



SPARK
REPORT

LIVING WAGE:
CHILD CARE
AND THE
BENEFITS CLIFF

the
WOMEN'S FUND
OF CENTRAL OHIO

JANUARY 2018

The Women's Fund of Central Ohio is fiercely committed to igniting social change for the sake of gender equality. We spark conversations, connect people and organizations, and influence the opportunity for economic empowerment and leadership for women and girls. We provide the research to inform and affect policy, the tools to disrupt social norms, and the grants to build capacity; all while creating a community of change-makers.

SPARK REPORTS tell the stories of the issues impacting women and girls in central Ohio. They are intended to bring data to life and to be a resource, while empowering individuals and organizations to create change.

This Spark Report focuses on the benefits cliff, the benefits gap, and its adverse effects on women in Ohio, with a focus on accessibility and affordability of child care. Exploring the child care benefits eligibility threshold in Ohio allows us to understand the areas of our benefits system that work against Ohio families and where to target our efforts. This data highlights a stark economic reality facing central Ohio women who strive for economic empowerment.

This report is generously underwritten by:



DEFINITIONS TO KNOW



FEDERAL POVERTY GUIDELINES

Issued by the Department of Health and Human Services, the Federal Poverty Guideline, also known as the **Federal Poverty Level (FPL)**, is a measure of income that is used to determine an individual's eligibility for public assistance programs, such as Medicaid, Supplemental Nutrition Assistance Program (SNAP), and child care. The 2010 Census data reported that the average household size in Ohio was 2.44. For the purpose of this report we will look at data for a family of three — a single mother with a preschooler and a school-aged child.

In 2017, the Federal Poverty Level (or 100% FPL) for a family of three was an income of \$20,420 annually or an hourly wage of \$10.60.

ELIGIBILITY THRESHOLD

The eligibility threshold is defined as the percent of the FPL that is set by each state to establish who qualifies for certain benefits.

BASIC NEEDS BUDGET

The basic needs budget is the amount of income that a family must earn to meet the household's basic needs. (This does not include savings for vacation, retirement, or emergencies.)

GENDER NORMS

Gender norms are the socially-constructed, popular ideas that most people have about what it means to “act like” a man or a woman. There is a pervasive expectation that men are the “bread winners” and women are the “caregivers.” The responsibility of raising a child more often than not falls on women and these traditional roles continue to affect women's economic empowerment.

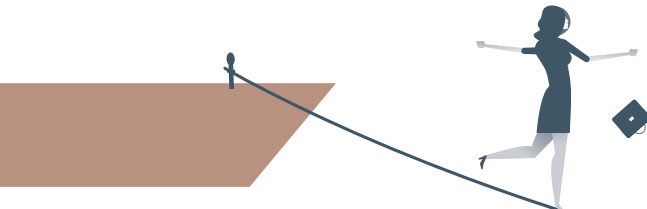
WHAT IS THE

BENEFITS CLIFF?

The benefits cliff, or cliff effect, is the paradox when low-income families work harder and their earnings increase, but may end up worse off financially.



Public assistance programs that help families meet their basic needs are dependent upon income level. The cliff effect occurs when a small increase in a household's income surpasses the threshold set by the FPL and results in the family losing eligibility for public assistance programs. Often, the value of a lost or reduced benefit can exceed the increase in wages, at which point, families find themselves working harder and earning more but are unable to achieve economic security.



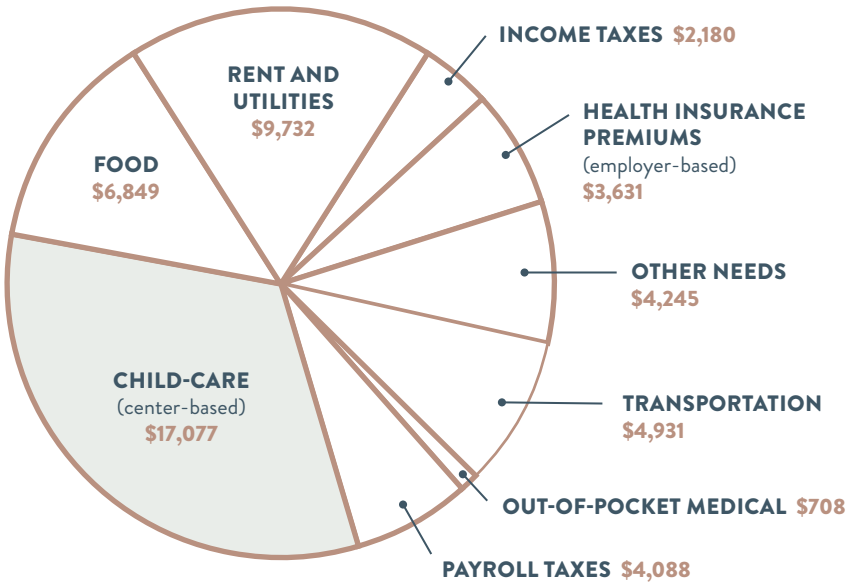
WHAT IS THE

BENEFITS GAP?

The benefits gap, while less discussed than the cliff effect, poses an equal threat to low-income families. The gap encompasses families that are not economically secure or make an annual income lower than the amount needed to meet their basic needs, but higher than the amount needed to initially qualify for a government benefit. The families that fall in this range are often worse off financially than those making less than the amount needed for initial enrollment for government benefits.

BASIC NEEDS BUDGET

The basic needs budget in Ohio for a single parent with two children—one preschool age and one school age—requires an annual income of \$53,441, or roughly \$26 hourly. This is 266% of the FPL.¹ The average median annual income for a woman who holds a full-time, year-round job in Ohio is \$37,140. This is 182% of the FPL.



These costs represent over 30% of the basic needs budget for a woman with two children who would need to work full time earning more than \$26 per hour to cover her basic expenses.²

The median annual income for a woman who holds a full-time job in Ohio is, \$37,140³ and in 2015, the annual cost of childcare for one infant and one preschooler was \$17,077. Child care would account for almost 50% of her annual income.

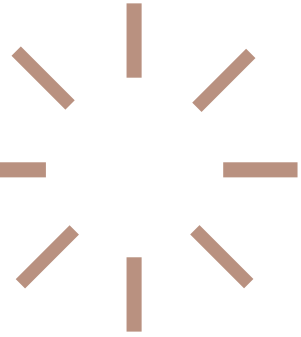
1. National Center for Children in Poverty (<http://www.nccp.org/tools/frs/budget.php>)

2. Ibid.

3. Source: <http://www.nationalpartnership.org/research-library/workplace-fairness/fair-pay/4-2016-oh-wage-gap.pdf>

CHILD CARE ELIGIBILITY

In Ohio, the child care benefits eligibility income threshold is defined as 130% FPL (for a family of three, this is \$26,556 annually, or \$13.83 hourly). Once in the system, a family can maintain eligibility until 300% FPL (for a family of three, this is \$61,260 annually, or \$31.90 hourly). As an individual's income increases, the co-payment, or amount that the family pays also increases.



In Ohio's System...

THE BENEFITS CLIFF

In Ohio, for a family of three, this would be an increase in income that surpasses 300% FPL, or an annual income of over \$61,260. For a family of three that receives child care benefits when they are under the initial eligibility threshold of 130%, the system supports them sufficiently until they are above the 300% FPL, which is above that family's basic needs budget. Low-income families in Ohio face the largest problem with the benefits gap.

THE BENEFITS GAP

In Ohio's child care benefits system, the benefits gap for a family of three encompasses those that earn an income between 130% FPL (\$26,556 annually) to 266% FPL (\$53,441). The families that fall within this range make too much to qualify for initial eligibility for child care benefits but not enough to meet their family's basic needs.

THE BENEFITS GAP STORY

The graph below shows the impact of bearing the full cost of child care on families that fall within the range of the benefits gap. The net income that these families receive after accounting for only child care are displayed. These women are often discouraged to take high-paying jobs to avoid to avoid falling within the benefits gap.

	Salary	\$ in benefits	Cost of child care	Net income
150% FPL	\$30,135	\$0	\$17,077	\$13,058
200% FPL	\$40,180	\$0	\$17,077	\$23,103
250% FPL	\$50,225	\$0	\$17,077	\$33,148
266% FPL	\$53,441	\$0	\$17,077	\$36,364

*Data for a single-mother with a preschooler and a school-aged child.⁴

EXAMPLE OF THE BENEFITS GAP

Jill Smith is a single mother with two children: a 3-year-old and a 6-year-old. The Smith family lives in Columbus, Ohio. To meet her family's basic needs, Jill needs to earn \$26 an hour working full time, which is 266% FPL.

Jill only earns \$18/hr. Her annual income is \$37,440, which is about 175% FPL. Bad news: Jill's income is higher than the maximum income limit for initial eligibility for child care benefits in Ohio, which is \$13.83 hourly or 130% FPL. That means Jill will have to pay the full cost of childcare, or roughly, \$17,077 annually.

With an income of \$34,560, child care will account for almost 50% of her income. This is compounded by the fact that Jill does not make enough to meet her family's basic needs, which requires an annual budget of \$53,441, almost \$20,000 shy of her family's basic needs budget. **Unfortunately, Jill earns too high of an income for child care benefits eligibility but not nearly enough to meet her family's needs.**

4. U.S. Department of Health and Human Services

CALLS TO ACTION

- Encourage Ohio to establish higher income eligibility thresholds for child care benefits by calling your State Representatives.
- Use social media tools to reach, engage, educate and empower the community to raise awareness.
- Educate employers on how a raise may adversely affect their employees. Instead, offer other benefits, such as extra paid-vacation days or a dependent care reimbursement account, which allows employees to move some of their pre-tax salary to a flexible spending account (FSA) to use to pay for dependent care.

Together, these policies and solutions can help provide working mothers access to affordable and accessible child care and help eliminate some barriers they may face to advance in their careers.

We're working to create lasting social change. To do so, we need your financial support. We're raising \$1 for each of the 5.9 million women and girls in Ohio to do our work. Ready to invest in social change? If so, contact us at investinsocialchange@womensfundcentralohio.org

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