



The Women's Fund PULSE Briefing: Women, Poverty, and Cliffs

August 15, 2012

The Women's Fund of The Greater Cincinnati Foundation leads our community in ensuring the economic self-sufficiency of women in our region and ignites a shared desire to improve it.



Good News!

You're getting a raise of
90¢ / hr

You'll go from \$16.49 / hr to
\$17.39 / hr

An annual INCREASE of
\$1,872

Bad News...

You'll be losing your
childcare benefits

Your childcare costs will now be
\$14,928

A net increase in COSTS of
\$11,903

Example based on a single mother with a preschooler and a school-aged child

What is The Cliff Effect?

"My Family Can't Afford That Raise."

The Cliff Effect is the paradox that as low-income families work harder and earn more, they can end up worse off financially. Benefit programs that help low income families meet their basic needs - including food, housing, childcare and health care - are tied to income levels. A cliff occurs when a small (or even temporary) wage increase triggers a significant reduction or loss of a benefit. The value of the lost/reduced benefit can far exceed the increase in wages. As a result, the overall monthly income for a family will fall precipitously - well below the income level needed to attain economic self-sufficiency*.

In Hamilton County, Ohio, a single parent with a preschooler and school-age child needs about \$45,000 a year to cover the costs of basic family expenses: housing, food, childcare, transportation, health insurance, and a few other necessities. That's the equivalent of a full-time, year-round job earning about \$22 an hour - nearly three times the state's minimum wage of \$7.70.

The result is that as a family "earns" more they don't improve their financial situation or their financial position worsens.

The impact of these cliffs has a ripple effect including employment instability. Our research and research in other communities also brought to light that childcare often creates the largest cliff which then has a devastating impact on the ability of female-headed households to climb to economic self-sufficiency. Anecdotally, the loss of reliable, affordable childcare is regularly cited as the primary barrier to employment stability.

Eliminating or bridging these cliffs is a vital step in ensuring female headed households that are striving for economic stability.

No one strategy will eliminate the Cliff Effect. No single stakeholder group in Greater Cincinnati can solve the cliffs or bear the burden of time and cost to eliminate the cliffs. A number of efforts are underway to address some aspects of these cliffs, particularly as they impact housing. Additional research, strategies, and collaborative efforts are needed to address the growing disconnect between childcare options and employment opportunities.

Public Benefits policies need to be redesigned to sync with a family's climb up the ladder of financial security. A tool to identify looming cliffs would allow employers and caseworkers to proactively address options with families. Affordable, quality childcare convenient to homes, employment, or job training, could improve employment stability.

As a community, we will all benefit from public and private strategies that ensure economic independence is possible through hard work and employment advancement.

*Self-Sufficiency Standard:

The Ohio Community Action Agencies publishes the statewide self-sufficiency standards. The 2011 reports "provides a detailed measure of how much income families of various sizes and compositions need to make ends meet in each county of Ohio." The calculation includes housing, childcare, food, transportation, health care, a small amount of miscellaneous expenses, applicable taxes and tax credits. Similar standards exist in more than 35 other states. Note the standard does not include savings, post-secondary education costs or job skills program fees. Surrounding Ohio counties have similar wage levels needed for self-sufficiency (Butler County \$22.56; Clermont County \$21.35; Warren County \$23.50).

Community Recommendations

Fund expanded research of cliff trends by benefit and family type.
 Convene leaders from different sectors to identify all cliffs and explore solutions.

Childcare:

- Map childcare slots onto low-income neighborhoods to identify unmet needs.
- Map childcare slots onto geographic clusters of current and expected job creation to identify potential opportunities for corporate collaboration.
- Map childcare slots onto job training/certification program locations to identify unmet needs.

Workforce/Employer:

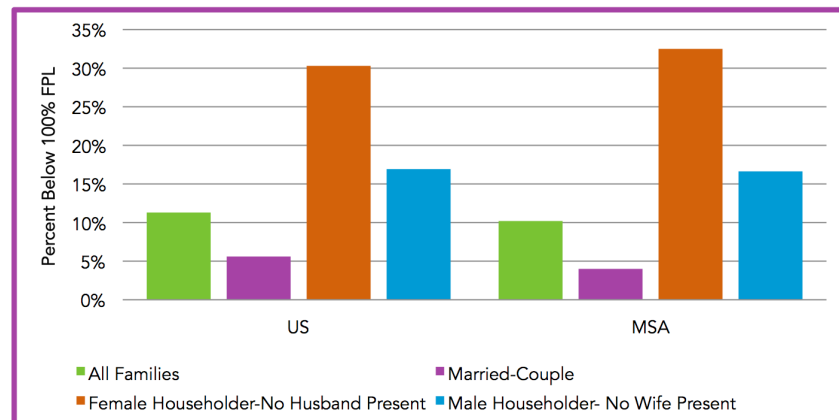
- Educate employers about the Cliff Effect and identify ways to minimize the impact on employees.
- Create shared affordable childcare sites for companies located in geographic proximity and/or companies drawing on employment pools in similar neighborhoods.
- Include childcare reimbursement in employee reimbursements for job training and apprenticeship programs.

Public Benefits Policies:

- Create a step-down benefits process that is calibrated to increases in pay.
- Lengthen timeframe for eligibility reassessment to eliminate benefit cuts during short-term income increases.
- Simplify application and re-application process for work support benefits.

Nonprofits/Funders:

- Fund financial analysis of costs of Cliff Effect poverty loop versus costs of policy change and corporate investment in collaborative childcare solutions.
- Create a tool for caseworkers to identify when a benefits cliff is looming and to explore alternative solutions with clients.
- Create a fund to bridge income drops for working parents due to housing, childcare and other benefit gaps.



*"I'm achieving.
 I'm progressing...
 I'm actually going
 backwards." – Nicole*

Poverty Status of Families by Family Type, 2010

Source: 1-year American Community Survey, Tables S1702 and B17014
 Federal Poverty Line (FPL)

In Greater Cincinnati,
 66% of children in poverty
 live in female-headed
 households.

All Families		
Under 5 years		35,435
5 years		6,360
6-17 years		59,807
Married-Couple		
Under 5 years		8,776
5 years		1,724
6-17 years		16,489
Male Householder- No Wife Present		
Under 5 years		3,108
5 years		601
6-17 years		4,386
Female Householder- No Husband Present		
Under 5 years		23,551
5 years		4,035
6-17 years		38,932

Number of Children in Poverty by Household Type,
 Cincinnati Middletown MSA, 2010

Source: 1-year American Community Survey, Tables B17006

Sources

Improving Work Supports – Closing the gap for low-wage workers and their families, by Nancy Cauthen. Economic Policy Institute, October 2007

Two Steps Forward and Three Steps Back: The “Cliff Effect” – Colorado’s Curious Penalty for Increased Earnings, Prepared for the Women’s Foundation of Colorado Center for Children in Poverty, June 2007 and the Women and Family Action Network Coalition, by Nancy Cauthen

Denver Economic Prosperity Task Force – Report to the Community, April 2009

Children’s HealthWatch Policy Action Brief – Earning More Receiving Less: Loss of Benefits and Child Hunger, September 2010

The Cliff Effect Experience – Voices of Women on the Path to Economic Independence by Crittenton Women’s Union, April 2009

The Self-Sufficiency Standard for Ohio 2011, prepared for the Ohio Association of Community Action Agencies by the University of Washington School of Social Work and the Center for Women’s Welfare

Researchers

Pulse: The Cliff Effect report was produced by Dr. Kristin Kalsem and the University of Cincinnati Law School’s Spring 2012 Feminist Jurisprudence students.

Pulse: Women and Poverty in Greater Cincinnati report was produced by Deepika Andavarapu, Toby Sallee and Dr. Eric Rademacher at the United Way/ University of Cincinnati Community Research Collaborative.

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Sally Neidhard for the final preparation of the reports.

The Women’s Fund *PULSE* Briefing: Women, Poverty, and Cliffs and the full *Poverty Indicators* report can be downloaded at www.cincinnatiwomensfund.org

For more information or to have The Women’s Fund present this information to your group, contact Vanessa Freytag, Executive Director, at 513-768-6123, freytagv@gcfdn.org.