



# Making Work Pay in Illinois

## Current Policies and Recommendations for Reform

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NCCP

National Center for Children in Poverty  
Mailman School of Public Health  
Columbia University



## Who We Are

- ◆ NCCP is a public policy research center dedicated to the economic security, health, and well-being of low-income children and families.
- ◆ Part of Columbia University's Mailman School of Public Health, NCCP promotes family-oriented solutions at the state and national levels.
- ◆ Our ultimate goal: Improved outcomes for the next generation.



## Today's Presentation

- ◆ The Challenge: Making Work Pay
- ◆ Policy Recommendations



# The Challenge: Making Work Pay



## The Challenge

- ◆ Even many full-time workers can't make ends meet.
- ◆ “Work supports” - such as earned income tax credits, child care assistance, health insurance, and food stamps - can help.
- ◆ These benefits encourage, support, and reward employment.





## The Challenge (cont'd)

- ◆ But available supports often aren't enough, and few families receive all of the benefits for which they're eligible.
- ◆ Moreover, most work supports are means-tested so families lose benefits as earnings increase - often before they're able to make ends meet without them.



## NCCP's Family Resource Simulator

- ◆ The Family Resource Simulator is an online policy tool designed to assess the effectiveness of work support policies.
- ◆ The Simulator illustrates how:
  - Federal and state work supports can fill the gap between low wages and expenses.
  - Work supports fall short as family earnings increase.
  - Policy improvements can address “cliffs” and ensure that families are always better off as parents work and earn more.



## A Comprehensive Work Support System Should:

- ◆ Provide adequate family resources. If parents work full time, their earnings combined with public benefits should be sufficient to cover basic family expenses.
- ◆ Reward progress in the workforce. When parents increase their earnings, their families should always be better off.





## What it Takes to Make Ends Meet in Illinois

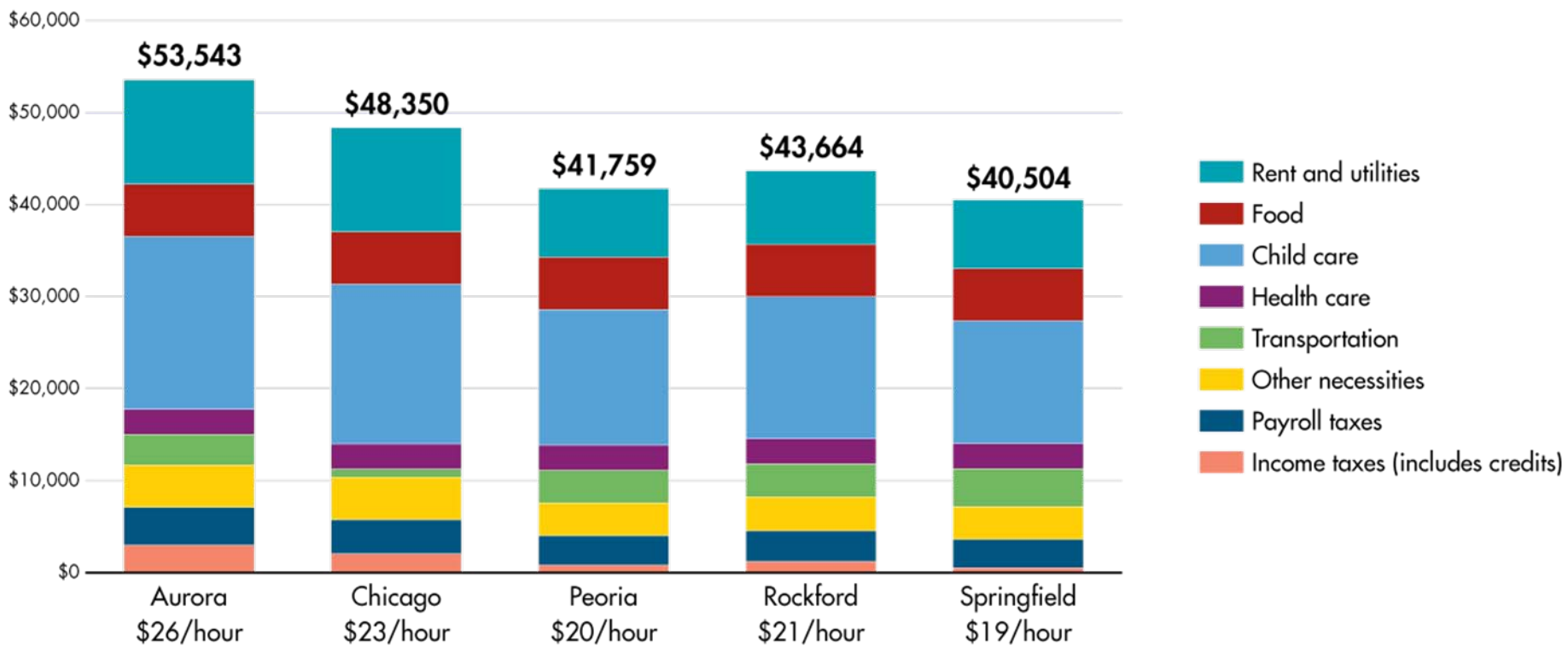
- ◆ A single parent with two children in Chicago needs to earn about \$23 an hour (about \$48,000 a year) to cover basic necessities.
- ◆ That's three times the state minimum wage (\$7.75 an hour) and almost three times the official poverty level for a family of three (\$17,600).



## Basic Needs Budgets: Five Localities, Illinois

Single parent with two children, ages 3 and 6

Total budget





## Work Supports Can Help

- ◆ Work supports include earned income tax credits, child care assistance, health insurance, food stamps, and housing assistance.
- ◆ Illinois' work support policies can significantly narrow - and in some cases, *close* - the gap between low wages and the rising cost of basic needs.
- ◆ But for low-wage workers, it takes *multiple* benefits in addition to a full-time job to make ends meet.



## Impact of Work Supports: Chicago, IL (2008)

Single parent with two children, ages 3 and 6 (assumes full-time employment at \$8/hour)

	Employment alone (no benefits; no tax credits)	Employment plus • food stamps • federal tax credits • state EITC • public health insurance	Employment plus • food stamps • federal tax credits • state EITC • public health insurance • child care subsidy
<b>Annual Resources</b>			
Earnings	\$16,640	\$16,640	\$16,640
Food Stamps	\$0	\$4,412	\$3,441
Federal EITC	\$0	\$4,453	\$4,453
Federal Child Tax Credit	\$0	\$734	\$734
Federal Child and Dependent Care Tax Credit	\$0	\$0	\$0
State EITC	\$0	\$223	\$223
<b>Total Resources</b>	<b>\$16,640</b>	<b>\$26,462</b>	<b>\$24,490</b>
<b>Annual Expenses</b>			
Rent and utilities	\$11,328	\$11,328	\$11,328
Food	\$5,691	\$5,691	\$5,691
Child care	\$17,361	\$17,361	\$962
Health insurance premiums	\$2,265	\$0	\$0
Out-of-pocket medical*	\$456	\$0	\$0
Transportation	\$900	\$900	\$900
Other necessities	\$4,595	\$4,595	\$4,595
Payroll taxes	\$1,273	\$1,273	\$1,273
Income taxes (excludes credits)	\$319	\$319	\$319
<b>Total Expenses</b>	<b>\$44,188</b>	<b>\$40,734</b>	<b>\$25,068</b>
<b>Net Resources: Resources minus Expenses</b>	<b>-\$27,548</b>	<b>-\$15,066</b>	<b>\$422</b>

\*When all family members have free public health insurance, we assume that out-of-pocket medical expenses are minimal.

Source: NCCP's Family Resource Simulator, Illinois 2008 < [www.nccp.org/tools/frs](http://www.nccp.org/tools/frs).





## Benefit “Cliffs” Keep Families Struggling

- ◆ As parents advance in the workforce, the loss of critical supports keeps them struggling to get ahead.
- ◆ The loss of certain benefits leads to “cliffs” that leave families worse off than they were before, despite increased earnings.
- ◆ Results are similar across the state.

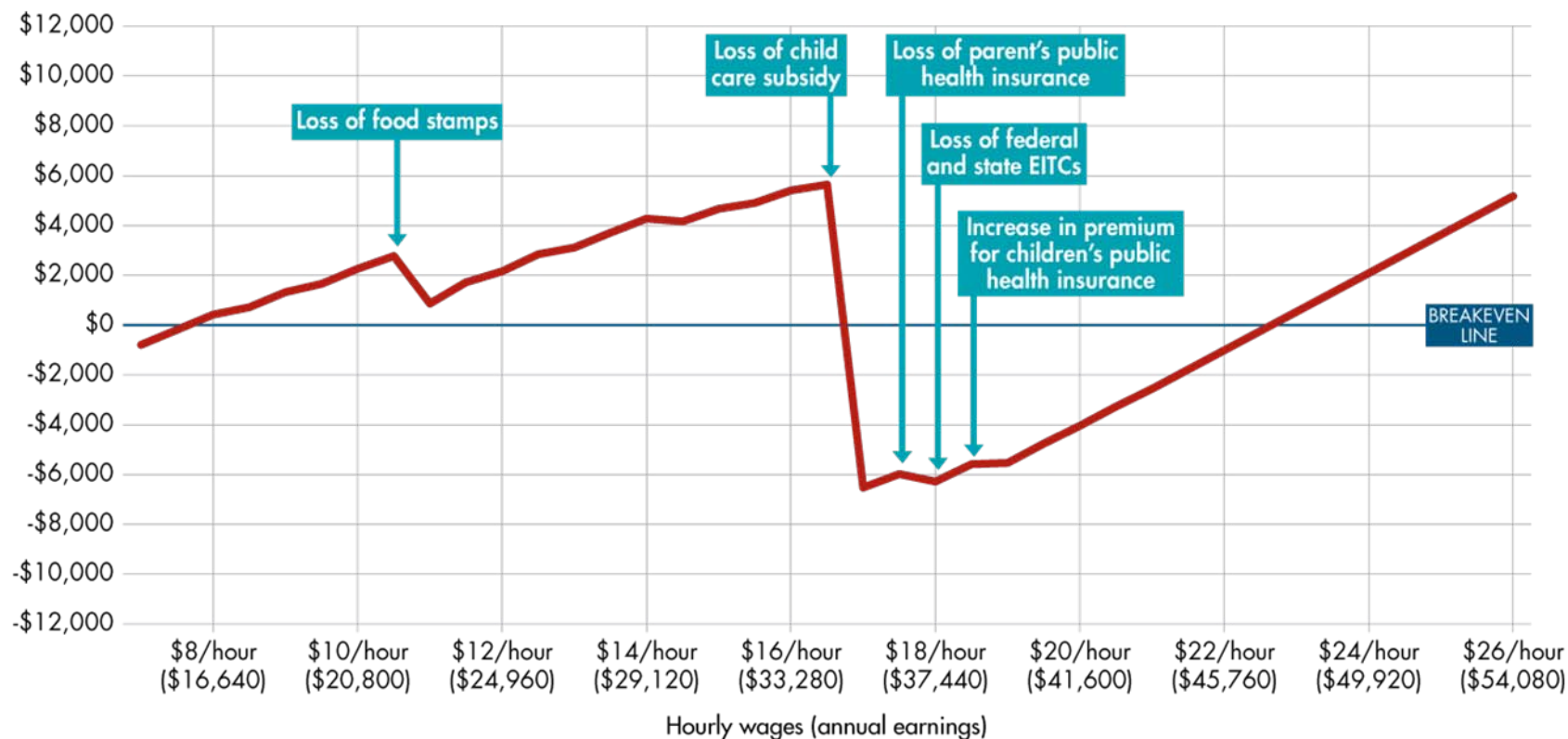




## Net Family Resources as Earnings Increase: Chicago, IL

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



**Source:** National Center for Children in Poverty's Family Resource Simulator, Illinois 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.

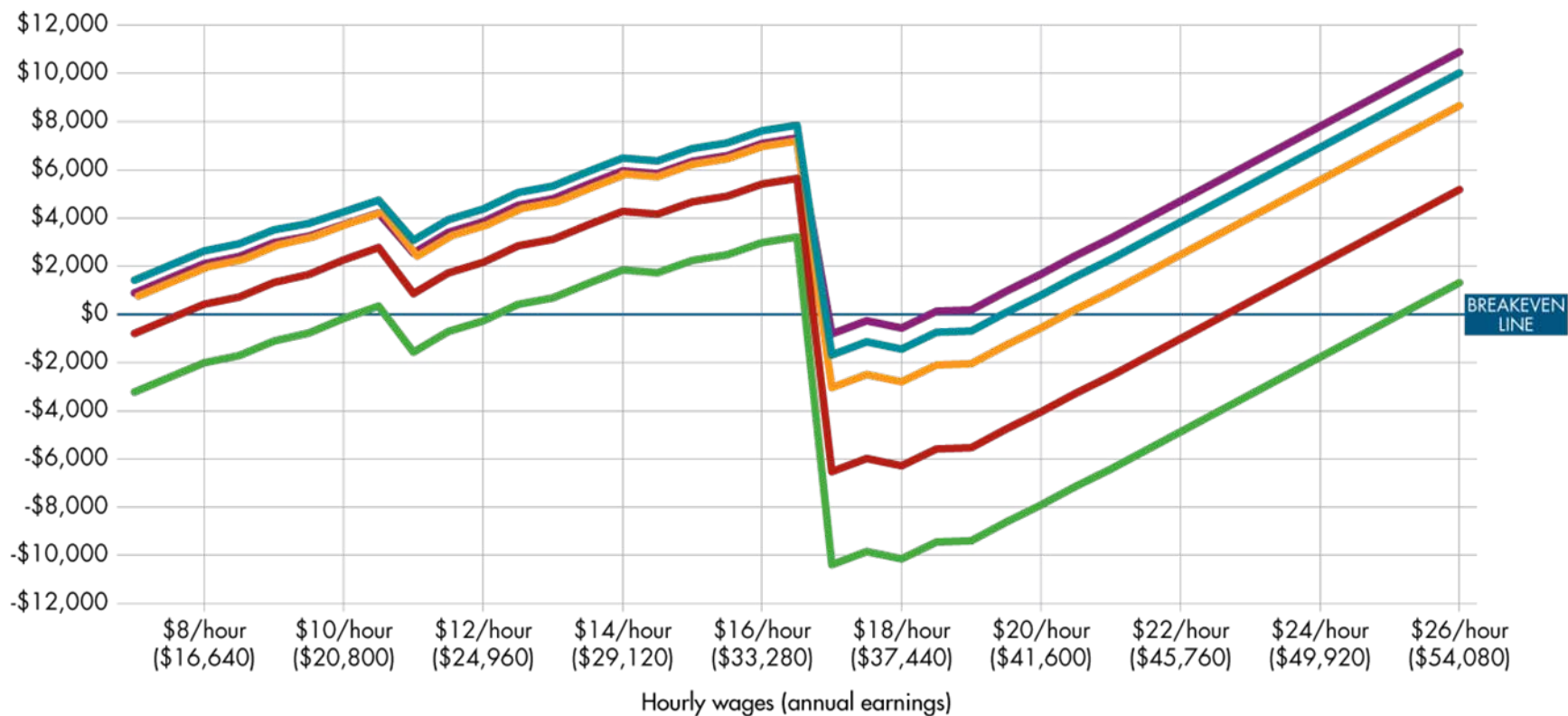


## Net Family Resources as Earnings Increase: Five Localities, Illinois

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)

**AURORA** **CHICAGO** **PEORIA** **ROCKFORD** **SPRINGFIELD**



**Source:** National Center for Children in Poverty's Family Resource Simulator, Illinois 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.



# Policy Recommendations



## Notable Policies in Illinois

- ◆ **Public health insurance:** All Kids made Illinois the first state to offer public health insurance to all children, regardless of income.
- ◆ **Child care subsidies:** Illinois is the largest state to provide subsidies to all eligible applicants.
- ◆ **State Earned Income Tax Credit:** Illinois has a refundable credit (5 percent of the federal).
- ◆ **Minimum wage:** \$7.75 (federal: \$6.55).





## Strategies for Making Work Pay

- ◆ Phase benefits out gradually to avoid steep cliffs.
- ◆ Raise eligibility limits.
- ◆ Be mindful of program interactions so families don't lose multiple benefits simultaneously.
- ◆ Also need to serve a greater share of eligible families.





## Reducing Benefit Cliffs in Illinois

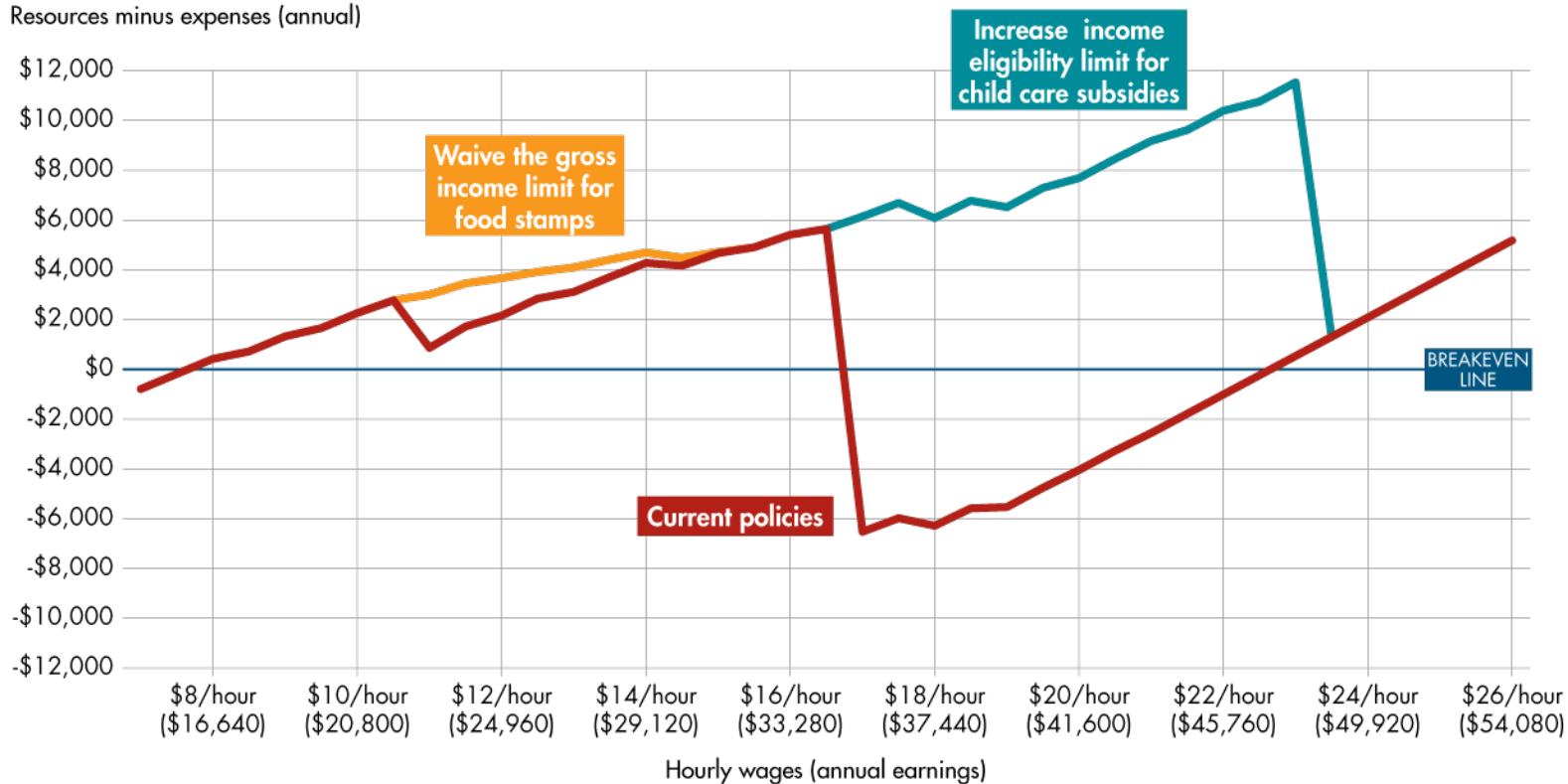
- ◆ The food stamp cliff could be eliminated by taking advantage of the federal food stamp option to expand “categorical eligibility.”
- ◆ The child care cliff could be minimized by increasing the income limit for child care subsidies (from 200% FPL to 275% FPL).



## Impact of Hypothetical Policy Reforms: Chicago, IL

Single parent with two children, ages 3 and 6

Resources minus expenses (annual)



**Source:** National Center for Children in Poverty's Family Resource Simulator, Illinois 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.



## Work Supports Make a Difference at the Lower End of the Income Spectrum

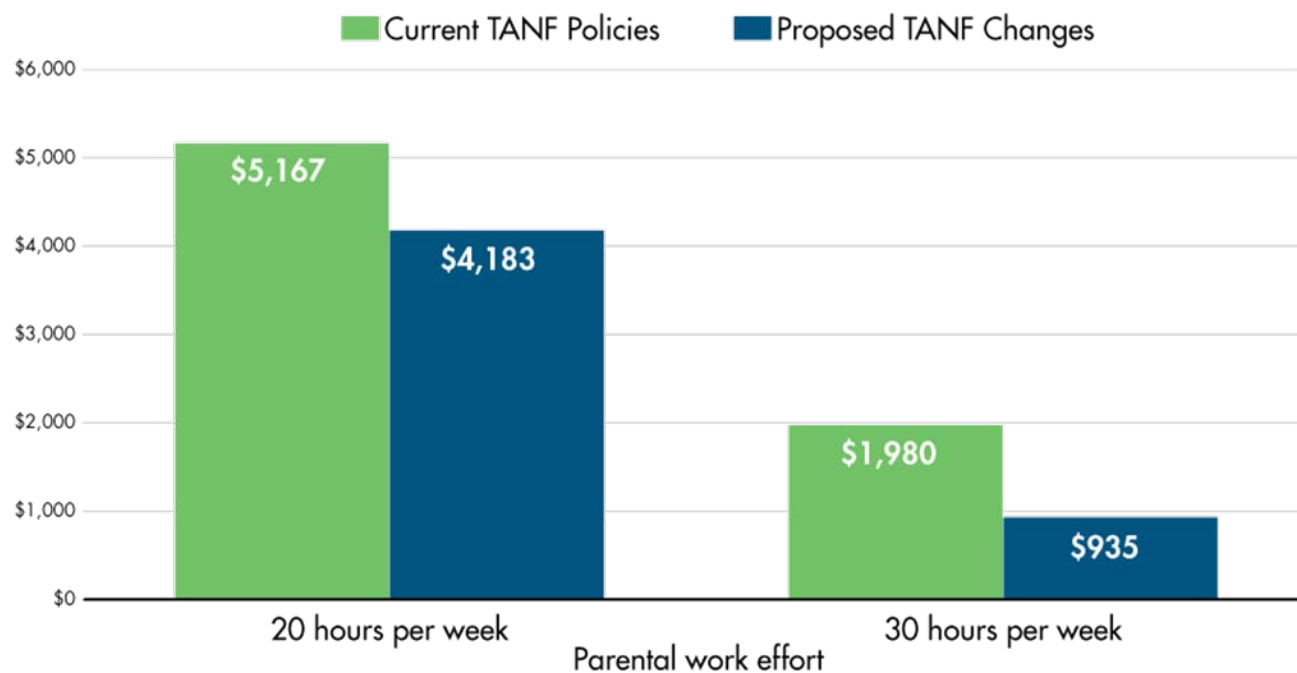
Two reforms to the state's TANF program:

- Increase the TANF earned income disregard from two-thirds to three-fourths.
- Raise TANF payment levels by 15%.



## Annual Gap Between Resources and What it Takes to Make Ends Meet: Current Policies and Proposed TANF Changes

Single parent with two children, ages 3 and 6, Chicago, IL  
(assumes employment at \$8/hour)



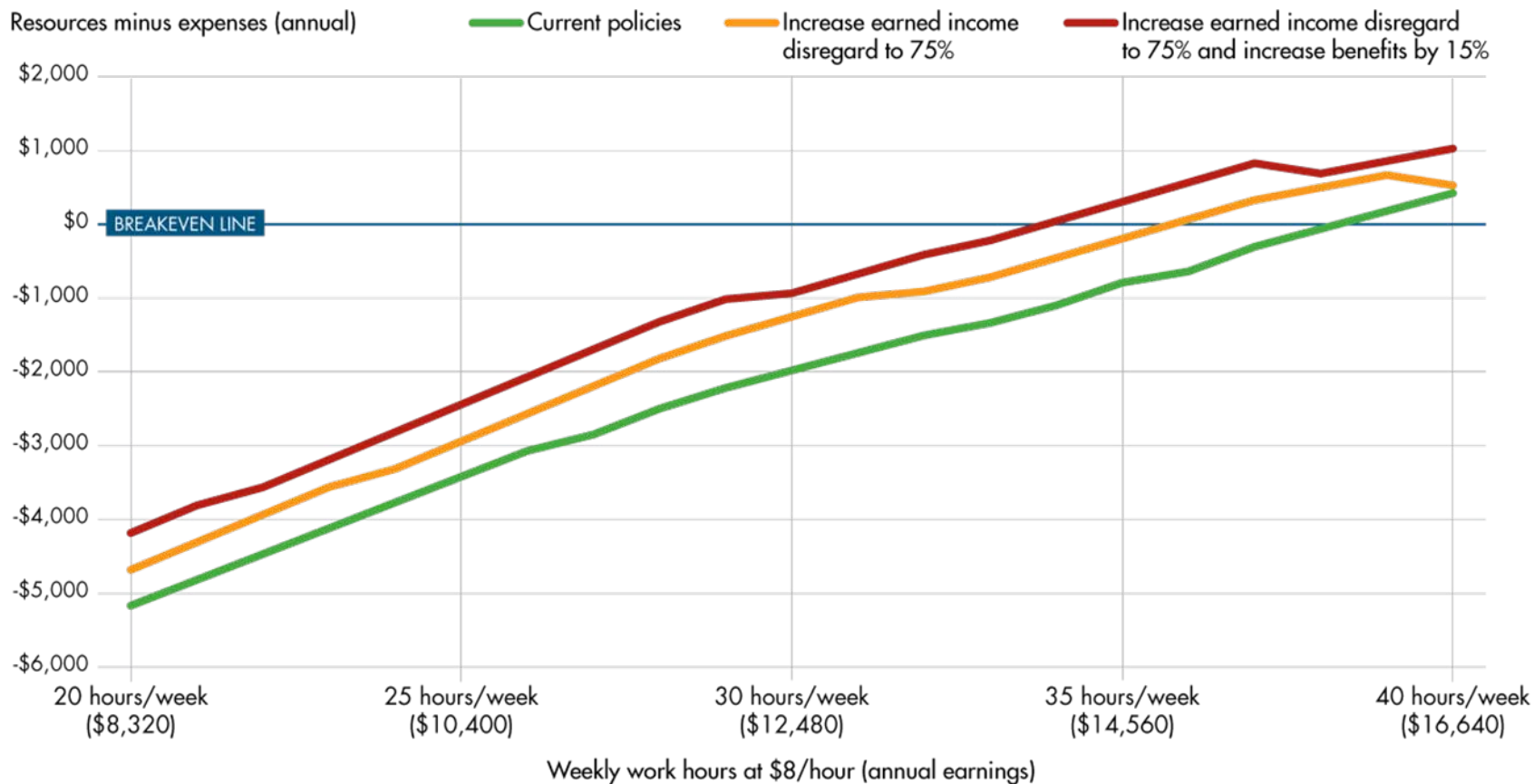
**Source:** National Center for Children in Poverty's Family Resource Simulator, Illinois 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. In addition to TANF cash assistance, the family receives the following work supports: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.





## Impact of Changes in TANF Policy: Chicago, IL

Single parent with two children, ages 3 and 6



**Source:** National Center for Children in Poverty's Family Resource Simulator, Illinois 2008 <[www.nccp.org/tools/frs](http://www.nccp.org/tools/frs)>. When eligible the family receives the following work supports in addition to TANF: federal and state tax credits, food stamps, public health insurance, and a child care subsidy.





## For More Information

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