



# The Impact of Work Supports: A Snapshot from Detroit

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Two-thirds of children living in low-income families in Detroit have parents who work. The majority of these children—about 70,000—have parents who work full-time, year-round.<sup>1</sup> In Detroit, as elsewhere in Michigan and throughout the United States, a full-time job at low wages is not enough to make ends meet.

Work supports—such as the Earned Income Tax Credit (EITC) and child care subsidies—can help. But as this snapshot shows, families often lose eligibility before they are economically self-sufficient. In some cases, just a small increase in earnings can trigger a substantial loss in benefits, leaving the family worse off than it was before.

## A Low-Wage Job Isn't Enough to Make Ends Meet

A single parent living in Detroit with two children—one preschool-aged and one school-aged—needs an annual income of about \$34,000 just to afford minimum daily neces-

**Figure 1. Basic Needs Budget for a Single-Parent with Two Children in Detroit, MI**

	Annual	Monthly
Rent and Utilities	\$9,240	\$770
Food	\$5,266	\$439
Child Care	\$7,898	\$658
Health Insurance	\$1,770	\$148
Transportation	\$3,669	\$306
Other Necessities	\$3,916	\$326
Payroll and Income Taxes	\$2,260	\$188
<b>TOTAL</b>	<b>\$34,019</b>	<b>\$2,835</b>
Hourly wage (40 hours/week, 52 weeks/year):	\$16	

Source: NCCP's Basic Needs Budget Calculator, Michigan 2006. Budget is based on the following assumptions: children are in center-based care settings while parent works (the older child is in after-school care); family members have access to employer-based health insurance.

sities (see Figure 1). That's the equivalent of working full-time, year-round at \$16 an hour—more than twice Michigan's minimum wage of \$7.15.

## Work Supports Can Make a Critical Difference

Continuing with the same family, Figure 2 provides a breakdown of family resources and expenses assuming that the parent works full-time, earning \$8 an hour—or just under \$17,000 a year. The first column shows that without work supports, the family faces a gap of more than \$15,000 between its annual resources and basic expenses. But the second column shows that the work supports available to Michigan's families can close this gap. With full-time employment and multiple benefits, the family has a small annual surplus left after covering basic needs. This surplus of \$851 could be used to pay off debt or save for a rainy-day fund.

Findings are based on an analysis of results from NCCP's **Family Resource Simulator** and **Basic Needs Budget Calculator**. The Family Resource Simulator is an innovative policy analysis tool that shows the impact of federal and state work supports on the budgets of low- to moderate-income families. The Basic Needs Budget Calculator—which will soon be publicly released—is a related tool that shows how much a family needs to make ends meet without the help of work supports.

Family Resource Simulators are currently available, or under development, for 15 states—including more than 80 localities—and the District of Columbia. The Michigan Simulator includes seven localities—Alpena County, Detroit, Flint, Grand Rapids, Kalamazoo, Lansing, and Pontiac—and reflects policy rules in effect in July 2006. To use the Family Resource Simulator, see NCCP's website at <[www.nccp.org](http://www.nccp.org)>.

## As Earnings Increase, Benefit Losses Hold Families Back

As the parent's wages increase beyond \$8 an hour, however, benefit losses keep the family struggling to get ahead. Figure 3 illustrates how net family resources—that is, resources after subtracting the cost of basic expenses—change as the family's earnings increase.

- When wages reach \$9 an hour, the parent is no longer eligible for public health insurance.<sup>2</sup>
- Another raise to \$11.50 an hour puts the family over the income limit for child care subsidies. This loss causes a significant financial setback, with net family resources dropping well below the breakeven line.
- The family is not even able to cover basic expenses again until wages reach \$14 an hour.

Altogether, as the parent's wages *double* from \$8 to \$16 an hour, the family experiences virtually no improvement in its financial bottom line.

## Reforms Needed to Effectively Support Work

A comprehensive work support system should:

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

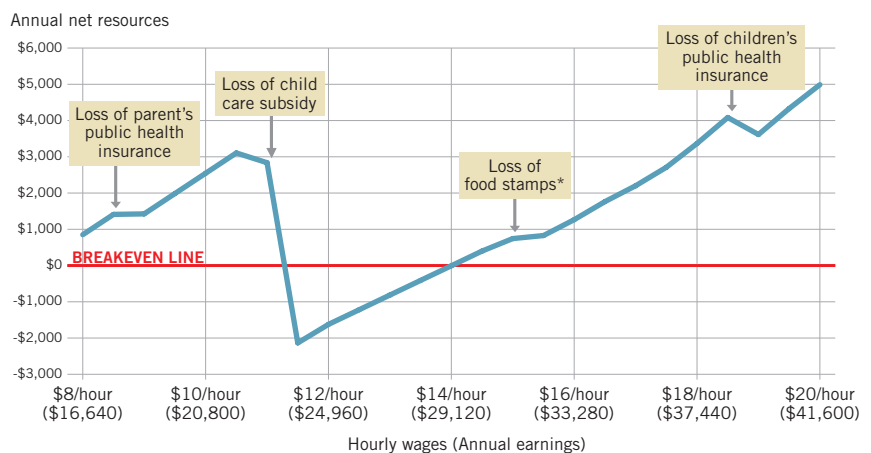
This is the challenge for Detroit, Michigan, and the nation.

**Figure 2. Family Resources and Expenses with Full-Time Employment at \$8/hour for a Single Parent with Two Children in Detroit, MI**

	Employment alone (no work supports)	Employment <i>plus</i> EITC, food stamps, public health insurance, child care subsidy
<b>Annual Resources</b>		
Earnings	\$16,640	\$16,640
Federal EITC	\$0	\$4,158
Food Stamps	\$0	\$2,803
<b>Total Resources</b>	<b>\$16,640</b>	<b>\$23,601</b>
<b>Annual Expenses</b>		
Rent and Utilities	\$9,240	\$9,240
Food	\$5,266	\$5,266
Child Care	\$7,898	\$395
Health Insurance	\$1,770	\$0
Transportation	\$3,669	\$3,669
Other Necessities	\$3,916	\$3,916
Payroll and Income Taxes	\$226	\$264
<b>Total Expenses</b>	<b>\$31,985</b>	<b>\$22,750</b>
<b>Net Resources: Resources minus Expenses</b>	<b>-\$15,345</b>	<b>\$851</b>

Source: Analysis based on NCCP's Family Resource Simulator, Michigan 2006.

**Figure 3. Net Family Resources for a Single Parent with Two Children in Detroit, MI**



\*By taking advantage of a federal option, Michigan extends food stamps eligibility beyond the normal income limit and eases the cliff that the loss of food stamps can trigger.

**Breakeven line:** The point where the family's resources, including earnings and benefits, equal the family's basic expenses.

**Work supports:** When eligible, the family receives the EITC, food stamps, public health insurance, and child care subsidy.

Source: Analysis based on NCCP's Family Resource Simulator, Michigan 2006.

## Endnotes

*This fact sheet was prepared by Kinsey Alden Dinan.*

1. Low-income is defined as twice the federal poverty level, or \$34,340 a year for a family of three in 2007. Source: NCCP analysis based on the U.S. Current Population Survey, Annual Social and Economic Supplements, March 2004, 2005, and 2006.

2. This example assumes that the parent has access to employer-based coverage, so premiums are relatively low. In reality, most low-wage workers do not receive health benefits through their employers. Without this benefit, the parent would most likely become uninsured, as she would be unable to afford coverage on the open market.