

## Examining the Complex Social Safety Net for Low-Income Working Families: How Benefits and Resources Respond to Increases in Wages

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### ABSTRACT

The United States social safety net aims to improve the lives of the lowest-income families and individuals. As the term “social safety net” implies, the goal is to provide a support system that “catches” families as they fall into poverty but still encourages work. The assortment of non-contributory assistance programs — in-kind and cash transfer programs — has grown and become more complex over the years, and families and case managers often face challenges in navigating through them.

The USC Price Center for Social Innovation partnered with Imagine LA to understand the total resources families have available and identify the threshold points where the safety net may actually become a barrier towards economic independence — a *benefits cliff*, where an increase in earnings leaves a family worse off, or a *resource plateau*, where such an increase leaves a family no better off in terms of the total resources available to them (income and benefits).

The study found that most families receiving social benefits will experience lengthy resource plateaus, where an increase in earned income is met with the equivalent loss of some benefit. However, the ecosystem of social benefits is challenging to navigate and protects mainly families with extremely low incomes by providing childcare and housing benefits.

Policymakers must take immediate steps to simplify and streamline the benefits infrastructure in the US, encourage greater use and awareness of benefits among the public, and specifically improve access to housing benefits as they are proven to be the most effective in aiding families in poverty.

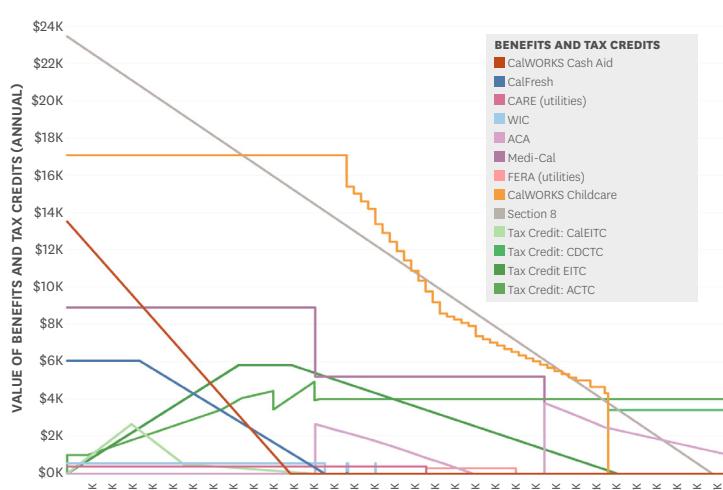
### The Social Safety Net in the United States

Despite the objectives of social welfare programs to protect and uplift vulnerable members of American society, many of the programs comprising the social safety net can be confusing or even inaccessible for those in need. Each program has its own application procedures, and although several programs assign families a caseworker, oftentimes caseworkers are specific to their agency or program and cannot advise families concerning other programs. Families are challenged with the complexity of the safety net and struggle to fully understand what benefits they are eligible for and how to obtain them. Figure 1 presents the estimated value of each benefit program at different income levels.

#### BOX 1: The Complicated Web of the Social Safety Net for Families

Each line represents the estimated value of one benefit program for a mother and two young children receiving all programs they are eligible for.

**FIGURE 1: ESTIMATED VALUE OF EACH BENEFIT AND TAX CREDIT (ANNUAL)**



Note: Eligibility rules for some benefits differ for new enrollees and continuous enrollees. The graph presents continuous eligibility rules. Enrollment in some programs affects the benefits of other programs. The value of benefits estimated in each line assumes the family is enrolled in all other programs presented in the graph.

Understanding the eligibility rules of each program and estimating the value of benefits a family can receive is a daunting task. By design, as individuals or families increase their earnings, benefits decrease within the social safety net. Also, *benefits shift* as children age and schools provide benefits not included in the analysis. However, at some income levels, benefits decline sharply or are eliminated entirely, leaving families with fewer overall resources after a slight increase in earnings, a situation referred to as a benefits cliff. In other instances, families are left no better off than before with an increase in earnings, referred to as a *resource plateau*.

Benefits cliffs and resource plateaus can be considered to cause disincentives to work because the incentive to pursue higher wages or add work hours declines at these specific points since families lose more in benefits than they gain in earned income. Unfortunately, most families generally do not have access to sufficient information to anticipate how public benefits shift as earnings increase or how eligibility shifts as their children age.

This work aims to thoroughly document the benefits available to families in the City of Los Angeles at different income levels, identifying the places where the safety net may become a barrier towards economic independence, and highlight the critical role of benefits that support work (e.g., childcare and housing).

## Research

The analysis included fourteen programs, all but one of which are managed at the state and federal levels, that broadly fall into six categories: income assistance, housing assistance, utilities, healthcare assistance, childcare assistance, and food assistance. The research

team identified sources of income and benefits, including eligibility requirements for all programs. Using a hypothetical family based on real Imagine LA families, namely a single mother with two young children, ages six and three, the team calculated the basic needs and potential earnings of this family, including the different benefit programs that the family could have access to. Finally, the report considers three different scenarios for this family wherein the family receives all possible benefits, receives all but the housing vouchers, and receives all but the housing vouchers and CalWORKs (See Table 1 and Figure 2).

**TABLE 1: SCENARIOS EXAMINED**

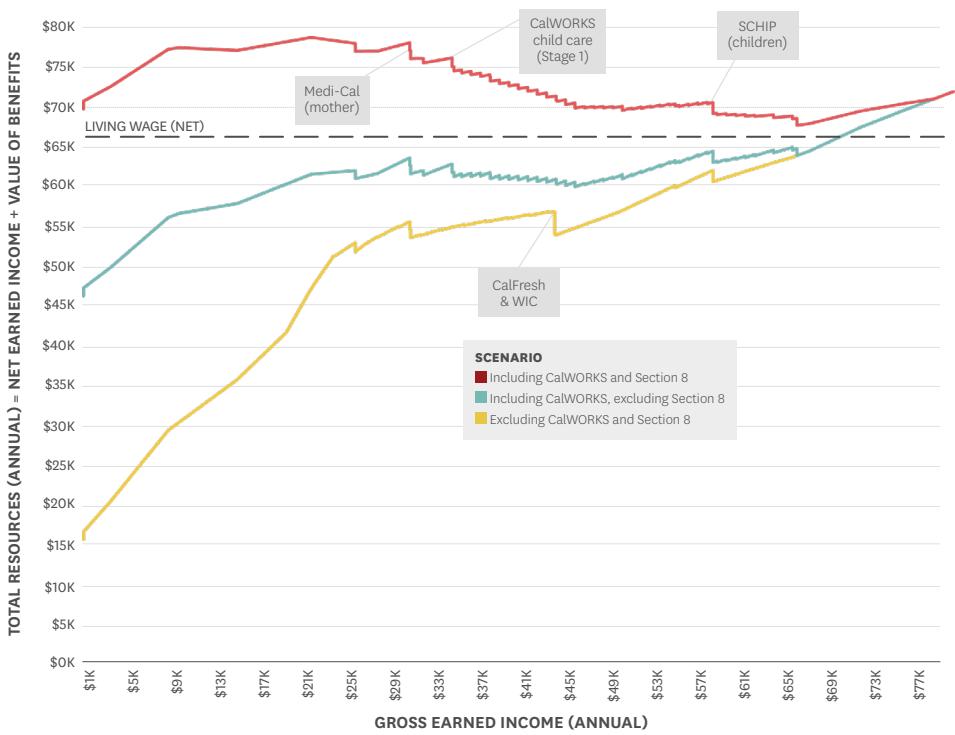
	BENEFITS RECEIVED	TAKEAWAY
<b>SCENARIO 1</b>	All qualifying benefits, including Section 8 Housing Choice Voucher and CalWORKs.	At every level of income, this family <b>can</b> afford basic living expenses. However, resources plateau after 10 hours per week of income
<b>SCENARIO 2</b>	All qualifying benefits, including CalWORKs, <b>except</b> Section 8 Housing Choice Voucher.	This family <b>cannot</b> afford basic living expenses at any income level. When working 40 hours at \$15 per hour, after paying rent, this family would have \$317 with which to pay for transportation and miscellaneous expenses.
<b>SCENARIO 3</b>	All qualifying benefits, <b>except</b> Section 8 <b>and</b> CalWORKs, including cash aid and childcare subsidies.	This family <b>cannot</b> afford basic living expenses at any income level and has lost access to affordable childcare. When working 40 hours at \$15 per hour, after paying rent, this family would have around \$1000 to pay for childcare, transportation, and miscellaneous expenses.

Note: All scenarios consider a single parent with two children ages 3 and 6.

## BOX 2: Shows the impact on total resources (earned income plus benefits) when earned income increases

Each line represents the total resources available for a mother with two young children (3 and 6 years old) at different earned income levels. The red line considers the family enrolled and receiving all eligible programs including Section 8 and CalWORKs; the blue excludes Section 8; the yellow line excludes both Section 8 and CalWORKs. Overall, total resources usually increase or remain flat as earned income increases, even though benefits decrease. The section between approximately \$34,000 and \$45,000 has a small downwards slope. There are also sections where the family experiences benefits cliffs — points at which the loss in benefits exceeds the increase in income. The cliffs are when the mother loses Medi-Cal, when child care goes from CalWORKs Stage 1 to Stage 2, when they lose CalFresh/WIC, and when the children lose healthcare.

**FIGURE 2: BENEFITS TRAJECTORIES — ESTIMATED VALUE OF TOTAL RESOURCES BY EARNED INCOME (ANNUAL)**



Note: The programs and taxes included here are CalWORKs cash aid and child care (Stages 1, 2, and 3), Earned Income Tax Credit, California EITC, Section 8, utilities subsidies CARE and FERA, Medi-Cal, SCHIP, Covered California, Child and Dependent Care Tax Credit, CalFresh, WIC, Federal Income tax, State income tax, Federal Insurance Contributions Act tax (which includes Social Security and Medicare), CA State Disability Insurance (SDI) tax, Child tax credit, Young Child tax credit, Additional Child tax credit.

Eligibility rules for some benefits differ for new enrollees and continuous enrollees. The graph presents continuous eligibility rules. Enrollment in some programs affects the benefits of other programs. The value of benefits estimated in each line assumes the family is enrolled in all programs noted.

## Findings

- Overall, the research finds that for most families, as earned income increases, there are long resource plateaus. Public benefits tend to phase out gradually as earned income rises, and often, the loss of one benefit is met with the gain of another, such as the case for health care and child care, which smooths the transition as earned income rises. In some cases the gain in benefit is through the tax code, which means families must file for taxes and may not receive the benefit until after filing.
- Only families whose incomes fall extremely low and receive both childcare and housing assistance are caught by the safety net and can cover necessary living expenses. Housing and childcare are the most significant living expenses for families with young children. Programs that support these expenses — the CalWORKs childcare component and Section 8 Housing Vouchers — provide the largest benefits for eligible families. Unfortunately, the Housing Choice Voucher (Section 8) is currently rationed with very long waiting lists, and only one in four eligible households are estimated to receive a voucher nationally. Therefore, most families do not receive enough resources from the safety net to cover their expenses.

- 3. Navigating the safety net is complicated.** Although the social safety net is meant to support families, families and case managers are confronted with a disjointed set of federal, state, and local programs. Understanding the eligibility and estimated benefits of each, especially as income changes, is very difficult. Box 1 presents the estimated benefits of each of the programs available for the mother with two young children at different levels of earned income. The graph shows what families and case managers must try to untangle as the safety net has become more intricate.
- 4. The safety net is particularly supportive for families with young children,** who need childcare, especially when parents work or participate in welfare-to-work programs. Nonetheless, a single-parent family receiving all benefits except for Section 8 is not able to achieve a living wage income working any number of hours from part-time to full-time at a low-wage job.

## Recommendations

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- 1. Create a digital tool that can simplify the complexity of navigating the safety net** and allow individuals, non-profit and government case managers, and human resource staff to understand eligibility and how benefits vary with earned income for specific families. The research findings support the short-term solution that with sufficient information, families could estimate the points where they lose benefits and plan ahead to navigate through the bumps and bypass situations in which the additional earned income is less than the benefits lost.
- 2. Take actions at the federal, state and local policy levels to coordinate, align, and streamline major benefit streams** to help ease access and use of benefits, and re-structure benefits to eliminate dilemmas between increasing income and benefit loss and overall encourage earned income growth and support work. Examine best practices from experiences of different localities on elements like universal benefits intake, auto-filling forms, benefits counseling and bringing agencies together.
- 3. Increase access to housing benefits.** Because the cost of housing in Los Angeles is so high and the availability of housing subsidies so scarce, housing assistance is critical to providing sufficient support for families to pay living expenses. Households who do not receive housing choice vouchers (Section 8) need some kind of housing support. Policies can include expanding the housing choice voucher program to reach all eligible families, or providing alternative models of housing subsidies such as shallow subsidies or rapid rehousing programs.
- 4. Promote increased participation in benefit programs.** Encourage and support families to enroll in the safety net programs for which they are eligible, particularly CalWORKs cash aid, since other benefits such as child care only become available after receiving CalWORKs cash aid.