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Bridging the Gaps Between Earnings and Basic Needs in Massachusetts: Executive Summary and Final Report

Randy Albelda

University of Massachusetts Boston, randy.albelda@umb.edu

Jennifer Shea

University of Massachusetts Boston

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Bridging the Gaps Between Earnings and Basic Needs in Massachusetts

EXECUTIVE SUMMARY and FINAL REPORT

Randy Albelda and Jennifer Shea

*Center for Social Policy
McCormack Graduate School
University of Massachusetts Boston*

October 2007

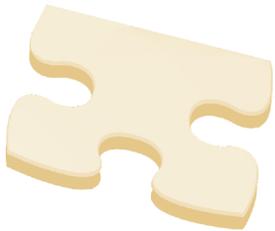
The
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SOCIAL
POLICY
McCormack Graduate School
at UMASS BOSTON



BRIDGING THE GAPS is a multiyear project led by the McCormack Graduate School's Center for Social Policy at the University of Massachusetts Boston and the Center for Economic and Policy Research in Washington, D.C., in partnership with organizations in nine states and the District of Columbia. The project uses four different sources of data to estimate three resource gaps.

Funding for the Massachusetts BTG Project has been provided by the Annie E. Casey Foundation, the Ford Foundation, and the Stoneman Family Foundation.

For more information about the Bridging the Gaps project and a copy of this summary and the full report, go to <http://www.mccormack.umb.edu/csp/btg> and <http://www.bridgingthegaps.org/>.



ACKNOWLEDGMENTS:

The Massachusetts Bridging the Gaps project is a truly collaborative effort. It has involved much of the CSP staff at some point. Donna Haig Friedman, Françoise Carré, Elaine Werby, Michelle Kahan, Sheila D'Alessandro, Julia Tripp and John McGah have all helped make sure this project came to fruition. None of this would have been possible without our partners at the Center for Economic and Policy Research, in particular Heather Boushey, Elizabeth Chimienti (and Patrick McElwee before her), Ben Zipperer, and Rebecca Ray. It has been a pleasure to work with all of them.

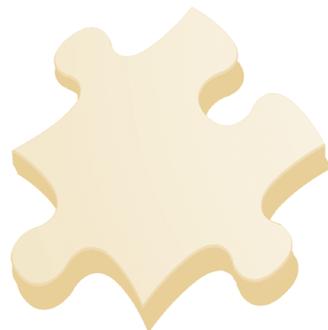
We also relied on the advice, feedback, work and support of many people and organizations. Lawrence Community Works, the Child Care Resource Center in Cambridge, and the Codman Square Health Center assisted us in conducting focus groups. Doreen Treacy, Maria Cuerda, Elizabeth Silver, Jennifer Coplon and Ramón Borges-Méndez provided us with valuable connections to these organization and focus group participants. Our project advisors (listed at the end of this report) provided us with much appreciated feedback. Deborah Harris and Noah Berger have on many occasions provided useful and timely suggestions. Many thanks to Amy Helburn, Barbara McGonagle and Linda Medina who provided valuable assistance in various ways. We are grateful to them all.

Funding for the Massachusetts BTG Project has been provided by the Annie E. Casey Foundation, the Ford Foundation, and the Stoneman Family Foundation.

All errors remain the authors' and any conclusions are theirs alone.

TABLE OF CONTENTS

Executive Summary	i
1. Introduction	1
2. Working, But Not Making Ends Meet: The Hardships Gap	5
3. Earnings Are Not Enough	8
4. Working, But not Eligible for Work Supports: The Eligibility Gap	10
5. Eligible, But Not Receiving Work Supports: The Coverage Gap	17
6. Surviving The Gaps	21
7. Bridging the Gaps: Conclusions and Directions For the Future	22
<hr/>	
Endnotes	27
References	28
Appendix A: Bridging The Gaps State Partners	29
Appendix B: Administrative Data	30
Appendix C: Massachusetts Bridging the Gaps Project Advisors	31



EXECUTIVE SUMMARY

Most workers do not make ends meet on their wages alone. Even upper- and moderate-wage workers are not “self-sufficient,” as most receive on-the-job benefits such as health insurance or paid sick days. Workers in low-wage jobs often find themselves with insufficient wages to cover their basic family needs and typically cannot access job-related benefits to supplement family earnings. Public work supports—programs that provide assistance to working families to help them access basics, like health care, child care, food, and housing—could fill in the gaps between earnings and basic needs, but most low-income workers earn too much to qualify, and even among those who do qualify, many, if not most, are unable to access these programs. Despite playing by the rules, many families, especially those with one adult earner, are struggling to survive.

Families who cannot make their ends meet with their earnings and public supports face a **hardships gap**. These families include members who work but whose earnings, coupled with any supports they receive, do not lift them above the basic costs associated with living in Massachusetts. And while supports help, for a substantial number of families, they are not enough—one of every four people in Massachusetts faces a gap between their resources and a no-frills standard of living in the Bay State.

In addition, low- and moderate-wage earners find themselves with an **eligibility gap**. They make too much to get public supports but earn too little to pay all their bills. Finally, there is a substantial group of people who face a public support **coverage gap**. These people are eligible for work supports but for a range of reasons do not receive them. This report documents and discusses each of these three gaps in Massachusetts and argues for ways to bridge them.

MEASURING THE GAPS

To estimate the hardships, eligibility, and coverage gaps, we look at family earnings as well as whether members are eligible for and receive six work supports: child care assistance; the Earned Income Tax Credit (EITC); Food Stamps; housing assistance (Section 8 and public housing); MassHealth (Medicaid and the State Children’s Health

Insurance Program — SCHIP); and Temporary Assistance to Needy Families/Transitional Aid to Families with Dependent Children (TANF/TAFDC). We analyze four different sets of data to measure and understand the three gaps. We use the Massachusetts sample of the 2001–2003 panel of data from the Survey of Income and Program Participation; administrative data on utilization of each of the six programs; income, asset, citizenship, and work eligibility rules in 2004 for each of the six programs; and five focus group discussions with low- and moderate-income parents conducted in Dorchester, Cambridge, Lawrence, and Springfield.

“I was at Boston University, working homeless. I was working forty hours per week, with money in the bank, and couldn’t find nowhere to live, no one to let me live there because they didn’t feel my piece of the pie would spread around enough for me to pay rent, take care of the kids, and food.”

Low-income focus group participant
Dorchester, MA

KEY FINDINGS

The Hardships Gap

The hardships gap is measured as the share of people in families with earnings whose combined family income and work supports still leaves them without enough to cover basic costs of living, as measured by the Family Economic Self-Sufficiency Standards (FESS).²

Close to 900,000 people in Massachusetts families with earnings—one out of every four— fall into the hardships gap even after accessing work supports.

- Counting income that comes from earnings alone, 31 percent of people in families with earners would not meet their FESS budget. Adding in all other family income except from work supports, that percentage falls to 27 percent.
- Including all work supports the percentage below their FESS budget — the hardships gap — is 24 percent. Supports reduce the dollar value between earnings and needs substantially. The median monthly dollar amount below their FESS before receiving work supports is \$1,502. With work supports, it is \$858.

The Eligibility Gap

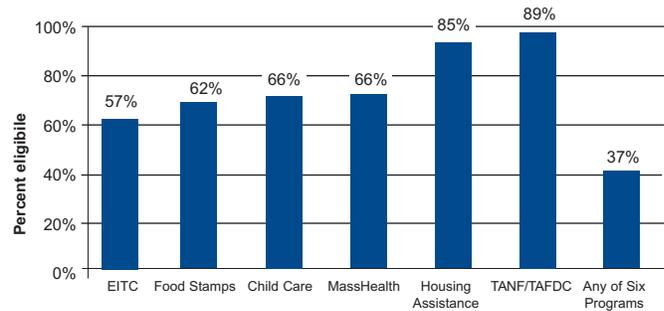
The eligibility gap, depicted in Figure 1, measures the percentage of people who are in the hardships gap and are also ineligible for each of the six work supports. The majority of people in the hardships gap also face an eligibility gap.

- **Thirty-seven percent of all people in families with earners who cannot meet their family’s basic need are also ineligible for any of the six work support programs.**

“When I applied for the [childcare] voucher for my son when I needed to go back to work after maternity leave. . . She told me, ‘You don’t qualify. You’re over the income.’”

Moderate-income focus group participant
Cambridge, MA

Figure 1
The Eligibility Gap in Massachusetts



Source: Bridging the Gaps Project analysis of SIPP 2001-2003 panel

- The EITC has the lowest eligibility gap— meaning it covers the highest proportion of people in the hardships gap—while TANF/ TAFDC and housing assistance cover the smallest share.

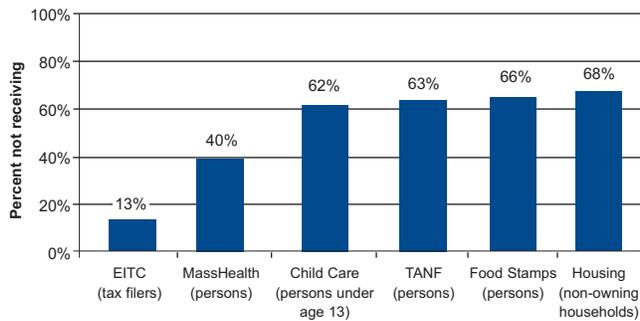
The Coverage Gap

The coverage gap, depicted in Figure 2, is measured as the percentage of all those who are eligible for the six public work supports but do not receive them.³

Being eligible does not necessarily mean someone will be receiving one of the six work supports.

- **The EITC and MassHealth are the most effective in reaching those eligible, with the smallest coverage gaps, 13 percent and 40 percent, respectively.**
- The other four programs have coverage gaps of 62 percent for child care assistance, 63 percent for TANF/TAFDC, 66 percent for Food Stamps, and 68 percent for housing.

Figure 2
The Coverage Gap



Source: Bridging the Gaps Project analysis of SIPP 2001-2003 panel

Explaining the Gaps

One primary reason that the hardships gap exists is that too many jobs pay too little.

- In 2004, of the close to 6.5 million people in Massachusetts, one out of every four live in a family whose income is less than \$28,000 (compared to the family median income of \$59,600).
- In the same year, 46 percent of workers report not having or using employer-sponsored health insurance and 51 percent do not have employer-sponsored pensions.
- Twenty-eight percent of all jobs in Massachusetts in 2005 pay less than \$16.50 an hour and offer neither employer-sponsored health insurance nor a pension.

One reason so many people face an eligibility gap is that the eligibility rules for many of the programs are pegged to the federal poverty line, not the cost of living. Only the EITC, SCHIP, and child care assistance were designed specifically to address the needs of working families. The other programs were originally intended to serve families with little or no earnings, putting their incomes below or near the official federal poverty line. Further, they were not designed to help families whose earnings fluctuate

over the year, as is common in many low-wage, hourly, and seasonal occupations. Yet many workers with incomes above the poverty line earn far less than their family budgets, struggle to make ends meet, and cannot access supports.

While some families experience an eligibility gap, as they are ineligible for work supports they need, other families that are eligible for work supports find themselves unable to access these programs. The reasons for this coverage gap are as varied as the programs and their rules. Some families lack information about which work supports are available; some find the application process demeaning, invasive, and cumbersome; others may be diverted from applying; some are on waiting lists because there are insufficient funds available for them to access the support; some may not want or need the support; and some simply cannot find a health or child care provider who will accept their coverage or voucher.

Three of the programs we examine—the EITC, Food Stamps, and most portions of MassHealth (Medicaid/SCHIP)—are available to everyone who meets the eligibility requirements because funding is guaranteed. The issues involved in the coverage gap for these programs are due to the ways in which people apply for and then get the support. The other three work supports are limited by federal and state funding, as well as by the stock of child care facilities or housing, so the reason for the gaps also include issues of insufficient funding or availability of supports.

“Well, I was getting them [Food Stamps]. I am no longer getting them and I really miss them. It is a hole, a hole in my pocket. That’s the best invention of this country.”

Low-income focus group participant
Lawrence, MA

Focus group participants talked eloquently about the frustrations of life in these gaps. They are employed but not making enough to meet their family budgets, even those participants with supports or, more commonly, those no longer eligible for the supports they need. They almost unanimously report preferring employment and being “self-sufficient” to collecting work supports. Still, they need and then miss these supports because family earnings are just not enough. Many told us that they received work supports but once they found a steady job, support slipped away, often quickly. This is especially true of TANF/TAFDC, Food Stamps, and MassHealth for adults.

“I had the [childcare] voucher for my daughter when she was little.... Once I started working, it stopped paying. The more you make, the less and less you get.”

Low-income focus group participant
Springfield, MA

BRIDGING THE GAPS

Our findings call into question the debates over the role of earnings and public supports that surfaced during welfare reform in the mid-1990s. Then, legislators and many analysts argued that it was important for virtually all able-bodied adults to be employed—even at low wages—in order to promote “self-sufficiency.” They argued for a new social compact—one that would include a system of public work supports that would bridge these gaps until workers made enough to be on their own.

Federal and state policies to enable low-wage work were expanded. In the 1990s, the minimum wage increased, the Earned Income Tax Credit (EITC) expanded, and SCHIP (State Child Health Insurance Program) was created. Still, it has not been enough.

The labor market and the current system of supports still leave many in the hardships, eligibility, and coverage gaps.

Improving the relationship between work supports and earnings will require some administrative changes to the programs, but also a set of policy changes to uphold the

social compact. Some of these issues can be solved at the state level, but others will require federal regulation action in order to be effective. Based on our findings of the substantial hardships, eligibility, and coverage gaps in Massachusetts, we offer three possible, and complementary, avenues for addressing the problem: (1) raise wages to close the hardships gap so that every worker can support their family at a safe and decent standard of living; (2) require all employers to provide certain necessary benefits to their employees, making every job a “good job”; and (3) improve the set of public work supports available to all workers.

The social compact of the 1990s can work, but it requires a system of public work supports that reflects the lived realities of the people that need them. It can work when responsibilities and support are reciprocal in nature—individuals, employers, and the government all have a role to play. Everyone in Massachusetts deserves the opportunity to succeed; it is the responsibility of policymakers to create an environment where opportunity is a reality for all, rather than an ideal reserved for a few.

¹ We include only those eligible and using MassHealth Standard, MassHealth Family Assistance, and MassHealth CommonHealth.

² We are only able to include households with earners that have one or two adults with no, one, two, or three children (accounting for 90 percent of all households with earners).

³ This includes earners and non-earners in all households. Data limitations preclude estimating these for all earners.

1. INTRODUCTION

In the United States, it is generally assumed that holding a steady job is enough to make ends meet. But, in today's labor market, where nearly a quarter of jobs pay low wages and offer no benefits, this couldn't be further from the truth for millions of workers and their families. Most workers do not make ends meet on their wages alone. Upper- and moderate-wage workers are not "self-sufficient" as most receive on-the-job benefits, such as employer-provided health insurance or paid sick days, and are eligible for unemployment or disability insurance if they need it. Workers in low-wage jobs find themselves with insufficient wages to cover their basic family needs and also do not typically have access to job-related benefits to supplement their earnings. Public work supports — programs to assist working families access basics, such as health care, child care, food, and housing — could fill in the gaps and for many, they do.¹ But, many families who struggle to bridge their resource gaps find that they make too much to be eligible for work supports. One reason for this problem is that many of our work support programs were established to assist very low-income, non-working families or single parents with very low, but steady, earnings. These programs were not typically designed to serve working families with earnings above the official poverty threshold, even though low-wage workers are not typically offered employment-based benefits. Moreover, even those who are eligible often do not receive them. These problems are widespread and are particularly acute for families with children, as well as those with one adult earner.

Families who cannot make their ends meet with their earnings coupled with public supports face a *hardships gap*. These families include members who work but whose earnings coupled with any supports they receive do not lift them above the basic costs associated with living in Massachusetts. And while supports help, for a substantial number of families, they are not enough — one of out every four people in Massachusetts faces a gap between their resources and a no-frills standard of living in the Bay State. In addition, many of these low and moderate-wage earners find themselves facing an

eligibility gap. They make too much to get public work supports but earn too little to pay all their bills. The majority of those in the hardships gaps also find themselves in the eligibility gap, unable to qualify for each of the six major work support programs we examine in Massachusetts. Finally, there is a substantial group who face a public support *coverage gap*. These are people or families who are eligible for work supports but for a range of reasons do not receive them. For four of the six work supports we look at, about two-thirds of those eligible for those programs in Massachusetts do not receive them.

The current situation for many working families stands in contrast to the debates over the role of earnings and public supports that surfaced during welfare reform in the mid 1990s. Then, legislators and many analysts argued that it was important for virtually all able-bodied adults to be employed — even at low wages — in order to promote "self-sufficiency." Receiving cash supports was heavily discouraged while employment was strongly encouraged. Even at that time, many recognized that earnings for many, if not most, of these workers would be low, with a limited amount of employer supports. They argued that a system of public work supports would bridge these gaps until workers made enough to be on their own. And indeed, federal and state policies to enable low-wage work were expanded. In the 1990s, the minimum wage increased, the Earned Income Tax Credit (EITC) expanded, and SCHIP (State Child Health Insurance Program) was created. While these reforms are an important step in the right direction, this expansion has not been enough. Millions across the country and close to 900,000 in Massachusetts continue to face hardships gaps and struggle to meet their needs.

The policies meant to uphold the 1990s social compact — the implicit relationship between workers, employers and the government — that assumes most families are able to meet their basic needs through employment coupled with supports needs serious re-

examining. About one-quarter of the US population and of those in Massachusetts live in families cannot afford to purchase housing, food, transportation, health care, and pay taxes at the going rate for these items. While many have lived up to their end of the compact by entering and staying in the labor market, many workers are still not able to make their ends meet through wages, employer benefits, and public supports. Working at or even several dollars above the minimum wage, even at the new higher levels, leaves one far below the cost of living. Employers can, but are not required to, provide health insurance, paid time off, or pensions; and while the public sector provides support, it does not reach a substantial portion of those who are struggling to afford the basics. As it is turning out, the 1990s social compact is not working. It results in a large segment of workers getting low wages coupled with a set of work supports that for many programs does not extend far enough up the income scale.

Recent health care reform in Massachusetts is an important step in redefining the social compact. The state has enlisted the participation of individuals and employers, in addition to government support and now mandates that everyone have health insurance. The verdict is still out on whether this type of mandate can work; however it recognizes the need for everyone – not just those who are poor enough to be eligible for Medicaid or are lucky enough to have employers pay for substantial portions of their insurance – to have affordable access to health care as a condition of employment and Massachusetts residency.

Based on our findings on the substantial hardships, eligibility, and coverage gaps we find in Massachusetts, we argue that everyone should have more opportunities to meet their needs. We basically have three choices, which are not mutually exclusive. First, we can work to raise wages to close the hardships gap so that every worker can support his/her family at a safe and decent standard of living. Second, we can focus on requiring all employers, even low-wage employers and small businesses, to provide necessary benefits to their employees, such as health insurance coverage, paid time off, and retirement plans. These alternatives would require every job to be a “good” job.

A third, complementary alternative would be to focus on improving the set of public work supports available to all workers. Public supports are not reaching the millions who need them because of the eligibility gap – income cut-offs remain too low to reach most working families – or because of the coverage gap – families eligible for work supports simply do not receive them. The most effective way to deal with both problems is to rethink the sets of work supports available. Some of these supports, in particular child care, would be much more effective if provided universally – as Massachusetts is attempting to do with health insurance. A universal system of work supports would relieve employers of having to provide benefits while ensuring that workers have access to necessary work supports. A universal system would be more efficient to manage and coordinate, and easier for people to access. For the other programs, expanding coverage and eligibility while reducing application and re-certification barriers would go a long way toward closing the hardships gap.

This report documents and provides measures of the hardships, eligibility, and coverage gaps for families in Massachusetts.² We measure the hardships gap as the percent of persons in families with earnings who cannot make their ends meet even with public supports. We estimate who is eligible for six work supports: child care assistance; Earned Income Tax Credit (EITC); Food Stamps; housing assistance (Section 8 and public housing); Medicaid (MassHealth)³ and the State Children’s Health Insurance Program (SCHIP); and Temporary Assistance to Needy Families/Transitional Aid to Families with Dependent Children (TANF/TAFDC).⁴ We use the 2004 eligibility rules for usage of these programs. With this information, we measure the eligibility gap – the percent of those who are not able to make their ends meet, but are also not eligible for public supports. Finally, of those eligible, we estimate the coverage gap – the percentage of those who are eligible but do not use these supports. This report represents the first time these gaps have been estimated for Massachusetts using a representative data set. To contextualize our empirical findings, we also conduct focus groups with parents in low- and moderate-income families to learn about their experiences with

the hardships gap and their use of and ability to access work-support programs. The focus groups allow us to more fully understand all three gaps – especially why coverage gaps are so high— and highlight the strategies families use to cope. We analyze what participants in these groups told us and include our findings in the report. We also incorporate their comments throughout this report. The box “Bridging the Gaps Project Methods and Data” summarizes the data sets and research methods we used. Details can be found in *Bridging the Gaps: A Technical Report on Data and Methods* (Boushey 2007).⁵

Our findings are clear. Many Massachusetts workers struggle in low-wage employment that does not offer benefits, leaving almost one-quarter of them and their families in the hardships gap. While some public work supports are available, close to 40 percent of those in the hardships gap are ineligible for any of the six major work supports programs we examined, due to archaic rules that do not recognize the realities of the low-wage labor market. Even when eligible, many are unable to access supports.

Bridging the Gaps Project Methods and Data

The Bridging the Gaps (BTG) project is a unique, collaborative effort. It involves the participation of researchers and advocates in nine states and the District of Columbia. A list of BTG partners can be found in Appendix A. All ten BTG partners collected eligibility rules for each work support in their state. In five of the states, partners also conducted focus groups. BTG partners participated in each step of the research process: discussing methods to estimate the gaps, learning how to conduct focus groups, and discussing the results. BTG is the first project to use survey data to estimate eligibility and coverage of work supports in these ten states. CEPR researchers estimated each of the three gaps while CSP researchers analyzed the focus group discussions.

For the eligibility and coverage gaps, the unit of analysis we use corresponds to each program’s beneficiaries: child care assistance is based on the number of children under age 13; EITC is based on the number of tax filers; housing assistance is based on the number of households; and Food Stamps, Medicaid/SCHIP, and TANF are based on the number of people in the state.

A family falls into the **hardships gap** when their income remains below a basic standard of need, even after the value of work supports is incorporated into their family budget calculation. We only include families with at least one earner. The gap is measured as the percentage of all people in families with earners that do not meet their basic needs. The dollar amount of a family’s hardships gap is the difference between their income, including all

work supports, compared to costs of goods and services in their local area. The national BTG project and report use family budgets developed by the Economic Policy Institute and extended by Center for Economic and Policy Research (CEPR). For the Massachusetts report we use family budgets developed by the Crittenton Women’s Union in the Family Economic Self-Sufficiency Standard (FESS). We are able to estimate the hardships gap for only those families that have one or two adults with zero to three children under the age of 18, which comprises 90 percent of all people in families with earners. To estimate the hardships gap, we make adjustments to the family budgets and total reported income. If a family reports receiving Food Stamps, the EITC, or TANF, then we add the EITC and TANF benefits and the cash value of Food Stamps to their total family income. If a family reports receiving, or is found to be eligible for, child care assistance, housing assistance, or Medicaid/SCHIP we replace the market prices for child care, housing, or medical care with the expenses that family actually reports paying for these items.

The **eligibility gap** measures the share of people living below a basic family budget who are ineligible for each work support program. We estimate eligibility for each work support by mapping the eligibility rules onto survey data. We estimate the eligibility gap for the same specific family types used in the hardships gap calculation.

The **coverage gap** estimates the share of people within each state who are eligible but do not receive each of the six work supports compared to the share of the state population eligible for these programs. We estimate the coverage gap for each of the six work support programs for the entire population. To estimate the coverage gap, we first estimate the number eligible for each work support. We then divide this figure by the number receiving the work support based on state administrative data for the latest year available and subtract the resulting share from one. We do not use reported receipt of programs from the survey data because it is under-reported and would therefore overestimate the eligibility gap.

The BTG project collected four kinds of data to estimate and understand the hardships, eligibility, and coverage gaps:

Survey data. We use the Survey of Income and Program Participation (SIPP) which includes a representative sample of the U.S. non-institutionalized population, including the elderly, children, disabled people, and any others not in the military or an institutional setting. The SIPP is a three-year panel, beginning in 2001. The SIPP includes the most comprehensive set of variables for determining program eligibility. There are questions on assets, year of immigration into the United States, and expenditures on child care, health care, and rental payments.

Work support eligibility rules. BTG partners working with CEPR gathered the work support eligibility rules. The rules were compiled from government sources as well as non-governmental sources, including information from advocates and providers. We collected all eligibility rules possible, including those related to income thresholds, asset limitations, citizenship status, and work requirements. The exception is the EITC where we used the National Bureau of Economic Research's online TAXSIM model to estimate eligibility. The work support program eligibility rules used in this report are from 2004 and can be found at www.mccormack.umb.edu/csp/btg.

To ensure accuracy, the eligibility rules were reviewed by those most familiar with the programs in each BTG location. The eligibility rules for the six major work supports programs rarely (if ever) could be found in any central

source. Further, some are extremely complicated. As a part of the BTG research process, CEPR and BTG partners held meetings with advocates and policy experts in every BTG location to review the rules we compiled. The most comprehensive resource we found in Massachusetts was MassResources.org.

Administrative data. We use administrative counts of the average monthly number of units served, across one full year, usually from the government agency responsible for administering the program. See Appendix B for administrative data used for Massachusetts.

Focus Groups. Five of the BTG partners (District of Columbia, Illinois, Massachusetts, Minnesota, and North Carolina) conducted a total 22 focus groups with over 100 parents whose incomes ranged from 75 to 325 percent of the federal poverty line (FPL). In Massachusetts, the Center for Social Policy (CSP) convened five focus groups in different parts of the state (Cambridge, Dorchester, Lawrence and Springfield) and recruited participants from two different family income ranges. In addition to the income requirements, participants were required to be a head of household with at least one child under the age of 18 living in the home. We also targeted parents who were currently or had recently been employed. Focus groups conducted with those with higher family incomes (225-325 percent of FPL), we refer to as "moderate income." Even though at these income levels, many participants were no longer eligible for most work supports programs, many were still below their family budgets. We also conducted three focus groups with lower income participants (75-250 percent of FPL). The two focus groups held in Lawrence were conducted in Spanish. Focus group participants discussed the ways they combine earnings and public work supports; the reasons so many families who are eligible for public work supports do not use them; and the strategies families employ to make ends meet. Transcripts were coded and analyzed using qualitative software.

More detail on our data and methods can be found in, ***Bridging the Gaps: A Technical Report on Data and Methods*** (Boushey 2007) at www.bridgingthegaps.org and www.mccormack.umb.edu/csp/btg.

2. WORKING, BUT NOT MAKING ENDS MEET: THE HARDSHIPS GAP

MEASURING NEEDS

To measure the hardships gap in Massachusetts we compare family income, including work supports, to a basic standard of need. In defining the standard of need we turn to the Massachusetts Family Economic Self-Sufficiency Standard (FESS) developed by the Crittenton Women's Union.⁶ The FESS budgets calculate the cost of those things minimally necessary at market prices in various locations across the state for various family types. Expenses in the FESS family budgets include child care, food, health care, housing, taxes (including tax credits), transportation, and miscellaneous basic personal items. These budgets do not include expenses for eating out, entertainment, paying off debt, or savings for retirement or a child's college education. Table 2A provides a sample of costs for three different family types in four different locations in Massachusetts.

The particular budgets we use in Massachusetts are guided by the areas identified in the Survey of Income and Program Participation (SIPP) data set.⁷ The FESS includes budgets for families with one or two adults, both without children and with one to three children under the age of 18. Costs for families vary depending on the ages of their children (grouped by whether they are infants, pre-schoolers, school-age or teenagers), for a total of 35 family types.⁸

"I didn't have health insurance through my job but I worked. But it was so expensive, I couldn't afford to pay for it, so I chose not to get it. So I applied for Mass Health and I got Mass Health for my children but I didn't have any, which was fine. I didn't care about me. I care about my children having coverage. Then I would just go to the emergency room if I got sick."

Low-income focus group participant
Springfield, MA.

The costs assume parents work full time and need to pay for child care for children until the age of 12. Housing and child care costs (for families with children) together account for between 40 and 57 percent of monthly expenses.

To calculate the hardships gap we compare families' resources to the FESS budgets instead of the federal poverty threshold for a variety of reasons. The self-sufficiency standards measure the actual costs of attaining a safe and decent standard of living at market prices while not having to

rely on public work or employer supports. Scholars agree that U.S. poverty thresholds are outdated and do not adequately capture true income needs (Citro and Michael 1995). The poverty thresholds are based on findings from the 1950s that families spent about one-third of their income on food. The poverty line was calculated by multiplying a bare-bones food budget by three, adjusting for family size. Since the 1960s, this threshold has been adjusted for inflation, but has not incorporated significant changes in family economics over time. The self-sufficiency standards are also preferred because they are geographically specific. Costs vary across the state, in particular those for housing, transportation, and child care. Using one national poverty threshold does not capture the local cost of living.

Table 2A
FESS budgets for three family types in four areas in Massachusetts

	Housing	Food	Child Care	Trans- portation	Heath Care	Other	Taxes (includes credits)	Monthly total	Annual total
Family type 1: One adult, one preschooler and one school-aged child									
Boston	\$1304	\$522	\$1490	\$71	\$343	\$373	\$742	\$4,844	\$58,133
Fall River area	\$965	\$503	\$1220	\$280	\$312	\$328	\$552	\$4,161	\$49,938
Springfield	\$766	\$504	\$1207	\$300	\$321	\$310	\$473	\$3,881	\$46,573
Franklin County	\$681	\$504	\$1207	\$249	\$320	\$296	\$413	\$3,670	\$44,035
Family type 2: Two adults, no children									
Boston	\$1111	\$455	0	\$142	\$362	\$207	\$474	\$2,751	\$33,014
Fall River area	\$827	\$439	0	\$532	\$332	\$213	\$500	\$2,843	\$34,120
Springfield	\$603	\$439	0	\$573	\$341	\$196	\$430	\$2,582	\$30,983
Franklin County	\$550	\$439	0	\$470	\$340	\$180	\$377	\$2,356	\$28,275
Family type 3: Two adults and two school-age children									
Boston	\$1304	\$773	\$972	\$142	\$397	\$359	\$533	\$4,480	\$53,760
Fall River area	\$965	\$746	\$695	\$539	\$366	\$331	\$422	\$4,064	\$48,766
Springfield	\$766	\$747	\$793	\$579	\$375	\$326	\$393	\$3,978	\$47,742
Franklin County	\$681	\$747	\$793	\$476	\$374	\$307	\$312	\$3,690	\$44,277

Source: FESS 2006 data obtained from Crittenton Women's Union

NOT MAKING IT IN MASSACHUSETTS

Those in the hardships gap are unable to meet the basic cost of living in Massachusetts, even though they may have already tapped into the work supports available to them. Our hardships gap measurement is limited to families with at least one worker, so the cause of the hardships gap is not unemployment, but rather it is a combination of insufficient work hours, low earnings, and inadequate work supports. For these families, the answer is either finding a better job, or accessing public work supports to fill in the gap between earnings and needs.

Table 2B depicts the percentage of people in families with earners whose income falls below the FESS budgets using various definitions of income. Counting income that comes from earnings alone, 31 percent of all people in families with earners would fall below their basic standard of need. Adding other forms of income (other than work supports), the share falls to 27 percent.⁹ Next we add in the work supports that are

“When I was living by myself, I used to pay \$600 for rent, and I was making a little over \$1,000 a month. I did not have enough to pay for gas, electricity, cable TV. I did not have enough money for groceries.”

Low-income focus group participant
Lawrence, MA

distributed like cash. Including the dollar value of the EITC, TANF and Food Stamps, 25 percent would not meet their standard of need. The hardships gap – which is the percent of people whose total income including work supports falls below their standard of need – is 24 percent.¹⁰

The high cost of living in Massachusetts makes reducing the hardships gap challenging. In Massachusetts, without work supports, the hardships gaps would be three percentage points higher – 27 instead of 24 percent. Although this reduction seems relatively small, work supports do make a difference for families who

receive them. The median monthly dollar amount below their FESS for those in the hardships gap before work supports is \$1,502. After work supports the median amount below their FESS is nearly halved to \$858.

The majority of people in the hardships gap are not officially poor. The median annual family earnings of those with a hardships gap in 2004 are \$25,255, an amount 167 percent of the poverty income level for a family of three. Work supports help close some of the gaps and are much needed. However, we find that many low-income working families are either ineligible for work supports, or do not receive the supports to which they are entitled. The problem is threefold: too many jobs offer inadequate pay and benefits to support a family; public work supports often exclude working families who are unable to make ends meet; and these supports do not reach all who are eligible for them.

Table 2B
Share of people below their basic Family Economic Self-Sufficiency Standard (FESS) using various definitions of income

Income definition	Percent below FESS
1. Including only earnings	31%
2. Including all cash income <i>except</i> cash value of EITC, Food Stamps, and TANF	27%
3. Including all cash income	25%
4. All cash income and the six work supports — definition of income used to measure the hardships gap	24%

3. EARNINGS ARE NOT ENOUGH

Most families earn the majority of their income through work. To address the hardships gap, we must begin by looking at whether jobs are providing sufficient wages and benefits for families to bridge the gaps. Almost one-quarter of people in families with at least one earner do not make enough from earnings alone to close the hardships gap. This fact is not surprising given that, in 2004, of the close to 6.5 million people in Massachusetts, 25 percent live in a family whose income is less than \$28,000 (compared to the family median income of \$59,600). And while 10.2 percent of the population is poor, 25.1 percent live in a family whose income is 200 percent of the federal poverty line (a measure that is often considered “low-income”).¹¹

Using a measure of “good” and “bad” jobs developed by John Schmitt (2005) of the Center for Economic and Policy Research, Massachusetts has about the same percentage of both. The measure of a “good” job is whether it pays more than the median wage in 1979 (\$16.50 an hour in 2005 inflation adjusted dollars) and has both employer sponsored health insurance and a retirement plan. In 2005, 28.2 percent of all Massachusetts jobs were “good” jobs. Almost the exact same percentage – 28.5 percent – were “bad” jobs, meaning they paid less than \$16.50 an hour and provided neither employer-sponsored health insurance nor a retirement plan.¹² The remaining 43.3 percent of jobs were neither “good” nor “bad”. These jobs have either one or two of the elements of a good job, but not all three. “Bad” jobs are prevalent in some of the occupations with the largest employment in the state. Three of the largest ten occupations (out of over 660) in Massachusetts are ones in which nationwide two-thirds or more people in those occupations earn less than \$16.50 an hour

“ So, basically I would pay my childcare and my rent first because without childcare you wouldn’t be able to go to work. . . And if you don’t work, you can’t pay your bills to have a shelter over your head. So it’s between those two.”

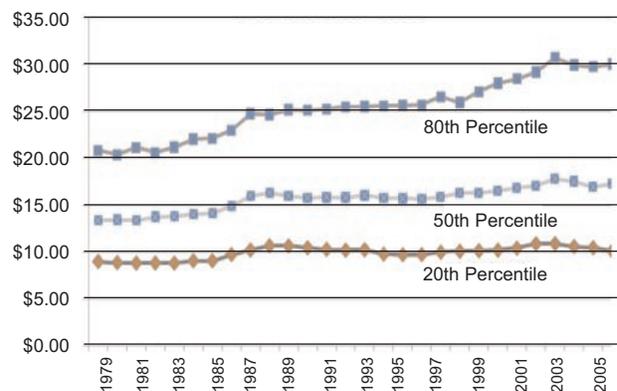
Moderate-income focus group participant
Cambridge, MA

and do not have either employer-sponsored health insurance or a retirement plan.¹³

Looking at only wages, a worker at the bottom 20 percent of earners in Massachusetts made just over \$10.00 an hour or less in 2006, while the median worker (at 50 percent) made \$17.24 an hour (Massachusetts Budget and Policy Center 2007). Further, wages for half the workers in Massachusetts have improved only marginally over the last 25 years, especially

when compared with workers at the top. Figure 3A depicts the wages of a worker at the bottom 20 percent of earners, the median earner, and at the top of the earnings ladder (i.e. at the 20th, 50th, and 80th percentile, respectively) from 1979 through 2006. While the wage trends in these three different percentiles are similar – rising slightly in the mid 1980s, growing very slowly through most of the 1990s, and then increasing

Figure 3A
Hourly Wages (in 2006 Dollars) in Massachusetts
by Percentile 1979-2006



Source: Data from Massachusetts Budget and Policy Center (2007) and reported in *State of Working Massachusetts 2006*.

some in the late 1990s and early 2000s – the gains are clearly greatest for high earners and minimal for the bottom 20 percent. This trend occurs despite tremendous economic growth in Massachusetts over this period.

While workers who are moderately or highly-paid often receive benefits, such as health insurance, paid time off, and retirement plans from their employers, low-wage workers generally do not. In Massachusetts, 46 percent of workers report not having or using employer-sponsored health insurance, 51 percent do not have an employer-sponsored retirement plan, and 53 percent lack paid sick days at work.¹⁴

Because so many workers have low wages, and a large share of low-wage jobs do not come with employer-provided benefits packages, these workers have to find some other way to provide for their families. Accessing public work supports is one way to bridge these gaps. Yet, as the next sections of this report reveal, a large share of these workers are not eligible for many work supports and, of those who are eligible, large proportions do not actually receive them.



“I didn’t have insurance for a long time because I could not afford it, so much so that when I finally got insurance it cost the company a lot of money because I need lots of preventive care and tests to get caught up with my health care needs.”

Moderate-income focus group participant
Lawrence, MA

“Living in Massachusetts with the rents being so high it’s unbelievable. You work check to check.”

Moderate-income focus group participant
Cambridge, MA

4. WORKING, BUT NOT ELIGIBLE FOR WORK SUPPORTS: THE ELIGIBILITY GAP

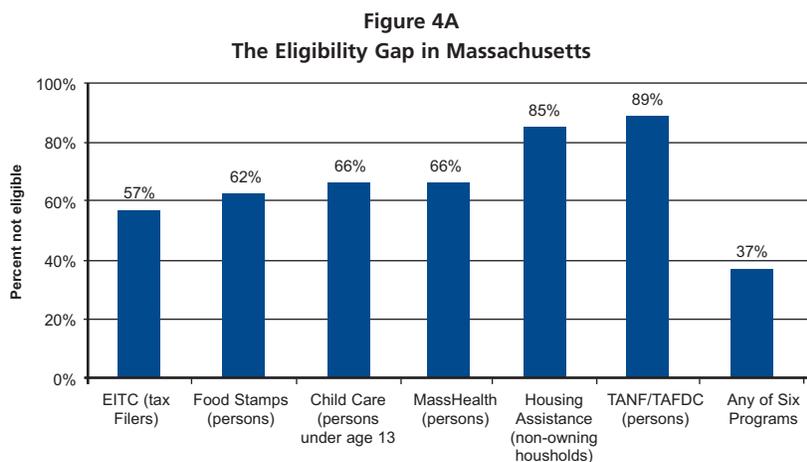
Even though most families living below their FESS are far from being officially poor, they cannot afford to purchase all of the goods and services necessary for meeting a basic standard of need. For some, public work supports help fill the gap; however, many living in low-wage families are excluded from these supports. This exclusion is in part due to the fact that most of the programs currently perceived as work supports were not originally intended to serve low-income working families, but rather were aimed at very poor or non-working families.

Figure 4A shows the eligibility gap – measured as the percentage of people in families with earners who are living below their family standard of need but are not eligible for public supports. While many people in working families with income below their FESS budget may be eligible for at least one work support, very few are eligible for a full package of benefits. The majority of those with incomes below their FESS are not eligible each of the six programs. Most people (63 percent) living in the hardships gap are eligible for at least one of the six work supports, although the variability across programs is wide.

The program which covers most of those in the hardships gap is the EITC and even then well over half (57 percent) of those in the hardships gap also find themselves in the eligibility gap for EITC, followed closely by Food Stamps, child care assistance and MassHealth. Just over 10 percent of those in families with earners and in the hardships gap are also eligible for Massachusetts' cash assistance program Temporary Assistance to Families with Dependent Children (TAFDC), followed by housing assistance.¹⁵ Only about one out of every three persons not meeting their basic family budget is eligible for any of the six programs. This phenomenon of making too much to receive supports but not enough to make ends meet is echoed by participants in every focus group across the state.

SO, WHO'S ELIGIBLE?

One reason so many people are in the eligibility gap is that the eligibility rules for several of the programs are pegged to the federal poverty line, not the cost of living. With the median level of earnings of those in the hardships gap equal to 167



Source: Bridging the Gaps Project analysis of SIPP 2001-2003 panel

“ You know, you don’t have to be making as much as she said to not be qualified for anything and they go by your gross and not your take home. It’s unrealistic and then they take everything away from you as soon as you got a so-called real job.”

Low-income focus group participant
Dorchester, MA

percent of the poverty line, it is not surprising to find so many also not eligible for many support programs. The six major work support programs we examine are well-known, provide substantial assistance, and are currently viewed as the major public work support programs for families – especially those with children. Table 4B outlines the major federal components of each of these work supports in the order of their originating legislation.

Of the six work support programs studied here, only the EITC, SCHIP, and child care assistance were designed specifically to address the needs of working families. The other three supports were originally intended to serve families with little or no earnings, at income levels below or near the official federal poverty line. Further, many of the programs were not explicitly designed to help families whose earnings fluctuate over the year, as is common in many low-wage, hourly, or seasonal occupations often held by low-wage workers. For these families, earnings may be enough to cover expenses one month, but not the next.

These six work supports programs are the major supports used by working families with children.¹⁶ With the exception of the EITC, each of these work supports provides monthly assistance for basic needs.¹⁷ Aside from TANF/TAFDC and EITC, these programs are dedicated to providing for very specific needs – food, child care, shelter and health care. Families can use their refundable EITC and TANF/TAFDC cash assistance any way they wish.

Over the past century, Congress established each work support separately as they sought to meet a particular need at a specific historical moment. These programs have evolved in some important ways over the last several decades. First, there is an increased emphasis on employment. Second, states are allowed considerably more leeway in defining eligibility and administering

“I had a good job, making good money, but because I made over \$500 I wasn’t eligible for child care, I wasn’t eligible for MassHealth. . . . You know I had to leave my job.”

Low-income focus group participant
Dorchester, MA

programs. Still, there is little coordination among these programs, even though they are often referred to as a support system.

With the exception of the federal EITC, states have always played a key role in administering funds in each of these programs. Over the last several decades, the federal government has granted states more legislative authority in developing eligibility criteria,

program design, and utilizing funds. This increased state discretion – often referred to as devolution – has allowed states to target programs as they see fit, with the promise of more effective coverage and use of funds. At the same time, it creates a dizzying array of rules within (and across) states.

Each of the six programs has different eligibility requirements, and often uses different definitions of what constitutes income, assets, work, and citizenship status. In Massachusetts, these six programs require applicants (and re-applicants) to provide different types of documentation and provide different ways by which people can apply. Different government agencies or units within an agency administer many of the programs. Massachusetts uses its considerable leeway grant-

“I love it [the EITC]. I love it. It’s just the thing I look forward to it. Especially the past few years . . . the little bit of money I get back comes from is that.”

Low-income focus group participant
Springfield, MA

Table 4B: Background Information on the Six Work Supports

Program	Originating legislation (and precursors)	Originally intended target population	State's role
TANF (Temporary Assistance to Needy Families) U.S. Department of Health and Human Services sets guidelines	Established through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which replaced its precursor, AFDC (Aid to Families with Dependent Children) – a program initially established in the Social Security Act of 1935.	AFDC was originally established to provide monthly cash assistance to very low-income families with children, all of whom were presumed to have little or no income from earnings. TANF serves the same population with strong incentives for employment and marriage.	States administer the block grant and have considerable leeway in designing cash assistance and other service programs. To receive the TANF block grant, states must spend state dollars equal to 75-80% of FY 1994 AFDC levels.
Housing Assistance U.S. Department of Housing and Urban Development sets guidelines	Public housing was created in 1937 with the Housing Act as part of New Deal public works programs. In 1974, President Nixon established the Section 8 Rental Assistance program.	Public housing was originally intended to alleviate urban slum conditions for families with earners. Since the 1970s, public housing has come to serve very low-income persons and families, with rents linked directly to income. Section 8 promotes market-based incentives to low-income families to find privately-owned housing using vouchers.	Local Housing Authorities administer the program using mostly federal funds.
Food Stamps U.S. Department of Agriculture sets guidelines	Food Stamps began as a pilot program in the early 1960s and became a national program with the Food Stamp Act of 1964.	The Food Stamps program was originally established to improve nutritional levels of low-income households and to bolster the agricultural industry. The federal Food Stamps program is targeted to reach poor and near-poor persons.	States administer the program which is paid for with federal funds. States can provide their own funding to expand eligibility and have some leeway in establishing some eligibility requirements.
Medicaid & SCHIP (State Children's Health Insurance Plan) U.S. Department of Health and Human Services sets guidelines	The Medicaid program was enacted in legislation in 1965. It is the federal program which enables states – through matching grants – to provide funds to providers of health care to meet the medical needs of low-income persons. SCHIP was established in 1997 through the Balanced Budget Act of 1997.	Medicaid was originally designed to provide health care for those who were receiving cash assistance and not expected to work – specifically the aged, blind, disabled, and mothers and their children receiving AFDC. Coverage has been extended to other groups. SCHIP increased Medicaid funding and incentives for states to broaden health insurance for children living in low-income families with the intention of filling the gap between public health coverage and employer-sponsored insurance.	States administer Medicaid and SCHIP. They are required to provide matching federal funds. They have significant leeway in determining eligibility, care coverage, and payment rates for services.
Childcare Assistance U.S. Department of Health and Human Services sets guidelines	This primarily includes Child Care Development Funds (CCDF) established in 1996, TANF funds used for child care, and funds provided by states to help families with child care expenses. Precursors include temporary funding for child care in the 1930s and 1940s; Title XX of the Social Services Amendments of 1974; the 1981 Social Service Block Grant (SSBG); and funds for child care included with the passage of the Family Support Act of 1988.	These programs have had dual purposes. One is to assist poor and low-income adults with children to participate in employment or educational and training activities. The other is to provide early education for poor children.	CCDF funds are administered by states. States have considerable leeway in setting provider payment levels, parent co-payment levels, income eligibility requirements, and regulation of programs.
EITC (Earned Income Tax Credit) U.S. Internal Revenue Service sets guidelines	The EITC was established as part of the federal personal income tax code in 1975.	The original intent was to reward poor parents with earnings and reduce the impact of payroll taxes on low earners. While expanded somewhat to earners without children, it has maintained the same intent.	States play no role in the federal EITC. States can and have enacted their own EITCs in their state personal income tax provisions. In 2007, 20 states and the District of Columbia provide a refundable EITC.

Sources: Cohen 1996; Edie 2006; Moore and Smith 2005-2006; Solomon 2005; State EITC Online Resource Center 2007; Stoloff 2004; USDA 2007.

ed by the federal government around eligibility requirements for each of these programs with the single exception of the EITC (which is different in many respects—see box EITC: The Exception to the Rule).

In addition to being uncoordinated, program rules are complex. We had a difficult time locating and interpreting eligibility rules, despite years of experience researching and writing about these programs. Focus group participants confirmed that determining one’s eligibility for a work support can be a remarkably difficult task (again, with the exception of the EITC). Eligibility rules for the six work supports programs rarely (if ever) could be found in any central source.¹⁸ Further, many of the rules are immensely complicated. When discussing work support programs, focus group participants told us that the application processes were stressful, invasive, time-consuming, and required high levels of organization.

To illustrate the range of eligibility requirements for the various programs in Massachusetts, Table 4C provides a comparison of just one of the major requirements for one family type: the maximum amount of gross monthly income a single-parent with two children may have to qualify for each of the six programs in 2006.¹⁹ For comparison, we also include median monthly earnings, the monthly wages someone would receive when working full-time at the Massachusetts minimum wage in 2006, and the FESS budgets for a family of three (one adult, one pre-school child, and one school-age child) for Boston, the Fall River area, Springfield, and Franklin County. We also include these thresholds and various monthly earnings levels as a percent of the federal poverty level for a family of three in 2006. We use the federal poverty line here to demonstrate how policymakers sometimes tie program eligibility to multiples of the poverty line, rather

EITC: The Exception to the Rule

The EITC is one of the only major work supports specifically designed to support low-income families with workers. The other programs, with the exception of child care assistance and, more recently, SCHIP, were originally designed to provide assistance to families with no or little income.

The EITC application is part of tax filing and does not require a separate application. EITC applicants do not need to go to an office to apply or provide extensive documentation to prove eligibility. Instead, filers fill out a tax schedule which identifies dependent children. State EITC programs piggy-back on the federal EITC; therefore, there is no additional paperwork required to claim the state credit. By contrast, the other five work supports often require a physical visit to an office, and a good deal of documentation.

There are no requirements or oversight of how families use their EITC. People use the EITC very differently than they do other work supports. Rather than pay for basic everyday necessities, EITC refunds are often used to pay overdue bills (including credit cards) for prior purchases of basic necessities, to purchase or repair major household items (like a car), save, or to do things the filer might not otherwise be able to do, such as go to the dentist (Mammen and Lawrence 2006, Smeeding et al. 2000, Boston EITC Campaign 2006).

than a more reasonable basic standard of need. The exceptions are child care and housing assistance, where eligibility is tied to median family income.

The monthly income thresholds vary considerably across the programs, from a low of 79 percent of the federal poverty line for TANF/TAFDC to 223 percent for the EITC. While the income eligibility thresholds for four of the programs come close to (but never quite reach) the median earnings for a worker in Massachusetts, all of the programs' eligibility thresholds are a good deal below the level of income that it takes to support a family of three with young children.

Moreover, eligibility is not determined by income alone. Each of the six programs comes with its own federal and state rules around items like citizenship, work requirements, and asset limitations.

Focus group participants talked eloquently about the frustrations of life in the eligibility gap. They were employed but not making enough to meet their family budgets or to be eligible for the supports they needed. They almost unanimously reported preferring employment and being "self-sufficient" to collecting work supports. Still, they needed these supports and missed them when no longer eligible because family earnings were just not enough. Many told us that they received work supports but once they found a steady job, the support slipped away, often quickly (see box: Cliffs and Running in Place). This was especially true of TANF/TAFDC, Food Stamps and MassHealth for

"Well, I was getting them [Food Stamps]. I am no longer getting them and I really miss them. It is a hole, a hole in my pocket. That's the best invention of this country."

Low-income focus group participant
Lawrence, MA

adults. We heard several stories of people not being able to budget for food after paying for housing and transportation, despite no longer being eligible for Food Stamps. Other participants simply went without health insurance for themselves and sometimes their children.

Without a doubt, the two programs reaching the largest share of those who are eligible for them are the EITC and MassHealth. These are also the programs with the most generous program eligibility requirements. Both EITC and SCHIP have gained considerable political favor over the last two decades, expanding significantly in the 1990s. These programs are not stigmatized by politicians, administrators, advocates or, as the focus group participants indicated, by the people using them. One main conclusion we draw from this finding is that programs that are relatively well-funded, widely available, and administratively easy to access will be most successful in reaching their intended populations.

"Now in my situation I don't qualify for any of those programs but every year I know in April the guidelines go up, so I apply every year. I don't get disappointed because I know I'm going to. . . get shot down but I apply."

Moderate-income focus group participant
Cambridge, MA

Table 4C
Monthly Gross Income Eligibility Criteria (including as a percent of the Federal Poverty Line) of Six Work Support Programs in Massachusetts for a Single Parent Family with Two Children in 2006 and Various Earnings Benchmarks

Program	Monthly Gross Income Eligibility Threshold in 2006	Monthly Gross Income Eligibility Threshold as a Percent of Federal Poverty Level in 2006
Child Care	\$2,890	209%
Food Stamps	\$2,767	200%
Medicaid for Parent	\$1,850	133%
Medicaid/SCHIP for Children	\$2,767	200% ⁱ
Public Housing/ Section 8 (30% of state median Income) ⁱⁱ	\$1,703	123%
State EITC	\$3,025	223%
TANF/TAFCU ⁱⁱⁱ	\$1097 - \$1171	79%-85%
Various Earnings Benchmark Levels		
	Monthly Amount	Monthly Amounts as percent of Federal Poverty Level
Median monthly earnings in Massachusetts	\$3,113	225%
Monthly earnings working 40 hrs/week at Massachusetts minimum wage	\$1,170	85%
FESS budget for single parent, one pre-school and one school-age child in:		
Boston	\$4,844	350%
Fall River area	\$4,162	301%
Springfield	\$3,881	281%
Franklin County	\$3,670	265%

Note: The FPL in 2006 for a family of three was \$16,600 annually and \$1,383 per month.

ⁱ Increased to 300% on July 1, 2006.

ⁱⁱ We use HUD's published state-wide median family income here, however eligibility levels vary by area within the state based on area income and cost of housing. Eligibility for public housing and Section 8 vouchers can go up to 80% of median income in certain cases. Because 75% of new Section 8 vouchers are reserved for those with incomes below 30% of median income, we include that level here.

ⁱⁱⁱ Level depends on whether a family is receiving housing assistance and if an adult in unit is exempt from time limits and work requirements.

Source: Eligibility rules collected for Bridging the Gaps Project by authors; Crittenton Women's Union for FESS budgets; U.S. Department of Labor, Bureau of Labor Statistics (2007); U.S. Department of Labor, Employment Standards Administration (2007).

Cliffs and Running in Place

The work support programs discussed here are all means-tested – that is they are only provided to those below certain income levels, rather than being universally provided. The nature of these supports is that at some income level – and for many, the level is not very high compared to the cost of living – the support ends. There are two ways this cutoff happens: full support can be cut off once a certain income level is reached, or the benefit can be phased out over a range of income. Both circumstances present challenges to policymakers and to those who receive the assistance.

Cliffs. In only one of the six programs we examine – MassHealth – can an individual lose the full benefit once they hit an income threshold. This creates a rather steep “cliff” for families whose incomes rise above the threshold and can create strong incentives for families to keep earnings under the income threshold.

Running in Place. For most work support programs, as earnings increase above a certain level, some portion of the benefit is reduced, creating a phenomenon sometimes referred to as “running in place.” For every dollar earned there is a substantial loss in public support. And for several of the programs, the reduction is large and happens quickly.

Public housing and Section 8 voucher recipients typically pay 30 percent of their income as rent. So for every additional dollar earned, rent can increase by 30 cents. Food Stamps operate in a similar way – with a reduction of almost 30 cents of Food Stamps for every additional dollar earned. For these two programs, the federal government sets the phase-out schedule. So for a family with both of these supports, a one dollar increase could result in only 40 cents of new income, before paying payroll or income taxes.

For most of those receiving TANF/TAFDC in MA, only 50 percent of earnings are counted towards the income thresholds that determine cash assistance levels. Since TANF/TAFDC and Food Stamps income eligibility thresholds are relatively low, these programs provide maximum assistance to those with very little or no income and then phase out quickly with any earnings.

Child care assistance phases out through increases in co-payments. Income eligibility thresholds are higher for child care assistance than many of the other programs. In Massachusetts, the threshold is 50 percent of median state income and increases to 85 percent once an individual is receiving assistance. However, the co-payments can be substantial as people approach the income threshold. In Massachusetts, there is a weekly fee of \$87.50 for someone earning 50 percent of the state median income.

The EITC has a range of income in which the credit phases in (benefits increase as earnings increase), it then plateaus for an income range, and then finally phases out. Since the EITC phases out at a high level of earnings, the decrease in benefits is slower than in the other programs.

Programs that phase out (or require increasing levels of co-payments) as earnings rise present families that get these supports with difficult choices about whether to increase earnings. Every additional dollar in earnings can mean a substantial loss in valued supports, making it feel like they are falling off a cliff. Ironically, the more supports a family receives, the higher this “cost” of increased earnings. If a family received three or more of these supports, every additional dollar earned could easily be a loss of 100 percent of the value of the supports, a clear disincentive to working more and earning more.

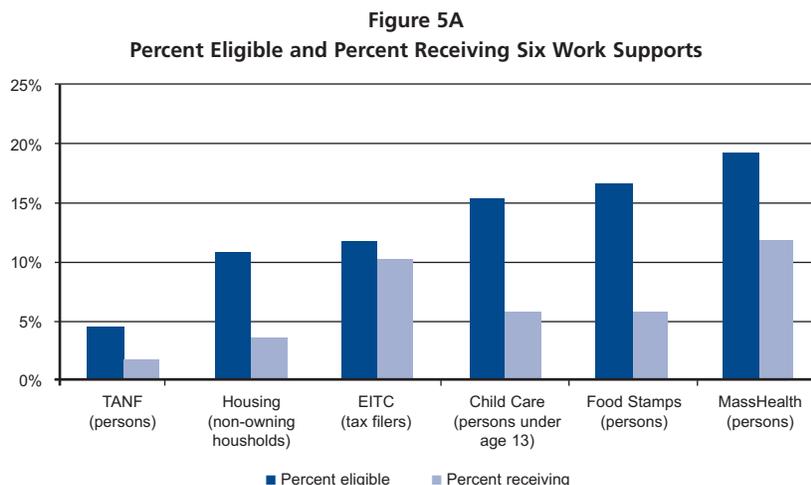
5. ELIGIBLE, BUT NOT RECEIVING WORK SUPPORTS: THE COVERAGE GAP

Even families who are eligible for work supports may find themselves unable to access these programs. These families face a coverage gap: they qualify for the support but do not receive it. The reasons for this problem are as varied as the programs and their rules. Some families lack information about the work supports that are available. Some find the application process invasive and cumbersome. Others may be diverted from applying. Some families are on waiting lists because there are insufficient funds available for them to access the benefit. Some may not want or need the support or find the value of benefits too low to both- er apply. Some simply cannot find a health care or child care provider or landlord who will accept their coverage or voucher.

In fact, with the exception of the EITC, most of those eligible for most work supports do not actually receive them. Figure 5A depicts the percentage of those eligible for the six work supports, and the percentage that actual- ly receive them, in order of percent eligible.²⁰ Taking into consideration income, asset, work, and citizenship status requirements, between four percent and 15 percent

of Massachusetts residents are eligible for the public work supports. However, just between two percent and 11 percent of the state’s population actually receive any one of them.

Those who actually receive each of the work supports divided by those who are eligible (multiplied by 100) find themselves in a coverage gap. Figure 5B depicts the coverage gaps – the percent of those who are eli- gible for but do not receive each of the six programs. Based on 2004 eligibility rules, every work support has a coverage gap. But, by a considerable amount, the EITC and MassHealth (Medicaid/SCHIP) are the most effective programs in terms of closing that gap. Eighty-seven percent of tax filers eligible for the EITC in the state receive this benefit, and 60 percent of people eligible for key MassHealth programs (including SCHIP) get them.²¹ In contrast, by consid- erable amounts, housing and child care assistance are the least effective in reaching those who are eligible, followed closely by TANF/TAFDC, then Food Stamps, with about two-thirds of those eligible not receiving these work supports.²²

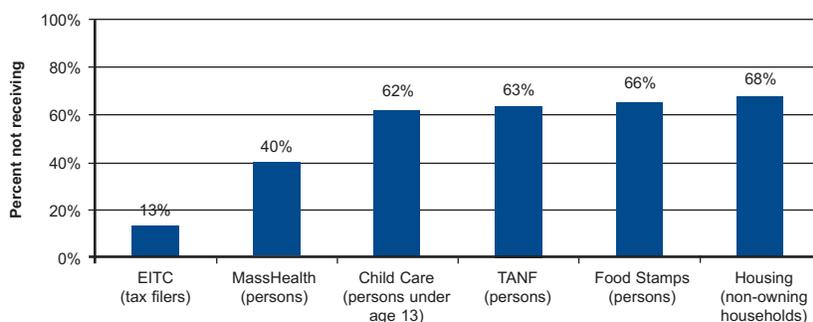


Source: Bridging the Gaps Project analysis of SIPP 2001-2003 panel

“A while ago my husband was making very little money, and so was I. Then, I went to the clinic, spoke with the young lady in charge of distributing the [medical] insurance, and she told me ‘let’s fill out the forms, send them and they will send you the card to your home’ and that’s how it happened. They sent me my card.”

Low-income focus group participant
Lawrence, MA

Figure 5B
The Coverage Gap



Source: Bridging the Gaps Project analysis of SIPP 2001-2003 panel

“Basically it’s an application you fill out [for public housing]. The only thing is that it’s a waiting list. They have a long waiting list. You could be waiting years for your number to come up and usually that’s how it is.”

Low-income focus group participant
Springfield, MA

EXPLAINING THE COVERAGE GAPS

Three of the programs we examine, the EITC, Food Stamps, and most portions of MassHealth (Medicaid/SCHIP), are available to everyone who meets the eligibility requirements because funding is guaranteed. As such, these work supports are often referred to as entitlements.²³ The issues involved in the coverage gap are entirely due to “take-up” – the process involved for those eligible applying for and then getting the support. The other three work supports are limited by federal or state funding as well as by the stock of child care facilities or housing, so reasons for the gaps also include issues of effective coverage – that is, many people can

be eligible, but insufficient funding means the support may not be forthcoming. This is certainly the case for housing and child care assistance – the need for these programs far exceeds the amount provided. Access to those who are eligible for these programs is limited and is then allocated through priority lists, lotteries, or queues.

The fundamental difference in the funding streams for these programs helps explain some, but not all, of the variation in coverage across these programs. For example, while the EITC and MassHealth are much more effective at reaching those eligible than programs whose resources are capped, Food Stamps has as high a coverage gap as some capped programs, despite being an entitlement. Moreover, while TANF/TAFDC funds are capped, there are no waiting lists for people eligible for the cash assistance portion of these funds – yet the coverage gap is 63%. While research into the eligibility and documentation requirements for these programs provides insights into other reasons for this discrepancy, we also rely on the focus group participants and their experiences with getting and keeping work supports to explain the coverage gaps. Focus group participants reveal that they do not access work supports for a number of

“I spent three months trying to get help ...and since I did not get it, I had to go to legal aid to get help getting my food stamps. Because it was just paper, after paper, after paper.... It took me three months...That is why, right now, even needing aid, I don’t try to get it so I don’t have a bad time.”

Low-income focus group participant
Lawrence, MA

other reasons besides limited availability: it is too difficult to find out what is available; administrative hoops and hurdles are too high; participants face a stigma when applying for or receiving work supports; and program benefits fall too quickly as earnings increase to make the process of applying and re-certifying worth their while.

“I loved that assistance [Food Stamps]. I got. . .dollars. You know, I used to be in heaven. . .for groceries. I wish I had it now. Oh, my word, it’s such a difference.”

Low-income focus group participant
Springfield, MA

Focus group participants were usually employed or looking for employment, often received or recently received, work supports, and some knew of places that could help people find these resources. Yet, participants lamented the lack of comprehensive system to guide people to the programs for which their family might be eligible. It was difficult to get comprehensive and reliable information about the types of public work supports available, eligibility requirements, and application processes. Virtually everyone who had access to comprehensive information stumbled across it by luck. The lack of comprehensive information also led to confusion about eligibility requirements and application procedures. This

“I was humiliated. I felt like I was like an arrested person. You know, the way they question you and they ask this and that. I mean, I just felt like I was treated like a quack basically. But I dealt with it. You know...and filled out what I had to fill out and I gave the...numbers and my children, my son’s father’s name and everything I could do. But I was humiliated and I was embarrassed to have to do that. But I had to do it.”

Low-income focus group participant
Springfield, MA

uncertainty was true of all the programs. People found out about this support as they filed their taxes themselves or through a tax preparer.

Historically, families often applied for Food Stamps and Medicaid at the same time as they applied for Aid to Families with Dependent Children (AFDC).

However, after the 1996 welfare reform, there was a dramatic drop in TANF caseloads and applicants. Since

families were not applying for TANF, they may have been unaware that they remained eligible for Food Stamps and Medicaid/SCHIP. While it is debatable whether TANF should remain the entry point for programs that have shifted to support working, rather than non-working, families, the state has yet to establish new, easily accessible entry-points to its work support programs.

Focus group participants who received work supports were grateful for them and told us about the ways in which they helped them take care of themselves and their families. Focus group discussions, not unlike talk radio or legislative debates, provide enormous insight on people’s views of work supports. TANF and Food Stamps, while highly valued by participants who had or were currently receiving them, were seen differently than the other supports. Applying for these public work supports was often discussed as a last resort, and participants almost always justified their enrollment, as if they were not supposed to use them. On the other hand, participants spoke about receiving any housing or child care assistance as if it were a godsend or like winning the lottery. People glowed about receiving the EITC and appreciated the ease by which they could access the credit. They were especially positive about their children receiving Medicaid/SCHIP.

Focus group participants reported that applying for work supports required high levels of organization and considerable patience. Applications are lengthy and repetitive across programs, and often require people to submit the same information to several agencies in order to apply or re-confirm eligibility. Participants found that complying with the rules was often unnecessarily difficult and at odds with their employment responsibilities. With rules and application procedures difficult to find and follow, people relied on caseworkers to help them navigate the work-support system. Participants noted that the helpfulness of their caseworker made a large difference in their experience applying for and receiving benefits. However, getting a helpful caseworker seemed to depend more on luck than anything else, which led to a feeling that the system was capricious and unfair.

People did distinguish among the programs. The EITC clearly benefits from the easiest application process. TANF/TAFDC and Food Stamps seem to be the most onerous to apply for and to keep (become recertified). Recertification processes, which require that families frequently confirm that their economic or household circumstances have not changed in a way that makes them ineligible to continue to receive support, are quite onerous for those who rely on support from TANF, Food Stamps, child care, or housing assistance.

Frequent, required confirmations of income create two distinct problems for families. First, the administrative burden is similar to having to pull together all the documents to prepare your taxes every few months, rather

“I stay home with mine and we just struggle. We just made it with the fixed income. If I was to go back to work, I’d still have to pay for childcare. So it would be like nothing coming home because I’d have to pay for childcare.”

Low-income focus group participant
Springfield, MA

than once a year. The work and time required to confirm one’s eligibility status can be time consuming and difficult to coordinate with work schedules, especially when offices are not open during evenings and weekends. Second, many low-wage workers have earnings that fluctuate widely over a month or over several months, due mostly to changes in hours worked. This variation can mean that a family’s level of support changes frequently depending on the timing of the re-application.

Finally, several focus group participants told us about the tradeoffs they faced when, as their earnings grew, co-payments for child care increased and Food Stamps decreased. When child care co-payments increased by too much, several participants indicated they quit their job and no longer received the support. They said they chose to quit because when childcare costs got too high, they found themselves earning little more than child care cost them; working simply did not pay. As Food Stamps’ values fell to very small amounts, people stopped submitting the paperwork to be certified as being eligible.

“The first year I ever got it [EITC]. . . I was like, ‘Hallelujah.’ I was so excited. I have some extra money.”

Moderate-income focus group participant
Cambridge, MA

6. SURVIVING THE GAPS

When employment and public work supports do not provide enough resources to make ends meet, parents craft a variety of responses to meet their families' basic needs. Virtually all the focus group participants spoke about individual strategies to bridge some of the gaps. One set of strategies helps individuals learn about as wide a range of programs as possible and includes an emphasis on networking with peers, government workers and nonprofit organizations. With that information, some combine support from charitable organizations and personal networks. Others invoke creative solutions to reduce costs and get their needs met. Some participants reluctantly reported that the only way they could get the public supports they needed was to bend the rules, by working under the table and not reporting earnings to stay eligible for assistance. Several parents told us that trying to make ends meet required them to set clear priorities and make difficult trade-offs. Still, some told us they simply do without.

For example, with the costs of housing, child care, and medical care so high, participants told us that food was one of the first dispensable items in their budget. While Massachusetts has a relatively high gross income threshold for Food Stamps for families with children (200 percent of the federal poverty line), focus group participants reported losing this support with relatively low levels of earnings. They also indicated that the amounts they could get were very small, making the time and effort of getting Food Stamps pale in relationship to the amount they could receive. Many resorted to food pantries, school food programs, and family support, yet still reported difficulty feeding their families. When participants talked about the “catch 22” of earning more but having less, they often mentioned the loss of Food Stamps.

“I have a budget but food shopping is not in my budget.”

Low-income focus group participant
Dorchester, MA

No matter the particular strategy they employed, many low- and moderate-income participants agreed that it was important to be proactive. Some participants reported negotiating payment plans with utilities companies, for instance, in order to ensure that their lights or gas would not be turned off, and that they would not have unexpected spikes in bills during summer and winter months.

Participants in the moderate-income groups and recent immigrants, in particular, crafted strategies to help ensure that they did not incur unnecessary expenses. For example, some reported always paying cash for items, looking for housing in less expensive areas, and doing without things like cable television or telephones. A few moderate-income participants also reported that they try to avoid taking out bank loans for cars or other items. One moderate-income participant reported dropping her health insurance plan in order to save the \$95 monthly contribution her employer required.

“I had been working for a very long time as a temporary employee. I was jumping from one job to the next because the job had ended or I got laid off.... I had to go to school full-time and work full-time to then obtain insurance through the school.”

Moderate-income focus group participant
Lawrence, MA

7. BRIDGING THE GAPS: CONCLUSIONS AND DIRECTIONS FOR THE FUTURE

Americans believe deeply in the virtue of work. This value was clearly articulated in the welfare reform debates of the 1990s that led to the creation of TANF and welfare-to-work programs. As a corollary, Americans believe that work should be rewarded. It is clear from our research and prior studies, however, that many low-wage jobs do not pay enough to support a family. These working families fall into a hardships gap. And while families do what they can to close their hardships gaps, these individual solutions place the onus on individual families. Focus group participants confirm our findings that public work supports help close the gap between a family's earnings and needs, but we also see that these supports do not reach all who could use them. Every program we examine has both eligibility and coverage gaps. Part of the problem for those stuck in the hardships gap has to do with the high cost of living in Massachusetts; however, there is also a need for a greater public and private commitment to strengthen our low-wage workforce.

Work supports can—and do—help close families' hardships gaps. Focus group participants confirm this finding; despite the difficulties in getting some work support assistance, people consistently told us the supports they received allowed their families to get things they needed but could not otherwise afford. But, we also find that employment and many work supports do not have always have a healthy relationship – one does not necessarily support the other. Some work supports like the EITC have been constructed to accommodate the lives of working adults and provide much needed assistance. However, most of the work supports discussed in this report are not currently meeting the needs of working families. They were originally constructed for those without earnings to

“When I had to go to ask for Food Stamps, I started crying too, in front of the social worker, because I don't like that. ... I like to work, but when I feel I have the need, I go and look for aid, even if I don't want to. I do it for my children, for their future, their well-being.”

Low-income focus group participant,
Lawrence, MA

suit particular needs at the time. And even though these programs have evolved over time, they are disjointed and often participants view them as being at odds with employment or upward mobility, creating disincentives to work. Improving the relationship between work supports and earnings will require some administrative changes, as well as a set of policy changes to uphold the promise of the social compact we referred to earlier in this report.

Work should pay and most families should be able to meet their basic needs through employment coupled with supports.

To close the hardships gap we need better wages, mandates for employer benefits, or public work supports – and most likely some combination of all three. In the short term, individual states can make improvements in how people access work supports, and can even expand programs to reach more people. Ultimately, though, reducing the hardships gap will require a national effort to set minimum employment and public work-support standards. An endeavor at this level is in part necessary because states do not have the fiscal capacity to make these comprehensive changes on their own, but more importantly, because the strength of our workforce is a national concern.

The United States is out of step. Our main economic competitors in industrialized countries have not chosen the low wage, low support path. In most cases, both minimum wage levels and employer and public supports are higher than in

the United States. It is true that taxes are also higher, but increasingly these countries (e.g., Canada, Germany, Sweden) are also surpassing the United State on many general health, social, and economic indicators, suggesting that far too many individual families are paying a high price for lower taxes (Schmitt and Zipperer 2006). To not offer families a set of work supports that closes the hardships gap is a political choice, not an economic imperative. By staying on our current course, we will continue to abandon more and more families in that gap. The costs of this path are high, not only to those families, but also to the nation. The continual struggle to make ends meet by a substantial share of families in the midst of plenty also undermines the promise of “American values” associated with equal opportunity and the rewards attached to hard work and “playing by the rules.”

We can try other paths. If we as a nation decide to keep the set of employer and public work supports at current levels, then it will require substantial increases in wages – through minimum wage laws and living wage ordinances – to close the gap. Employers typically balk at this suggestion, although recent experiences with increases in the minimum wage suggest few employment effects to this option. This solution sometimes gets criticized for missing its target because a small but substantial portion of low-wage workers does not live in low-income households. While this fact is true, the vast majority of low-wage workers do live in low-income households. Thus the option of increasing wages remains an effective way to help low-income workers. Income tax rates could be restructured to capture the higher income of minimum wage workers in high-income families.

“Revamp the food stamps – people need food – and health care – everybody should be covered. I would never get rid of my Tufts [employer-based health insurance plan] – it kills me every other week out of my pay. I use it. I had a major surgery in January – thank God for health care. “So that’s pretty much it: housing, food in our home, and health care.”

Low-income focus group participant
Dorchester, MA

A second, complementary alternative would be to change employment standards to include minimum levels of required employer benefits for all workers. Employer supports that would help close the hardships gap include health insurance coverage, paid sick days, paid parental leave, and pensions. The debate over health insurance – including its costs and its benefits – is well-known. Whether through employer mandates or other coverage, families need health care at far more reasonable costs than currently available. Many workers who miss a day of work to attend to their own or their children’s illnesses, also miss a day’s pay. The vast majority of workers without paid sick days are low-wage workers in low-income families (Albelda and Clayton-Matthews 2006), exacerbating the hardships gap. For families in the hardships gap, saving money is pure luxury. This lack of savings not only has implications for educational opportunities for children, but also for earners’ retirement. Employer sponsored pensions backed by legislation that protects them will help create economic security for low-wage workers as they age.

The public sector must also play a crucial role in reducing the hardships gap. This role will require increasing the scope and level of public supports. This report identifies two key ways to make these changes. The first has to do with bridging the coverage gap, reaching those who are eligible but not receiving supports. But the other has to do with reducing the eligibility gap, providing support to those in the hardships gap who are ineligible for public supports but need them. Until everyone has access to a “good” job (or someone in their family has such a job), with decent pay and benefits, then there will continue to be a need for public supports. For example, even if employers were required to provide health insurance coverage,

there would still be a gap in coverage for those who are self-employed, between jobs, temporarily employed, or not employed because they are caring for family members. Medicaid was intended for some of these situations, but despite expansions in the last two decades, it still does not fill this gap.

Focus group participants' recommendations about expanding eligibility and making it easier to use existing programs came across loud and clear and are consistent with what we would recommend. Many suggested that the time people need to transition off of public work supports needs to be longer, and the process more gradual, with at least a one-year grace period after an increase in earnings before losing supports. They also suggested offering a more holistic approach to providing and accessing publicly funded work supports. To these ends, focus group participants had several suggestions for legislators, policy advocates, and service providers:

- Take into consideration the full range of a family's expenses when calculating the level of support for which they qualify.
- Raise the cut-off point so that people who need support can get it before they hit rock bottom, rather than waiting until they have no resources left in terms of income, health insurance, or housing options.
- Change the program rules so that families can access the sort of assistance they need, even if not cash, when it is needed – minimal support in the right place, they said, could go a long way. Currently there is often a disconnect between the supports a family qualifies for and the type of support they need to make ends meet.
- Phase out of work supports much more slowly, in particular for TANF/TAFDC, Food Stamps, and child care assistance to enable recipients to get on their feet before the assistance is taken away.

- For those with housing assistance expand current programs that allow renters to “bank” additional rent payments associated with increased earnings, for several months or a year, to help residents become more self-sufficient in the long-term. Banking allows families to get used to additional expenses each month and, at the same time, allows them to accumulate a small savings so that once they are self-sufficient, one financial setback will not send them spiraling downward.
- Streamline application and reapplication processes for all the work support programs except the EITC to make them much more “consumer friendly.”

While we have discussed the six programs here together as work supports, given the different kinds of support they provide, the varied levels of eligibility and coverage gaps among them, and the differences in administration, it makes sense to briefly discuss them separately.

EITC

Without a doubt, the EITC is the most effective program in reaching its intended audience. It is the easiest to apply for and has no constraints on its use. People appreciate these traits. Expansions to this program are welcome, especially since the program is a very effective way of boosting low and moderate families' incomes. Still it is clear by the way people use the EITC that it is not a substitute for supports that help families purchase basic necessities needed on a daily, weekly, or monthly basis. Indeed, many of our focus group participants suggested that they use their EITC to pay back the money they had to borrow, or bills they had not paid in order to maintain basic necessities throughout the previous year.

Child Care Supports

The percentage of children in the eligibility and coverage gaps for child care assistance is high. Waiting lists for child care assistance confirms these findings. Further, in all the focus groups, participants spoke about the difficulty they faced paying for child care when they were employed. Several told us that the cost – even with assistance – was higher than their after-tax pay checks. Many states, including Massachusetts, are making important strides toward universal early education and care for pre-schoolers. Children ages 3-5 are the age group most likely to be in non-parental care, and universal coverage would provide a crucial piece of a comprehensive child care policy. We support these efforts because they make enormous economic, educational, and social sense for all children. We also support them because they will significantly help close the hardships, eligibility, and coverage gaps. Universal child care for pre-schoolers would reduce family costs and provide strong incentives for parents of young children to stay employed. Politically, there is already considerable support for universal early care and education in the state, but as of yet, there is not the financial commitment. This lack of funding is for good reasons; expanding quality care will be costly and the state is facing many competing needs. For these financial reasons and to ensure equity, a large share of financing this assistance must fall to the federal government. The costs associated are high, but so are the benefits. These benefits spill over across state lines. Short of universal early education and care, reduced co-payments and longer phase out periods would make the trade-offs for low-income families less stark.

MassHealth (Medicaid/SCHIP)

This program works, but the large eligibility gap suggests that there are many people in the hardships gap who are not eligible for MassHealth and may not have employer-sponsored health insurance. Massachusetts is in the forefront of all the states in extending health insurance to all its residents, in particular those in the hardships and eligibility gap. We applaud and support the efforts toward universal coverage. Like universal early education and care, this plan makes an enormous amount of economic sense and, provided that it is affordable, could help reduce the hardships and eligibility gaps and eliminate the “cliff” associated with this program.

Housing Assistance

Both the eligibility and coverage gaps are high for housing assistance. The high cost of housing accounts for a considerable portion of the hardships gap; any efforts to keep housing expenses down will work to reduce the gap. There is a long-recognized need for more affordable housing in the state that does not need to be rehashed here. Our research confirms not only the need for more affordable housing, including increased housing assistance, but it also suggests the need to rethink ways to assist families with housing assistance and earnings. Current programs that allow renters to “bank” rent increases as a result of increased earnings reduce the current disincentives to increased household earnings, and could be expanded.

Food Stamps

Both the eligibility and coverage gap for Food Stamps in Massachusetts are high. One striking message we heard in our focus groups was the degree to which families needed and missed receiving Food Stamps. In addition to outreach efforts already in place, efforts to increase the amounts paid out to families whose gross income levels meet the eligibility thresholds would help, as would streamlining the processes.

TANF/TAFDC

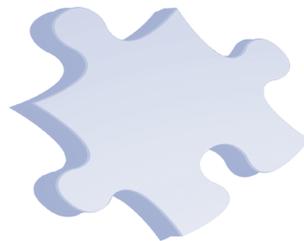
This work support is among the least used by those eligible, even though income eligibility thresholds are the lowest. This fact suggests that only the poorest are eligible – yet even they do not use this program. Focus group participants made the reasons abundantly clear: TANF/TAFDC is very difficult to access, people are treated poorly in welfare offices, and it is highly stigmatized. If the program is going to work as a work support, then it ought to provide assistance for those with earnings above the poverty line, allow people to keep more of their support as they earn more, provide more support for those seeking additional job training or education, and be much easier to access especially when employed or in training. This will also require that employers and caseworkers alike understand the needs and requirements of the other, as well as the restrictions they place on the time and flexibility of low-wage workers.

FINDING THE POLITICAL WILL

For the past generation, innovations in social policy have been most often targeted at specific populations. Much of the foundation for today's work support system is based in early policies to help poor, often non-working families. Smaller, targeted programs have the advantage of creating clear constituencies and being seen as "affordable," especially important in eras of high budget deficits. However, the U.S. economy has changed over the past generation in ways that should push us to rethink this model. Our labor market has become increasingly unequal, with families at the bottom having seen little or no net wage gains for a generation, barring the extraordinary period of low unemployment in the late 1990s. At the same time, employers have reduced health insurance coverage for workers and, even more dramatically, their dependents. Low- and moderate-income families are feeling an economic squeeze. Meanwhile, our work support system does not recognize that most families do not have a stay-at-home parent and fail to provide access to safe, affordable, and enriching child care to every family. It

ignores that workers need access to affordable health insurance coverage. It does not recognize that having a job may not be enough to ensure that a family can meet its basic needs. The currently reality is that jobs and many work supports are not always mutually reinforcing.

Our work support system does a reasonable job of reaching many of the neediest, but it does not do enough to confront the decline in living standards among low-wage workers and their families. Some work support programs, do a good job at helping low-wage workers bridge the gaps between earnings and needs – but too many working families still find themselves facing a hardships gap they cannot bridge. Building a political will to expand work supports to cover all families in the hardships gap will require bridging the gaps between the poor and low-wage workers, recognizing that both groups need access to support. It will also require that Massachusetts along with all other states push the federal government to help them confront these challenges.



ENDNOTES

¹There is not uniform agreement on what are considered the major work support programs in the United States. Sawhill and Haskins (2002) list the EITC, the Child Tax Credit, earned disregards in TANF, Food Stamps, and Medicaid and SCHIP. Zedlewski et al. (2006) examine Medicaid and SCHIP, Food Stamps, child care subsidies, and the EITC. The Finance Project (2005) defines key work support programs as the EITC, Child Tax Credit, TANF income disregards, child care assistance, transportation assistance, housing assistance, Food Stamps, Medicaid and SCHIP. Here we define them as the EITC, Food Stamps, Medicaid and SCHIP, child care assistance, housing assistance and TANF.

² Estimates of the three gaps were conducted by researchers at CEPR based on the set of eligibility rules we provided.

³ We include only those eligible and using for MassHealth Standard, MassHealth Family Assistance, and MassHealth CommonHealth based on 2004 requirements for receipt.

⁴ For the eligibility rules we apply to the programs, refer to the Appendices at www.mccormack.umb.edu/csp/btg. We measure the cash assistance portion of TANF.

⁵ The report is at www.bridgingthegaps.org and www.mccormack.edu/csp/btg.

⁶ For the national report, the BTG project uses the basic family budgets developed by Economic Policy Institute and supplemented by CEPR to compare across the ten BTG locations. As a result, the hardships gap using FESS budgets here differs from those using EPI budgets due to slightly different methodologies.

⁷ They include those living in the Boston/Lawrence/Worcester metropolitan areas and Springfield. This leaves 12 percent of the state without a specific area of residence, with two-thirds reporting living in a metropolitan rather than rural area. We assign all metropolitan residents who do not have a specific city identified the budgets of the city with the median cost outside of these areas in Massachusetts (in this case that is the Fall River area) and assign everyone who lives in a rural area the rural statewide budget (in this case Franklin County).

⁸ These 35 family types account for 90 percent of all families with earners.

⁹ Other estimates of the share of families below a basic needs standard typically include all cash (and near cash) income, and so they include income from the EITC and TANF and the dollar value of Food Stamps.

¹⁰ To account for the reduced costs and the ways in which supports help families, for families with these work supports, we use their self-reported costs for child care, housing, and medical expense, rather than the costs from the basic family budget. For more information on our methods, see the box: *Bridging the Gaps Project Method and Data*.

¹¹ These data are from the 2001-2003 panel of the SIPP which is the same source we use to measure hardships, coverage and eligibility gaps.

¹² Estimate provided by John Schmitt using the 2004-2006 Current Population Survey's Annual Social and Economic Supplement.

¹³ These include waiters and waitresses; cashiers; and food preparation and serving workers.

¹⁴ Pension and insurance data from John Schmitt's analysis of the 2004-2006 Current Population Survey's Annual Social and Economic Supplement. Paid sick days are reported by Vicky Lovell (2005).

¹⁵ We use the low income eligibility criteria for determining eligibility for housing (30 percent of local family median income) since the majority of new housing assistance is targeted toward this group.

¹⁶ Other well-known supports, such as Head Start, Women, Infants, and Children (WIC), and the Low-Income Home Energy Assistance Program (LIHEAP) are more limited in their scope of coverage and affect fewer families, and were therefore not included in this analysis.

¹⁷ Through their employers, filers can receive up a portion of their EITC in paychecks, although this option is rarely used. For example, Smeeding et al. (2000) reports 95 percent take an annual lump-sum payment.

¹⁸ The web site MassResources.org provides the most comprehensive and accessible information on all the programs.

¹⁹ For most programs there are two income criteria a family must meet: gross income and net income. Gross income includes all income from a set list of sources; net income is gross income minus some deductions for expenses.

²⁰ All data are from the 2001-2003 panel of the SIPP and eligibility requirements are based on those in 2004. Percent receiving and percent eligible are for all persons for MassHealth (Standard, CommonHealth, and Family Assistance), TANF/TAFDC, and Food Stamps; for all children under age 13 for child care assistance; for all non-owning households for housing assistance; and for all tax filers for EITC.

²¹ The data do not allow us to determine whether some of those in the coverage gap have employer sponsored health insurance, so some of those in the MassHealth coverage gap may have employer-sponsored insurance. Further, for some households, MassHealth may be in place reducing premiums and co-pays and covering deductibles and services not covered by the private health insurance. As a result, our estimates are not reflective of the full array of MassHealth programs.

²² Our usage rate estimates differ slightly from other estimates because we use different estimation techniques. An explanation of our methods and a comparison of our estimates to that of others can be found in *Bridging the Gaps: A Technical Report on Data and Methods* at www.bridgingthegaps.org and www.mccormack.umb.edu/csp/btg. For example, our Food Stamp usage estimates are derived from applying eligibility rules, including asset limitations, onto a sample from the SIPP 2001-2003, while those calculated by Mathematica (Castner and Schrim 2005) for the USDA are based on predicted usage rates using other data sets, and do not include asset rules.

²³ State and federal budget cuts have resulted in changing eligibility rules to MassHealth (Medicaid/SCHIP) over the years to restrict usage when funds available have shrunk.

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APPENDIX A: BRIDGING THE GAPS STATE PARTNERS

District of Columbia	DC Fiscal Policy Institute
Illinois	Center for Urban Economic Development at the University of Illinois-Chicago Heartland Alliance Sargent Shriver Center on Law and Social Policy
Iowa	Iowa Policy Project
Massachusetts	Center for Social Policy, University of Massachusetts Boston
Minnesota	Children's Defense Fund -- Minnesota JOBS NOW Coalition Legal Services Advocacy Project Minnesota Budget Project Minnesota Community Action Association
New York	Fiscal Policy Institute
North Carolina	North Carolina Budget and Tax Center, North Carolina Justice Project and the School of Social Work at the University of North Carolina at Chapel Hill
Ohio	Policy Matters Ohio
Texas	Center for Public Policy Priorities Ray Marshall Center for Human Resources at the University of Texas-Austin
Washington	Seattle Jobs Initiative

APPENDIX B: MASSACHUSETTS ADMINISTRATIVE DATA

Program	Admin number	Unit of analysis	Data year	Source
Childcare	64,645	under age 13	FY2004	Sum of http://www.acf.hhs.gov/programs/hsb/research/2006.htm and http://www.masschildcare.org/pdf/Data_Report_2004.pdf
EITC	304,136	tax filers	2004	http://www.brookings.edu/metro/eitc_legislativedistricts.htm
Food Stamps	368,122	persons	2005	Food and Nutrition Service, http://www.fns.usda.gov/pd/fspmain.htm , Retrieved June 12, 2007 (direct link: http://www.fns.usda.gov/pd/15fsfypart.htm)
Housing assistance	94,706	households	2006-7	https://pic.hud.gov/pic/RCRPublic/rcrmain.asp Note: it is data 2005-2007 but measured at a particular point in time (Effective Dates Included : February 01, 2006 through May 31, 2007)
Medicaid/SCHIP	750,562	persons	2004	MassHealth 1115 Demonstration Project Annual Report SFY2004 (MassHealth Standard, MassHealth Family Assistance, and MassHealth CommonHealth)
TANF	107,000	persons	2004	http://www.census.gov/compendia/statab/social_insurance_human_services/supplemental_security_income_temporary_assistance_to_needy_families/(552 - Temporary Assistance For Needy Families (TANF) --Recipients by State and Other Areas: 2000 to 2005)

Source: Bridging the Gaps Project.

APPENDIX C: MASSACHUSETTS BRIDING THE GAPS ADVISORS

Elisabeth Babcock
President and Chief Executive Officer
Crittenton Women's Union

Susanne Beaton
Campaign Director
One Family, Inc.

Noah Berger
Director
Massachusetts Budget and Policy Center

Ramon Borges-Mendez
Assistant Professor, Department of Public
Policy and Public Affairs
University of Massachusetts Boston

Mary Coonan
Director
Project Hope's Transition to Work

Maria Cristina Cuerda
Legal Advocate
Western Mass. Legal Services

Lisa Dodson
Research Professor, Sociology Department
Boston College

Deborah Harris
Staff Attorney
Massachusetts Law Reform Institute

Pierre Imbert
Former Director, Massachusetts Office for
Refugees and Immigrants
Executive Office of Health and Human
Services

Margaret Leonard
Executive Director
Project Hope

Elena Letona
Executive Director
Centro Presente

Jeff McLynch
Northeast Regional Director
Institute on Taxation and Economic Policy

Dianne Phillips
Career Advocate
Project Hope's Transition to Work

Marta Rosa
Consultant
MTR Consulting Services

Gerry Thomas
Director, Family & Community Support
Boston Public Health Commission

Doreen Treacy
Director, Civic Health Institute
DotWell

Paul Wantanabe
Director, Institute for Asian-American
Studies and Professor, Department of
Political Science
University of Massachusetts Boston

ABOUT THE AUTHORS:

Randy Albelda is a Professor of Economics and a Senior Research Fellow of the Center for Social Policy at the University of Massachusetts Boston. Professor Albelda has also worked as research director of the Massachusetts State Senate's Taxation Committee and the legislature's Special Commission on Tax Reform. Her research and teaching covers a broad range of economic policies affecting low-income families. She has written scores of books, book chapters, journal articles, policy reports, popular magazine articles, and op-eds on such topics as paid family leave policies, child care, welfare reform, state tax policies, racial and gender divisions in occupations, and the distribution of family income and earnings.

Jennifer Shea is a Ph.D. candidate at the John W. McCormack Graduate School of Policy Studies at the University of Massachusetts Boston. Her substantive interests rest in the intersection between democratic theory, institutions and social welfare policy implementation. Her dissertation research focuses on the impacts of federal funding to intermediary organizations on community and faith-based organizations at the local level.



ABOUT THE CENTER FOR SOCIAL POLICY

The **Center for Social Policy (CSP)** is an applied research and technical assistance center within the John W. McCormack Graduate School of Policy Studies at the University of Massachusetts Boston. CSP engages in research, program evaluation, consultation, technical assistance and educational activities aimed at improving the lives of low income people in Massachusetts, New England and throughout the country who depend upon the delivery of human services. CSP has made particular contributions in the areas of anti-poverty policy, homelessness, housing, welfare reform, and workforce development. CSP accomplishes this mission through active engagement with communities most directly affected by local, state, and federal social welfare policies. CSP has developed a strong reputation for the quality of its research and its ability to work collaboratively and effectively with community-based organizations and policymakers.

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**bridging
the gaps**



Center for Social Policy

John W. McCormack Graduate School of Policy Studies

University of Massachusetts Boston

100 Morrissey Blvd.

Boston, MA 02125

P: 617-287-5550

F: 617-287-5544



www.mccormack.umb.edu/csp