

## Low-Income Families in Pennsylvania: Results from the Family Resource Simulator

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About 85 percent of low-income children have parents who work, and most have at least one parent working full-time, year-round. Nonetheless, many of these parents are unable to afford basic necessities for their families, such as food, housing, and stable child care. Even a full-time job is not always enough to make ends meet, and many parents cannot get ahead simply by working more. As earnings increase—particularly as they rise above the official poverty level—families begin to lose eligibility for work supports. At the same time, work-related expenses, such as child care and transportation, increase. This means that parents may earn more without a family experiencing more financial security.<sup>1</sup> In some cases, earning more actually leaves a family with fewer resources after the bills are paid.

The Family Resource Simulator, developed by the National Center for Children in Poverty, illustrates how this happens. This web-based tool calculates resources and expenses for a hypothetical family that the user “creates” by selecting city and state, family characteristics, income sources, and assets. The user also selects which public benefits the family receives when eligible and makes choices about what happens when the family loses benefits (e.g., does the family seek cheaper child care after losing a subsidy?).

The result is a series of charts that show the hypothetical family's total income from various sources as earnings rise, as well as the cost of basic family expenses. Using the Simulator, this report describes the experiences of two hypothetical families in the workforce.

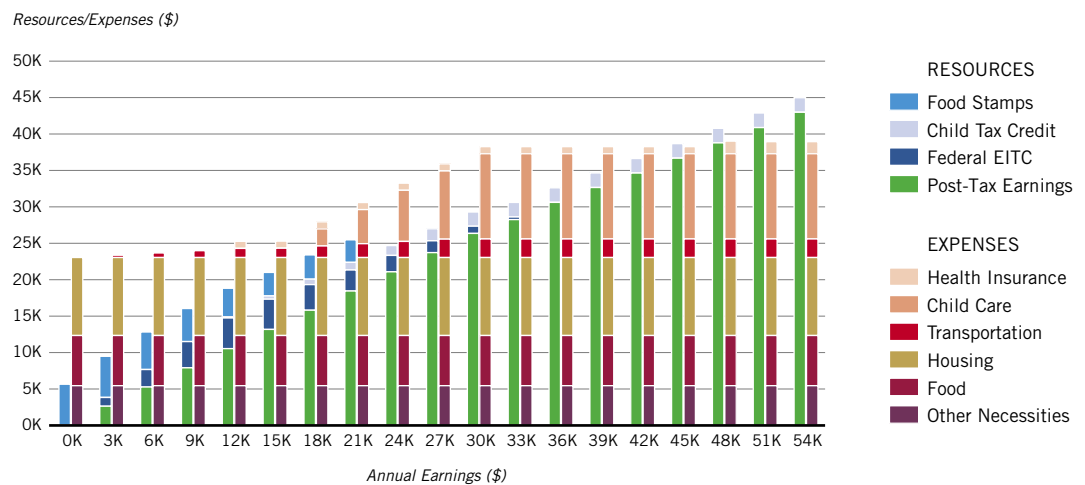
### Low Income in Pennsylvania: The Petersons

The Petersons live in Philadelphia with two children, ages 4 and 6. The federal poverty level for such a family is \$18,850 per year.<sup>2</sup> For simplicity, the Simulator assumes that the Petersons begin with no income; then one parent enters the workforce and steadily increases hours to full-time employment. After that, the second parent begins part-time work and gradually moves into full-time employment. When the Petersons' employment requires outside child care, both children go to child care centers (the 6-year-old goes after school). The Petersons pay taxes on their earnings, and when they qualify, they receive the federal Earned Income Tax Credit (EITC) and the federal Child Tax Credit. In addition, the Petersons receive food stamps and public health insurance.

As the Petersons' earnings increase, their child care and transportation expenses increase, and they begin to lose eligibility for the benefits that support work (see Figure 1). The parents lose public health insurance coverage well before the family's income reaches the federal poverty level, when one parent is working less than 30 hours per week, and the other is not employed. This simulation assumes that the Petersons have insurance through an employer (nationally, only 9 percent of part-time workers have employer-based health care benefits<sup>3</sup>). Without this

**Figure 1: Peterson Family****Family Resources and Basic Expenses**

NCCP Family Resource Simulator: Pennsylvania 2003



benefit, the Petersons would have to pay substantially more or go without health insurance. By the time both parents are working full-time, together earning about \$30,000 per year, the family is no longer eligible for food stamps, and the EITC has nearly phased out.

The Petersons' resources, even with tax credits, food stamps, and public health insurance, don't exceed expenses until their earnings reach \$45,000. Increased earnings initially yield steady increases in the family's net resources. However, as the family's earnings double from \$15,000 to \$30,000, the combination of increased child care and transportation costs, the loss of food stamps, and the phasing out of the EITC means that the family actually ends up farther from its goal of making ends meet. At \$47,000—two and a half times the federal poverty level—the family has about \$1,100 in resources available to them after basic expenses are paid. That's less than \$100 per month for a family raising two children.

Thousands of families in Pennsylvania have resources and expenses similar to the Petersons. There are 411,000 low-income families living in the state, and 121,000 of them have a preschool-aged child (under age 6). Among low-income families in Pennsylvania, 82 percent have at least one parent who works, and 51 percent have a parent who works full-time, year-round. Forty-six percent are two-parent families.

## Low Income in Pennsylvania: The Burkes

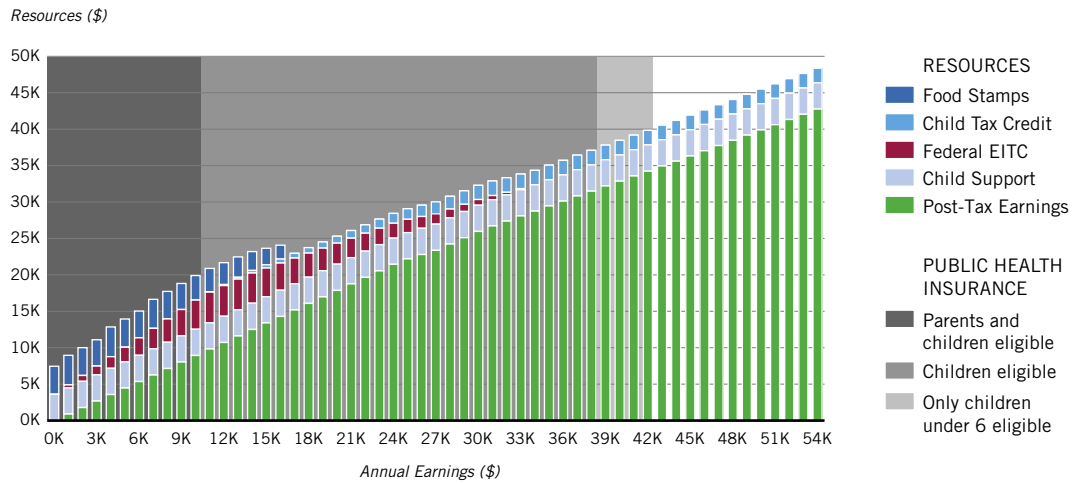
For a single-parent family in Pennsylvania, providing for a family's basic needs is even more challenging. Ms. Burke is a single mother living in Pittsburgh who also has two children, ages 4 and 6. The federal poverty level for this family is \$15,670.<sup>4</sup> When Ms. Burke's earnings are low, the family receives the same public benefits as the Petersons—income tax credits, food stamps, and public health insurance. Ms. Burke also receives child support payments of \$300 per month.<sup>5</sup> These payments significantly increase the family's resources, but they also reduce the family's food stamp benefits (see Figure 2).

As with the Petersons, Ms. Burke's work-related expenses increase as she moves from part-time to full-time employment. Her transportation costs are somewhat higher than the Petersons' because she needs a car to commute to work, while the Petersons use public transportation. She also pays more for health insurance coverage—this simulation assumes that like most workers, Ms. Burke does not receive health benefits from her employer.<sup>6</sup> The loss of Ms. Burke's public

**Figure 2: Burke Family**

**Family Resources**

NCCP Family Resource Simulator: Pennsylvania 2003



health insurance coverage at \$11,000 in annual earnings therefore leads to a sharp increase in the gap between the family’s resources and basic budget (see Figure 3). The family’s health insurance costs increase even more when first the 6-year-old and then the 4-year-old also lose public coverage.

Housing costs, on the other hand, are substantially lower in Pittsburgh than in Philadelphia. Ms. Burke also spends less on child care than the Petersons, because a noncertified provider cares for her children at home while she is at work. This care costs about 35 percent less than care in a licensed child care center or home. Still, with child support payments, tax credits, and a full-time, year-round job paying roughly \$8 per hour<sup>7</sup>—\$3 per hour above the federal minimum wage—Ms. Burke does not have enough money to provide for her family.

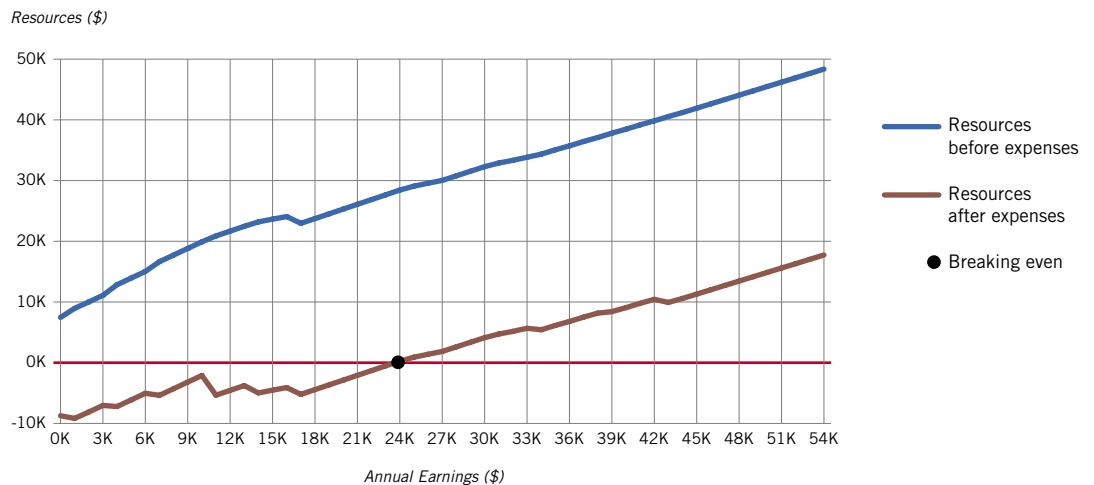
The Burke’s resources do not exceed the cost of basic expenses until Ms. Burke’s earnings increase to \$24,000. This means that Ms. Burke is not able to make ends meet until she earns \$13 per hour. Even at this wage, she is unable to afford anything beyond her family’s basic necessities.

The Burkes would be better able to cover their expenses if they received child care assistance through Pennsylvania’s Child Care and Development Fund (CCDF) subsidy program. However, the program serves only a small percentage of eligible children. Moreover, as a result of the program’s work and income eligibility criteria, Ms. Burke would not qualify for assistance until her earnings reached about \$10,500 per year (parents must work 25 hours per week to qualify), and the family would lose assistance when Ms. Burke’s earnings reached \$33,000.

**Figure 3: Burke Family**

**Resources Before and After Basic Expenses**

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There are other public supports that can help working families cover their basic expenses, such as Section 8 housing vouchers and Temporary Assistance for Needy Families (TANF) cash assistance. However, Pennsylvania's TANF program provides assistance only to families with earnings well below the poverty level. And while Section 8 housing vouchers can provide substantial assistance to low-income families, only a small percentage of eligible families receive them. The supply of vouchers is limited, and recent decisions by the U.S. Department of Housing and Urban Development, along with proposed funding cuts for fiscal year 2005, mean that soon even fewer vouchers will be available.

## Challenges for Policymakers

Federal and state budget woes threaten existing work supports for low-income families. Nearly half the states have reduced access to child care subsidies by lowering income eligibility limits and/or increasing family co-payments. More than 30 states have approved or proposed cuts to their public health insurance programs that affect low-income children and/or parents' access to coverage. Many of these changes hit families just above the poverty level the hardest. Pennsylvania, for example, has a state-funded health insurance program designed to serve low-income parents with income above the Medicaid eligibility limit. But enrollment in the program is capped, and as of May 2004, the state was only enrolling parents who had applied before the end of March 2003.<sup>8</sup> At the same time, unemployment remains high, and job creation has been slow. As policymakers respond to the difficult choices they face, understanding the impact of public policies on the resources and work incentives of low-income working families is critical.

## Endnotes

1. Cauthen, N. K. & Lu, H. (2003). *Employment alone is not enough for America's low-income children and families* (Living at the Edge Research Brief 1). New York, NY: National Center for Children in Poverty, Columbia University Mailman School of Public Health <[www.nccp.org/media/lat03a-text.pdf](http://www.nccp.org/media/lat03a-text.pdf)>.
2. The analysis in this report is based on tax and benefit policies in effect in December 2003; the 2003 poverty level for a family of four was \$18,400. See <[aspe.hhs.gov/poverty/index.shtml](http://aspe.hhs.gov/poverty/index.shtml)> for more information about federal poverty measures.
3. The percentage of employees that receive health benefits at work has steadily declined in recent years. According to the March 2003 National Compensation Survey, among employees in the private sector, only about half receive medical care benefits through their employers, and the rate is lower among employees with wages of less than \$15 per hour. See: U.S. Bureau of Labor Statistics. (2003). *Employee benefits in private industry*, Table 1: Percent of workers participating in health care and retirement benefits, by selected characteristics, private industry <[www.bls.gov/news.release/ebs2.t01.htm](http://www.bls.gov/news.release/ebs2.t01.htm)>.
4. In 2003, the federal poverty level for a family of three was \$15,260. See note 2.
5. According to 2001 National Survey of America's Families (NSAF) data, among families in which children are living with their mothers and have noncustodial fathers, just under half receive child support payments. For poor families, the likelihood of receiving child support is much lower—only about 36 percent receive payments—and for those who receive child support, the average received is \$2,550 per year, or \$213 per month. For families with income between 100 and 200 percent of the poverty level, about 50 percent receive payments, and the average received is \$3,980 per year, or \$332 per month. See: Sorensen, E. (2003). *Child support gains some ground* (Snapshots of America's Families III, No. 11). Washington, DC: Urban Institute <[www.urban.org/UploadedPDF/310860\\_snapshots3\\_no11.pdf](http://www.urban.org/UploadedPDF/310860_snapshots3_no11.pdf)>.
6. See note 3.
7. Given research indicating that persons leaving TANF cash assistance for employment typically earn more than the minimum wage, the Simulator assumes that parents earn the 20th percentile wage when they enter the workforce. In Pennsylvania, the 20th percentile wage is \$8.26 per hour. See: Mishel, L.; Bernstein, J.; & Boushey, H. (2003). *The state of working America, 2002/2003* (An Economic Policy Institute Book). Ithaca, NY: Cornell University Press.
8. This program is not reflected in the Simulator's results.

To learn more about the impact of public policies on low-income families in Pennsylvania, go to NCCP's Family Resource Simulator at [www.nccp.org](http://www.nccp.org).