PULSE REPORT:
Outlining the Disincentives and Opportunity Costs for Working Mothers

August 30, 2016
Hamilton County, Ohio, like many other regions around the country, is affected by the harsh reality of poverty. Of the 800,000 individuals living in Hamilton County, nearly 145,000 of them live in poverty. Women make up 80,000 of those Hamilton County residents. In particular, single mothers face an even greater challenge in their struggle to better their families’ financial situations. Of approximately 12 million single-parent households in the U.S., 84 percent are headed up by single mothers. The average annual income for working single-mothers in Hamilton County is $19,700, which is 20 percent above the poverty threshold for a family of two, and 46 percent of these families live in poverty.

The Women’s Fund of the Greater Cincinnati Foundation, an organization leading the community to ensure economic self-sufficiency for women, focuses its mission in part on these single mothers who are battling high poverty rates, lower wages, and no way out.

There are many social assistance programs intended to alleviate the challenges faced by low-income individuals and families. Although the intent of these programs is assistance, navigating their complex rules can be a challenge. A potential participant may even fear a situation called the income “cliff effect,” a wage threshold where a family or an individual becomes ineligible for particular benefits, causing their total gross resources to decline. This could disincentivize individuals from taking a job promotion or a raise, and more broadly, stifles the potential of an individual to better their own circumstances.

All benefit programs are designed to help those who need assistance. It is a disservice to both the mission and intent of these programs, and to the programs’ participants to not address the cliff effect, because it negates the primary objectives of these programs – to help lift people out of poverty.
She had a better job, was earning more money, but was financially worse off?

The increase in Tammy’s hourly wage made her ineligible for particular benefits, causing her overall gross resources to fall.

Where does this leave her?

Tammy is a hard worker and is eager to succeed in her career. However, even if she continues to accept raises, her benefits, and subsequently her overall gross resources, will continue to drop. This will hold true until she is making $20 per hour or more than $40,000 annually.

How much of an impact did Tammy’s second child have on her financial position?

If Tammy only had one child while making $18 per hour at 40 hours a week, she would still be under the self-sufficiency line by $2,764. Tammy’s second child moved her $3,677 further below the self-sufficiency line.
The graph below illustrates the dynamics between annual earned income and the array of varying social assistances for a single mother of a preschooler in Hamilton County. As the annual earned income increases, the total gross resources (the black dotted line) remains relatively flat due to a tapering of social assistance programs. Unless a household is making more than $40,000 a year, or $20 an hour full time, there are no significant impacts on their gross resources despite their career advances.

**Single Mother of 1 Preschooler**

Works 20 hours per week at $20/hr  
- $20,800 earned income  
- plus $21,900 in public benefits  
- $42,700 gross resources

Works 40 hours per week at $20/hr  
- $41,600 earned income  
- plus $2,000 in public benefits  
- $43,600 gross resources

Gross Income Across a Range of Earned Incomes for 1 Adult + 1 Preschooler, Hamilton County, Ohio 2015

Would you work an additional 1,000 hours for $900?
As we learned with Tammy’s story, a household loses eligibility for social assistance programs once its earnings surpass certain thresholds. The chart below shows the benefits eligibility at different income levels. The flatness of the benefits curve in the graph below illustrates the relationship between wages and available benefits. An increase in wages does not always lead to an increase in self-sufficiency because the lost benefits can outweigh the increased earnings.

In the case of a single mother with one preschooler, earned income between $6,000 per year and $40,000 per year results in less than a $5,000 change in gross resources. To a lesser extent, the benefit curve is also flat for the case of a single mother with a preschooler and an infant. Overall, this flatness of the benefits curve may disincentivize career advancement, as individuals may feel as if they cannot work their way to self-sufficiency.

**Single Mother, 1 Preschooler
Social Assistance Eligibility**

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<th>Annual Earnings</th>
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**Single Mother, 1 Preschooler, 1 Infant
Social Assistance Eligibility**

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RECOMMENDATIONS AND CONSIDERATIONS

Based on the report prepared by the Economics Center, research into best practices from other communities, our qualitative Cliff Effect findings and input from key stakeholders in Greater Cincinnati, The Women’s Fund has developed the following recommendations:

COMMUNITY EDUCATION AND ALIGNMENT
- Develop a common understanding about what constitutes self-sufficiency and how we can move more people toward it.
- Increase understanding about the financial fragility of families who are near or slightly above the self-sufficiency level and develop wrap-around systems to provide more stability during this critical period.
- Encourage active collaboration among sectors that are addressing poverty issues to develop a common agenda and shared measurements.
- Share data and findings among all poverty initiatives to create a common understanding and strongly advocate that all data includes a racial and gender lens.
- Strongly advocate that all community recommendations and actions regarding poverty are firmly rooted in the way race, gender and the intersectionality of the two play a critical role in the experience of individuals and in developing effective interventions.

PUBLIC POLICY
- Advocate to eliminate the Cliff Effect in the Commonwealth of Kentucky and other affected counties in Ohio.
- Close the gender wage gap which is present at all levels of work in all occupational groups.
- Advocate for paid family leave policies to increase career stability for working families.
- Increase the availability of subsidized housing in our area.

BENEFITS ADMINISTRATION PROCESS IMPROVEMENT
- Apply design thinking principles to the public benefits administration process to make the process more accommodating and encouraging to clients.
- Benchmark effective practices for benefits administration in other communities and pilot them locally.
- Promote full spectrum of benefits eligibility to those who qualify and collect more accurate data about usage rates.
- Continue to monitor the Cliff Effect by tracking eligibility requirements and the rate at which benefits taper off, and by examining how benefits interact with one another, all of which can have detrimental consequences for families trying to reach self-sufficiency.

WORKFORCE DEVELOPMENT AND CAREER MOBILITY
- Grow good, accessible jobs that provide pathways to the middle class.
- Recognizing that women are disproportionately represented in low-wage work, encourage career mobility by building bridges to better paying jobs through mentorships, education and on-the-job training.
- Develop a toolkit for businesses to help them recognize and address practices that have unintended consequences for their lower-wage workforce.
- Increase the availability and affordability of child care to ensure women can participate fully in the workforce.

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Visit www.cincinnatiwomensfund.org to download this report and the accompanying white paper. You can also access all of our other research, including the qualitative companion findings to this report, learn more about The Women’s Fund and explore our Self-Sufficiency 101 resource library.

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