



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

August 30, 2016

 EconomicsCenter

 the  
WOMEN'S  
FUND  
OF THE GREATER CINCINNATI FOUNDATION

## About the Women's Fund

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

We believe, and research shows, that when you invest in women, the entire community benefits.

Although there are many factors that contribute to a woman's ability to be self-sufficient, we focus on four areas: access to affordable, quality child care, training and education, employment, and getting more women into living-wage careers.

### We lead.

Always at the table, The Women's Fund provides a strong voice for women in our community. We bring together decision makers from different sectors so we can solve big community problems faster.

### We research.

Our research is a gift to the community. The Women's Fund has issued seven groundbreaking studies on the status of women and girls. This research helps us clarify the challenges, educate our leaders across the community, and gives us a road map of what issues to tackle first.

### We invest.

We've granted nearly \$1 million to empower women and girls in our eight-county service area.

Dear community partners,

"I'm working harder and harder, but I just can't seem to get ahead."

The Women's Fund has been exploring this sentiment for more than four years and it was the impetus for our initial interest in the Cliff Effect. In 2012, we issued a PULSE Briefing about the Cliff Effect—when a small increase in wages triggers a complete cut-off of a public benefit that often leaves the worker worse off financially.

In order to understand the challenges of lower-wage workers more deeply, we commissioned the UC Economics Center to study the impact of Cliff Effect and other policies that contribute to working families staying in a cycle of instability and dependence, even as they try to achieve self-sufficiency. Although we found the cliffs have been smoothed out considerably in Hamilton County, there are numerous other complex challenges on the road to self-sufficiency.

As you will read, the results show that the journey to economic self-sufficiency is a long one marked by complexity, economic fragility and frustration.

We know our community is stronger when all people can participate, prosper and reach their full potential. Women are disproportionately represented among those living in poverty. If we want to tackle poverty, we absolutely must understand and address the needs and challenges of working mothers.

Let's use this data as a floodlight to illuminate the challenges we must tackle together.



Meghan Cummings  
Executive Director

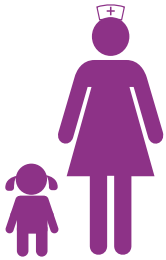
The Women's Fund of The Greater Cincinnati Foundation

**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. Nearly half 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.



**MEET TAMMY**, a single mother of one who begins her career as a home healthcare aide. Starting out, Tammy receives **\$9 per hour** while working **40 hours a week**. This brings her to an annual income of **\$18,720**. With the benefits Tammy is receiving, her income is **\$782 above the self-sufficiency line**.



Congratulations, Tammy! She has earned a raise and is now making **\$11 per hour**. Still working **40 hours a week**, her annual income is now **\$22,880**. However, this raise makes her ineligible for certain benefits and she is now **\$3,493 below the self-sufficiency line**.



It's a girl! Tammy has her second child. She's now working **25 hours a week** as a medical secretary for **\$15 an hour**. She is now **\$1,810 below the self-sufficiency line**.



After taking time to spend with her newborn, Tammy goes back to work full-time. Her **annual income is \$31,200**. With the increased hours, she drops to **\$9,759 below the self-sufficiency line**.



Tammy is a go-getter. Her hourly wage is increased to **\$18 per hour** and she is now making **\$37,440 annually**, bringing her **\$6,441 under the self-sufficiency line**.



## WHAT DOES THIS MEAN FOR TAMMY?

Tammy's level of economic gross resources was higher when she was making \$9 per hour than when she was making twice as much.

**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.

EVEN AT A HIGHER WAGE...



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

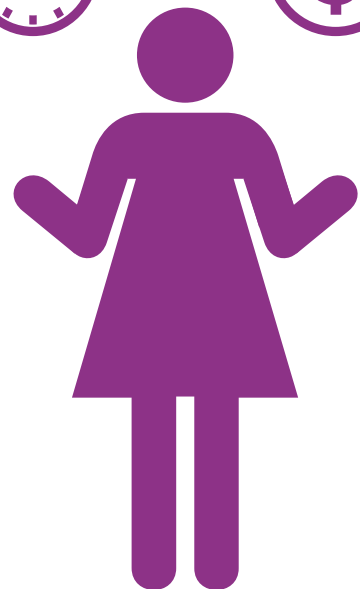


\$41,600 earned income  
plus \$2,000 in public benefits



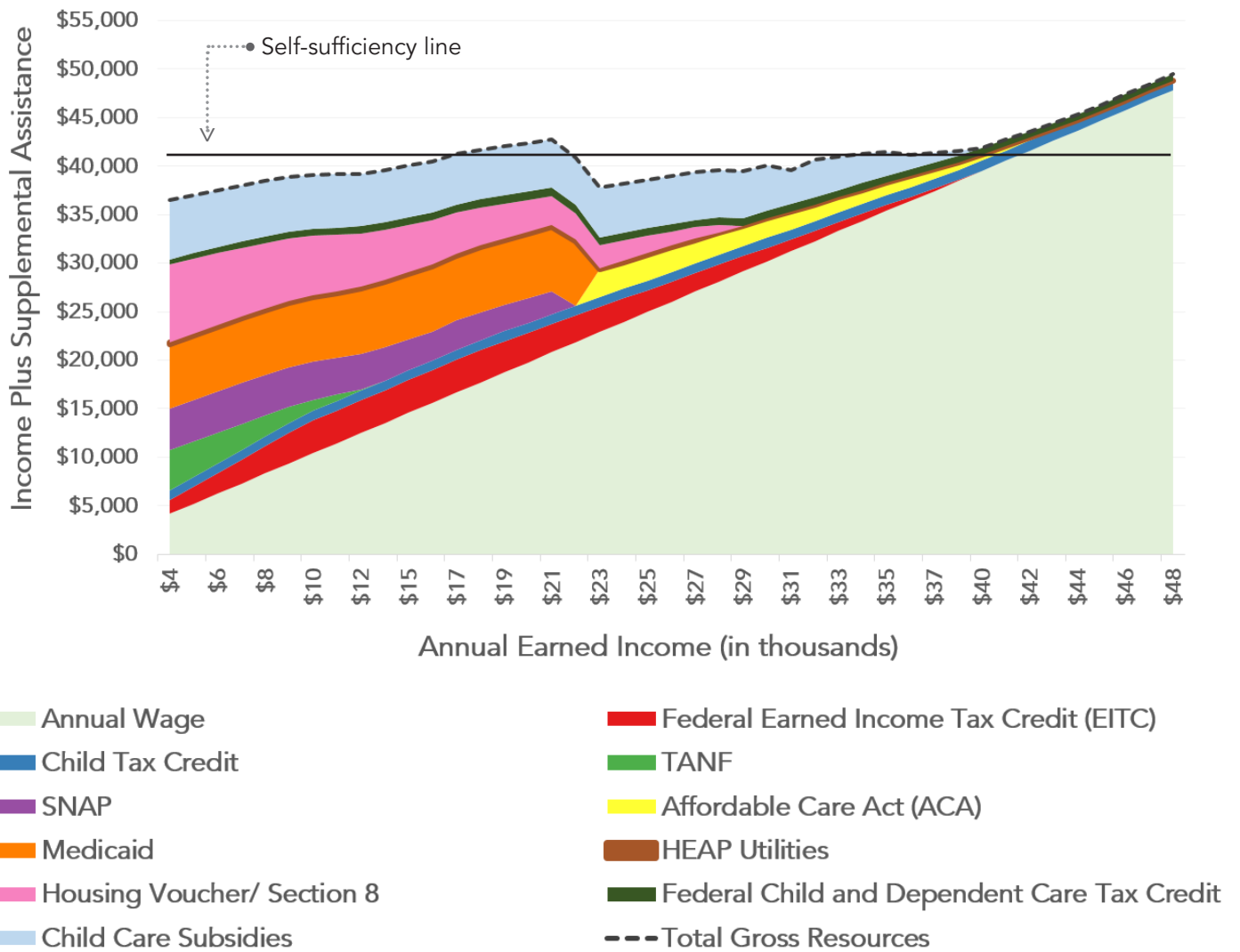
\$43,600 gross resources

WOULD YOU WORK  
AN ADDITIONAL  
1,000 HOURS  
FOR \$900?

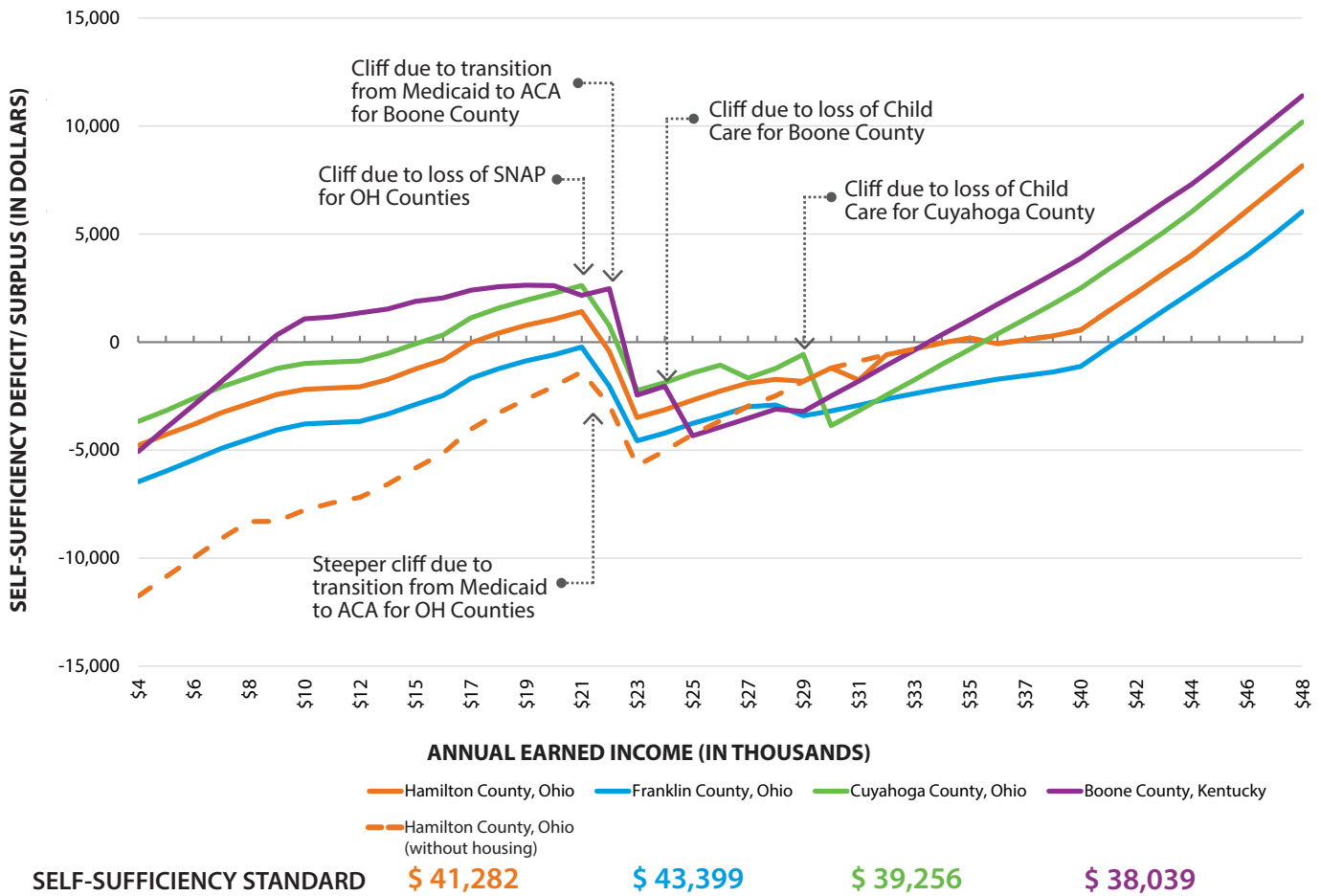
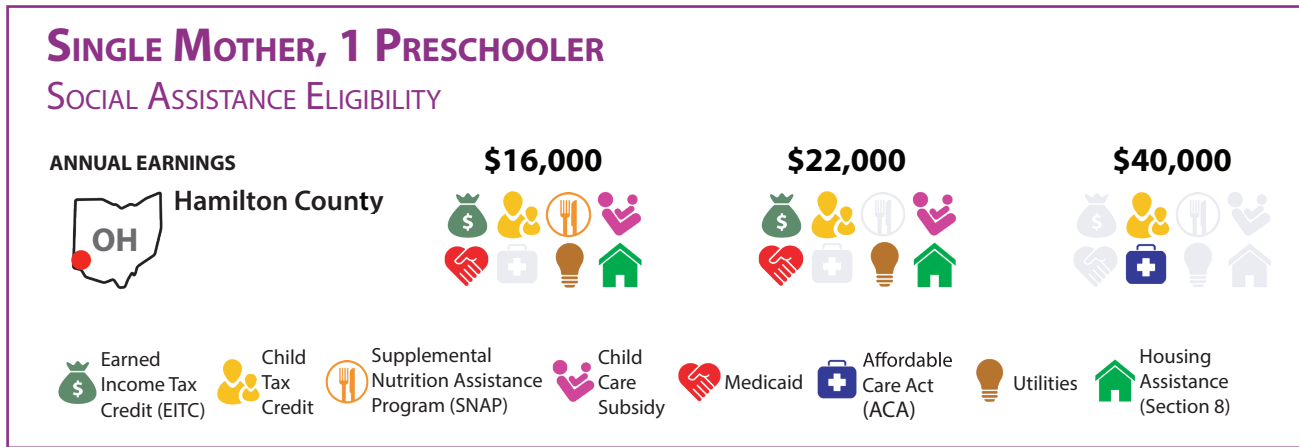


The graph below illustrates the dynamics between annual earned income and the array of varying social assistances for a single mother of a preschooler in Hamilton County. As the annual earned income increases, the total gross resources (the black dotted line) remains relatively flat due to a tapering of social assistance programs. Unless a household is making more than \$40,000 a year, or \$20 an hour working full-time, there are no significant impacts on its gross resources despite career advances.

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

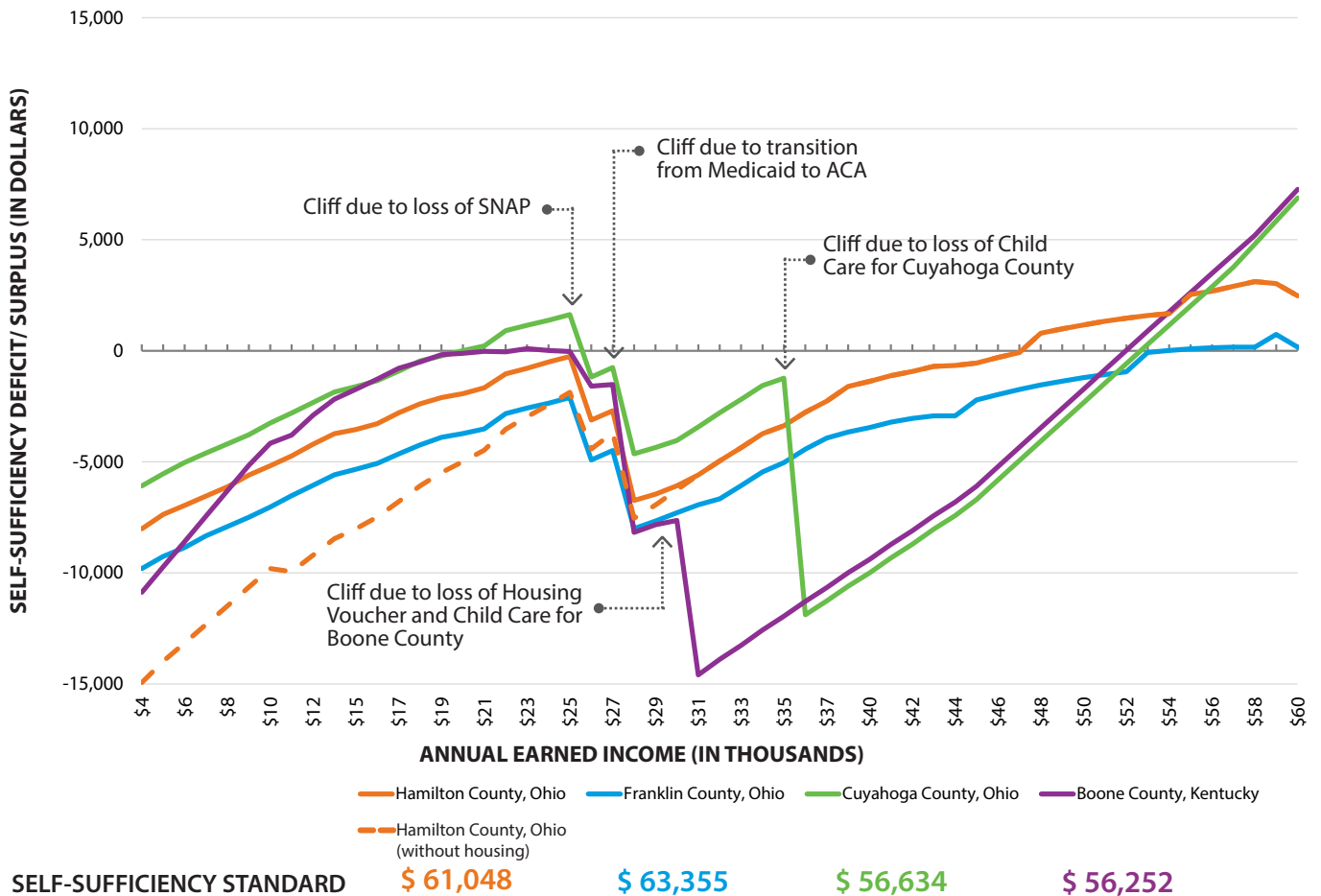
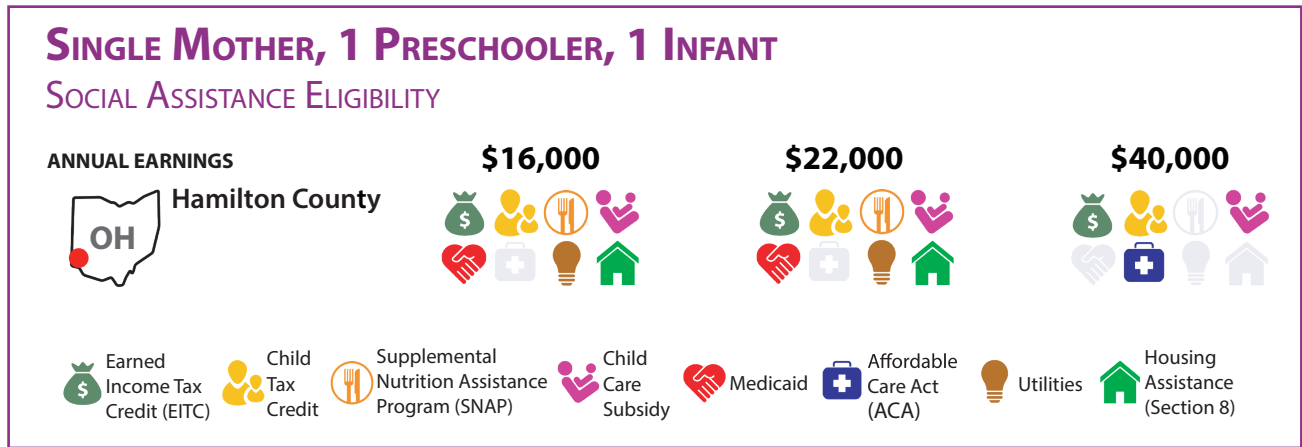


As we learned with Tammy's story, a household loses eligibility for social assistance programs once its earnings surpass certain thresholds. The chart below shows the benefits eligibility at different income levels. The flatness of the benefits curve in the graph below illustrates the relationship between annual earned income and available benefits. An increase in earnings 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 \$10,000 and \$40,000 per year results in less than a \$5,000 change in annual 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.



## 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 include 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 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 it 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.

We gratefully acknowledge the Murray and Agnes Seasongood Good Government Foundation and the Charlotte R. Schmidlapp Fund, Fifth Third Bank Trustee for their financial support of this research.



THE CHARLOTTE R. SCHIDLAPP FUND  
Fifth Third Bank, Trustee

We appreciate our long-time Women's Fund Season Sponsor,  
Johnson Investment Counsel.



Many thanks to Janice Urbanik, Moira Weir, Kevin Brewer, Margaret Hulbert, Tobin Gardner, Nicole Armstrong, Troy Jackson, Stephanie Byrd, Amy Weber, Esther Cleary, Lynn Marmer, Johnmark Oudersluys, Cara Jacob and many other contributors who provided guidance, feedback and input to various aspects of this report. Your expertise, passion and critical eye were instrumental in shaping this report. Thank you also to the United Way Social Innovation Fund for their financial support and to CityLink and Design Impact who provided insight through their qualitative research on the Cliff Effect.



Visit [www.cincinnatiwomensfund.org](http://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.

## **|** EconomicsCenter

The Research and Consulting division of the Economics Center provides the knowledge building blocks that help clients make better policy and economic development decisions. Our dynamic approach and critical data analysis empower leaders to respond to changing economic conditions, strengthen local economies and improve the quality of life for their communities. Visit [www.economicscenter.org/research](http://www.economicscenter.org/research) for more information.