



Working Families and Economic Security in New York: How Effectively Do Work Supports Bridge the Gaps?

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Governor Paterson has charged the Economic Security Cabinet with exploring opportunities to support struggling low-income families and increase the size of the State's middle class. Cabinet members selected the coordination of work support benefits as one of two immediate priorities to focus their work. This paper provides important data in support of that effort, estimating the number of families needing work supports and the extent to which work supports in New York close the gaps between earnings and the income necessary to achieve a decent standard of living.

Nearly one out of three people in working families in New York—5.7 million New Yorkers—are unable to make ends meet, even after receiving public work supports. In New York, low-wage, low-benefit jobs and limited work supports leave fully 30 percent of people in working families in a

What is the hardship gap?

The hardship gap is the difference between the income necessary to support a basic family budget and the combination of earnings from work and the value of work supports.

hardship gap: working, but unable to meet a basic family budget.¹ Many families who do not earn enough to support a basic standard of living are not eligible for public work supports, and even among families eligible for these supports, many do not receive them.

New approaches to measuring economic insecurity

The federal poverty line does a poor job of measuring economic insecurity in the United States. In 2008, the federal poverty line for a family of four is \$21,200.² Yet, in a recent poll, more than two-thirds of Americans agreed that an income level of \$30,000 made a four-person family poor. When asked in another recent poll how much a family needs to “make ends meet,” 70 percent of those surveyed said \$40,000 or more.³ In addition, the

¹ This report provides a summary of the findings for New York from a national report, *Working Families and Economic Insecurity in the States: The Role of Job Quality and Job Supports*, released by the Center for Economic and Policy Research (CEPR) in May 2008. The CEPR analysis provides information on earnings and the receipt of work supports for working families in New York in the first half of the current decade.

² There are actually two official poverty lines: the poverty thresholds used by the U.S. Bureau of the Census in its annual poverty analysis, and a simplified version, the poverty guidelines issued by the U.S. Department of Health and Human Services and used by many programs for eligibility determinations. At this time, only the HHS poverty guideline is available for 2008.

³ The first poll was commissioned by NPR, Kaiser Family Foundation and the Harvard School of Public Health in October 2007 (www.kff.org/kaiserpolls/upload/7704.pdf) and the second was commissioned by

federal poverty level is the same whether the family lives in Manhattan or rural Mississippi. That makes the standard particularly inappropriate to a high-cost-of-living state like New York.

Instead of the poverty line, this analysis uses basic family budgets developed by the Economic Policy Institute to determine whether working families have sufficient income to make ends meet. Basic budgets have been used in the United States for more than a century. Unlike the poverty measure, these measures take into account the actual costs of goods and services needed to have a decent standard of living as well as the variations in these costs depending on where one lives. In addition to being a more accurate measure of **economic security** than the poverty line, basic family budgets are consistent with public understanding of the income needed to make ends meet. For New York, the EPI four-person family budgets range from \$60,780 for Long Island families to \$41,106 for a four-person family in rural New York.⁴

When measuring poverty, the government and most researchers take into account only cash assistance, not other in-kind benefits. This analysis takes into account six major publicly-funded work supports—child care assistance, the Earned Income Tax Credit, Food Stamps, health insurance provided through Medicaid and the State Children’s Health Insurance Program, housing assistance and cash assistance—when determining whether a family is able to make ends meet.

Key findings

In New York 30 percent of people in working families—5.7 million New Yorkers—suffer from economic hardship because their wage earnings and income from other sources, including public work supports and other public benefits, fall below the basic family budget standard for where they live.

Nationally the percent of people suffering from economic hardships is 22 percent. Only Nevada, New Mexico, Alabama and West Virginia have higher percentages of individuals suffering hardships than New York. Three of New York’s neighbors (Connecticut, Pennsylvania and New Jersey) have much lower hardship rates.⁵ **In New York, the hardship gap—the difference between the median monthly income of economically insecure families and the basic family budget standard—is \$1,079.** Of the 45 states included in the analysis, only New Jersey has a larger median hardship gap. In the median state, the hardship gap for a typical family is about \$700 per month with the gaps ranging from \$1,116 for New Jersey to \$463 per month for Rhode Island.

The Northwest Area Foundation in February 2008

(http://programs.nwaf.org/pr/nwaf/info/document/2008_National_Executive_Summary.pdf).

⁴ See tables at the end of this report for EPI Budget Amounts for four-person families for different New York metropolitan statistical areas and detailed budget calculations for the Capital District MSA. Budget details for all family types and areas are available at

http://www.epi.org/content.cfm/datazone_fambud_budget.

⁵ Massachusetts with a 28 percent rate is very close to New York’s rate. Vermont was not included in the study because the sample size was too small to produce a reliable estimate.

Public work supports close more than half the difference between the family budget standard and earned income in the typical state. **In New York work supports close only 41 percent of this difference for the typical family.** Of our neighboring states, work supports in Pennsylvania and Connecticut do a better job of reducing the difference between earnings and the budget amount for the typical family (53 percent and 43 percent, respectively). Work supports in New York make up more of the difference between the budget amount and earnings for the typical family than do work supports in New Jersey (38 percent) and Massachusetts (26 percent).

How does New York compare to neighboring states?					
	Working families unable to make ends meet	Median monthly income of economically insecure families	Median hardship gap (between basic needs and income)	Percent of the hardship gap closed by public work supports	Share of people below their family budget moved above it by work supports
New York	30.0%	\$1,706	\$1,079	41%	11.9%
Pennsylvania	20.9%	\$1,574	\$739	53%	4.9%
Massachusetts	27.6%	\$2,084	\$1,036	26%	7.6%
New Jersey	22.7%	\$1,775	\$1,116	38%	4.5%
Connecticut	17.9%	\$1,854	\$918	43%	9.2%
U.S. Median	22.0%	\$1,513	\$700	56%	

Note: Vermont is not included because the Survey of Income and Program Participation does not report results for Vermont due to the inadequacy of the sample size.

Low wages are key to understanding New York’s hardship gap

New York’s hardship gap cannot be understood without looking at the level of wages in New York and the percent of jobs that include health and retirement benefits. CEPR found that only 25.1 percent of jobs in New York paid at least \$17 an hour and provided employer-sponsored health and retirement benefits. **Thirty percent of jobs in New York paid less than \$17 per hour and offered neither health insurance nor retirement benefits.**⁶ Private employer provided health insurance has been declining fairly steadily for over two decades. In New York only slightly more than half of private sector workers have health insurance and less than 44 percent have employer-provided pension coverage.⁷

⁶ For an extensive discussion of recent trends in job quality in New York, please see *The State of Working New York 2007: Encouraging Recent Gains but Troubling Long-Term Trends*, September 2007. <http://www.fiscalpolicy.org/SOWNY2007.html>.

⁷ Retirement savings and benefits are not included in the EPI basic family budgets and therefore are not incorporated in these measures of economic security, but they are an important element of economic security for most families.

Almost every family depends on work supports to make ends meet

Researchers often talk about bringing families out of poverty and to “self-sufficiency.” The truth is, very few families in the United States are self-sufficient, relying solely on wages to maintain their standard of living. Tax preferences underwrite the costs of private social benefits that promote the health and economic security of middle-class families, including the mortgage tax deduction, employer-based health insurance and retirement plans. Since federal tax preferences for health and retirement benefits are linked to employer-provided benefits, many workers in low-paid jobs are precluded from receiving these federal tax benefits since their employers do not provide health and retirement coverage.

The goal is to provide families with a combination of earnings and work supports that enable them to reach a decent standard of living. But instead of one system of benefits available to all workers, the United States has two: one for families supported by low-wage workers and another for middle- and upper-income families. The former system consists of a patchwork of benefits, typically targeted on the basis of having income and assets below a certain threshold. Moreover, these benefits often are not available to everyone who meets the eligibility requirements. While the latter system of benefits has been eroded over the years for a growing number of middle-income families, it still provides a greater value of benefits than the patchwork system available to low-wage working families.

Despite their limitations, these public work supports, play an important and largely unheralded role in promoting economic security and opportunity for working families. In New York, work supports close the hardship gap for almost 12 percent of the families whose earnings leave them below the family budget standard. These families are able to attain the standard of living implicit in the basic family budget thanks to Food Stamps, Child Health Plus, the Earned Income Tax Credit, child care assistance, cash assistance or housing subsidies.

Improving public work supports

Some work supports provide limited help to economically insecure working families, particularly when they have more than even a minimal level of assets, or when they have income above the federal poverty line. Such limitations reduce the extent to which work supports boost the living standards of working families who are economically insecure.

A related problem is that many economically insecure families who are eligible for work supports do not receive them, in part because of complex and burdensome paperwork requirements and lack of information about programs.

New York needs to address both concerns: eligibility standards for work supports that deny benefits to families with incomes above the official poverty guidelines but well below the family budget standard and barriers that limit participation in work support programs for those who are eligible. Some eligibility standards, such as those for Food

Stamps, the federal Earned Income Tax Credit and Child Health Plus, are set by the federal government. In the Child Health Plus program, New York has made a decision to use state funds to expand eligibility beyond the federal limits. In the area of child care assistance, New York funds several child care demonstration projects that provide subsidies to families with incomes up to 275 percent of the poverty guidelines. New York should consider using state funds to expand eligibility for other work supports to families struggling to make ends meet.

The Paterson Administration has declared its intention to increase enrollment rates for Food Stamps and Medicaid by eliminating barriers to participation. New York has eliminated the asset test for Food Stamp participation and has simplified Medicaid eligibility standards. The Office of Temporary and Disability Assistance new “My Benefits” program is intended to help increase enrollments in other critical work supports. The relatively high take up rates for public health insurance and the Earned Income Tax Credit demonstrate that we know what we need to do to expand participation. The lessons learned from these programs need to be applied to the other work supports.

Improving wage levels and employer-provided benefits

While improving public work supports can help many families achieve a better standard of living, improving the quality of jobs available to New York families is even more important. The minimum wage should be increased to restore the purchasing power to its early 1970s level and then indexed to changes in the cost of living. Economic development and workforce development resources should be used to promote the creation of jobs with decent pay and health and pension benefits and that provide at least a minimal level of paid sick days and annual vacation. Labor laws should be enforced and the illegal misclassification of workers as independent contractors stopped.⁸

Conclusions

Our economy has changed dramatically over the past thirty years. Many families—even those with one or two workers—now go without basics, like health insurance and safe, enriching child care.

Over the past two years New York has launched a number of initiatives to make it easier for working families to access these work supports, and the Economic Security cabinet has selected work supports as a priority concern. Through the Working Families Food Stamp initiative, New York State has set a goal to increase the enrollment of working New Yorkers in the Food Stamp program by 100,000 families by the end of the year. Changes to the state’s public health insurance programs have been designed to increase

⁸ For a more complete discussion of policy recommendations in this area, please see two other Fiscal Policy Institute reports, *Pulling Apart in New York: An Analysis of Income Trends in New York State*, Fiscal Policy Institute, April 2008 and *One New York: An Agenda for Shared Prosperity*, November 2006.

enrollment in Medicaid, Child Health Plus and Family Health Plus. Yet our public assistance system continues to deny cash supplements to families with incomes below the poverty line. Child care and housing subsidy programs often have long waiting lists.

This analysis indicates that work supports can make the difference for families with lower-wage workers but there is more that needs to be done to ensure that work supports are available to all families in New York struggling to make ends meet and to ensure that all who are eligible for benefits receive them. To realize the objective of economic security for all workers, improved work supports are a critical complement to actions by government and business to raise the wage earnings of low-income workers.

DATA AND METHODOLOGY

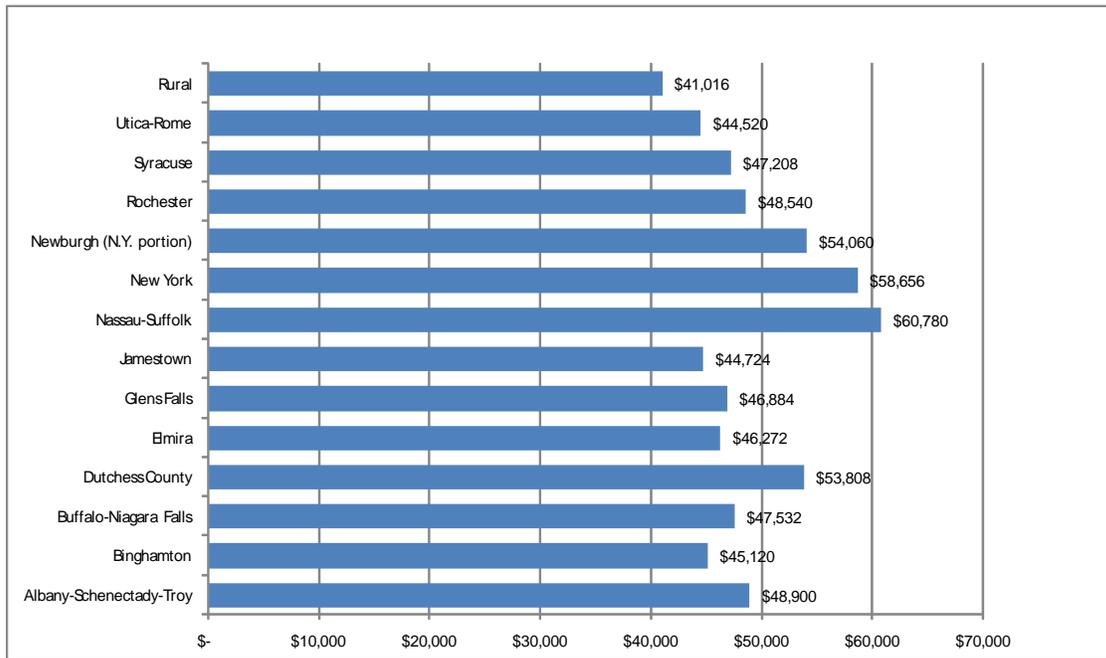
This report defines economically insecure as a person living in a family with total income below the basic family budget standard for where the family lives. Family income is defined broadly, including earnings from work, income from public programs, including Social Security, unemployment compensation, Temporary Assistance for Needy Families (TANF) income supplements, the Earned Income Tax Credit, and Food Stamps. If a family received child-care assistance, housing assistance, or health insurance through Medicaid/SCHIP, their basic budget standard was adjusted by replacing the market prices for child care, housing, or medical care with the amounts the family reported paying for those items.

The basic family budgets were developed by the Economic Policy Institute. These budgets reflect the actual costs of goods and services at market prices in over 400 localities. EPI has budgets for six family types: families with one or two parents and up to three children. Using the same methodology and sources as the EPI budgets, CEPR also calculated budgets for households of one or two adults and no children. These eight types of families account for about 71 percent of all working families.

The percent of families with incomes below the family budget standard was estimated using data from the Survey of Income and Program Participation (SIPP). Administrative counts of the average monthly number of units served were used to estimate the percent of families receiving each work support. The eligibility gap was estimated by matching the data in the SIPP with eligibility rules for each program.

For an in-depth description of the methods used to produce these estimates, see Heather Boushey, Bridging the Gaps: Technical Report on Data and Methods, Center for Economic and Policy Research, October 2007.

**Economic Policy Institute family budgets for four person families
(two adults and two children): New York State, 2004**



EPI budgets for Albany, Schenectady, Troy: 2004

	One adult, one adult, one child	One adult, two children	One adult, three children	Two adults, one child	Two adults, two children	Two adults, three children
Monthly housing	\$679	\$679	\$813	\$679	\$679	\$813
Monthly food	\$265	\$405	\$562	\$448	\$587	\$744
Monthly childcare	\$804	\$1,195	\$1,586	\$804	\$1,195	\$1,586
Monthly transportation	\$272	\$272	\$272	\$387	\$387	\$387
Monthly health care	\$324	\$388	\$452	\$454	\$514	\$574
Monthly other necessities	\$255	\$293	\$371	\$304	\$342	\$420
Monthly taxes	<u>\$342</u>	<u>\$304</u>	<u>\$556</u>	<u>\$388</u>	<u>\$371</u>	<u>\$581</u>
Monthly total	\$2,941	\$3,536	\$4,612	\$3,464	\$4,075	\$5,105
Annual total	\$ 35,292	\$ 42,432	\$ 55,344	\$ 41,568	\$ 48,900	\$ 61,260



The Fiscal Policy Institute is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents.

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