of the unemployed were receiving UI benefits. Benefits are more likely to be received by laid-off workers and experienced workers. Also, receipt of benefits varies widely across states. Between 1994 and 2003, UI receipt averaged less than 25 percent in 13 states and exceeded 45 percent in 7. This variation is linked to differences in both state UI policies and administrative activities.
- Many low-income unemployed families fail to qualify for UI benefits because parents lose their jobs before establishing eligibility for benefits or they voluntarily leave their job due to family issues (such as childbirth, their own illness or a child's illness, or lack of child care). States will only compensate a worker who quits a job for a specifically defined "good cause," and only eight states include any personal reasons in the good cause definition. The other states include only job-related reasons.

References

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