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PRESS RELEASE

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***Groundbreaking Report on Poverty Demonstrates how Hoosier Families are Suffering
from “The Cliff Effect”***

More single mothers living in poverty; critical work supports lost when wages rise

Indianapolis, IN— The Indiana Institute for Working Families announced today that it has released *The Cliff Effect: One Step Forward, Two Steps Back*, a groundbreaking report on poverty in Indiana.

Modeled after the National Center for Children in Poverty’s “Making Work Pay” reports, and funded by the Indianapolis Foundation, a CICF Affiliate, *The Cliff Effect* illustrates the benefit “cliff” that occurs when even a \$.50 increase in hourly wages leads to the complete termination of a benefit, and a dramatic loss of resources. The unintended consequences of this design either leads to a disincentive towards economic mobility, or leads to a situation where the parent or guardian is working harder, but financially worse off.

With approximately 2.24 million Hoosiers living at or below Federal Poverty Guidelines, *The Cliff Effect* reports that work supports – such as the Earned Income Tax Credit (state and federal), childcare subsidies, SNAP and TANF – are the counterweight to the gap between the increasing costs of basic necessities and the falling incomes of working families, nearly cutting poverty in half in 2010. Work supports have proven to be an effective fiscal policy because they encourage work, put money back into the hands of consumers, and put families back on a path to self-sufficiency.

Yet, census data from 2011 shows that the number of Hoosiers living in poverty – particularly single mothers – increased significantly. The data also suggest that the majority of Hoosiers hovering just above the poverty line experienced downward mobility—falling below the poverty line. Approximately 55 percent of Hoosier single mothers with children under the age of five are currently living in poverty. By way of background, the hourly wage necessary for self-sufficiency for a single mother of two children in Marion County is \$19.95 per hour, which is nearly triple the minimum wage of \$7.25 hour. Indiana’s median hourly wage in 2010 was \$15.10.

According to data compiled by *The Cliff Effect*, when a single mother in a low wage job earns a \$.50 raise [[see video](#)] she immediately loses the critical work supports that were helping her make a sustainable living for her family. For example, that \$.50 raise results in a loss of nearly \$9,000 in childcare support for mothers in Marion County.

“*The Cliff Effect* clearly shows the stark effect a minimal wage increase has on those Hoosiers who are working hard at low wage jobs, but are unable to get ahead so they can put their families and children on a path to economic self-sufficiency,” said Derek Thomas, policy analyst with the Institute for Working Families and author of *The Cliff Effect*. “The unintended consequence of Indiana’s policy design leads to a disincentive to economic mobility, and in fact discourages people who live in poverty from seeking full-time employment. That’s why we are not just shining a light on the issue, but making policy recommendations that we hope will positively impact these hard working Hoosiers.”

Among the policy recommendations made in *The Cliff Effect* include:

- *Smooth out Benefit Phase-Outs:* A gradual phase-out, as opposed to the “cliff” provides the most basic incentive—a raise that increases the net resources of an individual at a low wage job.
- *Implement Broad Based Categorical Eligibility (BBCE):* Indiana adopted BBCE during the 2011 legislative session. It has yet to implement the rule which reduces state workloads and helps families by making most households categorically eligible for SNAP because they receive a non-cash benefit or service.
- *Change Monthly Income Eligibility Limits:* Use an average of six months or one year to more accurately reflect fluctuating incomes due to irregular hours or seasonal employment.
- *Raise Income Tax Threshold:* Indiana begins taxing low-income households (single parent with 2 children) at \$18,310 in 2010. Only a handful of other states tax residents below the Federal Poverty Level.
- *Raise the SNAP Gross Income Limit:* In addition to raising the income limit, which is currently \$2,069 per month for a three-person family, Indiana should remove the assets test of \$2,000.
- *Shore up Support for the Child Care Development Fund:* Invest and raise the Gross Income Limit, which is currently \$24,244 annually for a three-person family and increase co-payments so working single parents can keep this critical work support.
- *Raise the Earned Income Tax Credit:* Rather than eliminate the EITC, raise it from nine percent to 25 percent.

To learn more about *The Cliff Effect*, please visit <http://www.incap.org/cliffeffectreport.html#UIRuJ8XA8rn>

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ABOUT THE INDIANA INSTITUTE FOR WORKING FAMILIES

The Indiana Institute for Working Families (Institute) is a program of the Indiana Community Action Association, Inc. (IN-CAA). The Institute was founded in 2004 and conducts research and promotes public policies to help Hoosier families achieve and maintain economic self-sufficiency. The Institute is the only statewide program in Indiana that combines research and policy analysis on federal and state legislation, public policies, and programs impacting low-income working families with education and outreach. The Institute achieves its work by focusing its activities in the following areas: Public Policy: Research and Analysis; Education and Outreach; and National, Statewide, and Community Partnerships. To learn more about the Institute, please visit: www.incap.org/iwff.html

ABOUT THE INDIANA COMMUNITY ACTION ASSOCIATION (IN-CAA)

The Indiana Community Action Association, Inc. (IN-CAA) is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members are comprised of Indiana's 23 Community Action Agencies (CAAs), which serve all of Indiana's 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low-income individuals attain self-sufficiency. IN-CAA serves as an advocate and facilitator of policy, planning and programs to create solutions and share responsibility as leaders in the War Against Poverty. IN-CAA's mission is to help the state's CAAs address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase network capacity. For more information about IN-CAA, please visit: www.incap.org