

IMPROVING ECONOMIC SECURITY AND OPPORTUNITY FOR SINGLE MOTHER HOUSEHOLDS IN RHODE ISLAND

Mother's Day is a time to show our appreciation to the women who raised us. In a growing number of households, mothers are doing this important job alone. State and federal policies can help to ensure that single mothers, many of whom are low-income, are able to rise out of poverty and experience upward mobility.

In Rhode Island, a handful of policy changes could improve the economic circumstances of female-headed households including:

- Improve the State's cash assistance program "Rhode Island Works" so it is better able to prepare low-skilled workers for the workforce;
- Make modest expansions to the State's child care assistance program to mitigate the "cliff effect" and allow access to parents who want to improve their skills;
- Increase the State's minimum wage to \$8.25;
- Enhance the State's earned income tax credit by increasing the amount of the refund that is available to working families; and
- Repeal the RIte Care premium so that in covering both parents and children, families aren't required to pay two premiums – one for RIte Care for their children and one for health insurance for parents through the new Exchange.

In Rhode Island, 46,900 families with children (36 percent) are now led by single parents.ⁱ More than three quarters of these families, 78 percent, are headed by women. The majority of single mothers are working (82 percent).ⁱⁱ

More than two out of five (15,290 or 42 percent) single mother families lived in poverty in Rhode Island in 2011 (the federal poverty level for a family of three was \$18,530 in 2011).ⁱⁱⁱ The situation is even worse for Black and Hispanic single mother households, who face alarming levels of poverty (50 percent and 58 percent respectively).^{iv} See *Chart 1*.

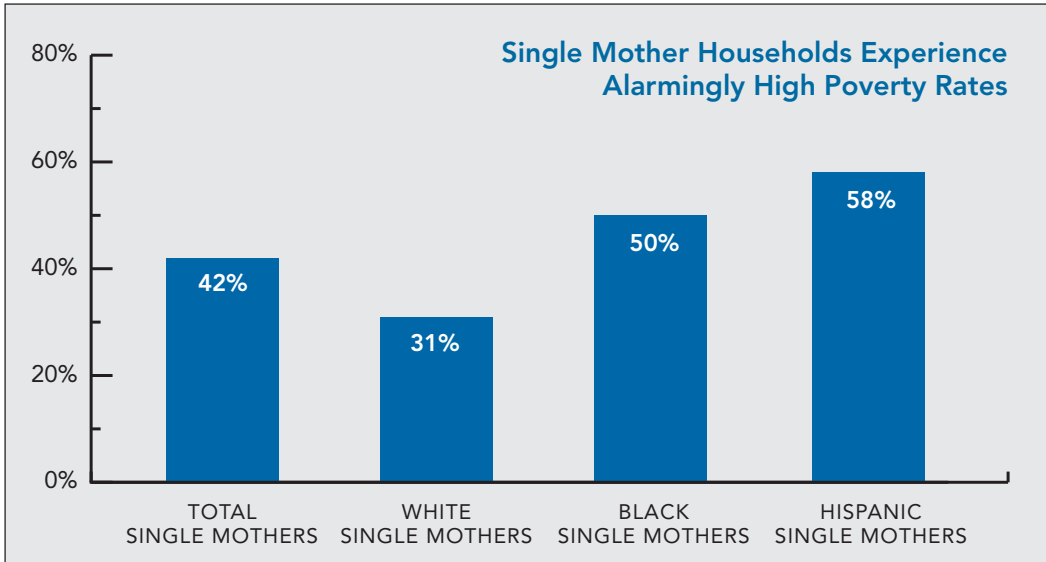
Some of these poor single mothers are receiving cash assistance, the benefits of which leave a family with income that is 66 percent below the federal poverty level. Others are working part-time, collecting unemployment benefits or earning minimum wage or poverty level wages.

State investments in work support programs like the Child Care Assistance and RIte Care Health Insurance go a long way to improve the economic security of single mother households, while the Rhode Island Works program should serve



as a strong safety net for parents with children who fall on hard times or have significant barriers to securing steady employment. The minimum wage and earned income tax credit are economic policies that can improve the living standards and economic opportunities of low-wage workers, and in particular single mothers.

Chart 1: Poverty Rates for RI Female Headed Households with Related Children Under Age 18 (2011)



Source: American Community Survey, US Census

Making “Rhode Island Works” Work For Families

The Rhode Island Works program is the State’s welfare program that serves 6,000 families, the vast majority of which are headed by single mothers. These are families in which the parent has lost a job and isn’t eligible for unemployment benefits or has been unable to enter or remain in the workforce because of significant barriers including low skills, learning disabilities, domestic violence, or homelessness.

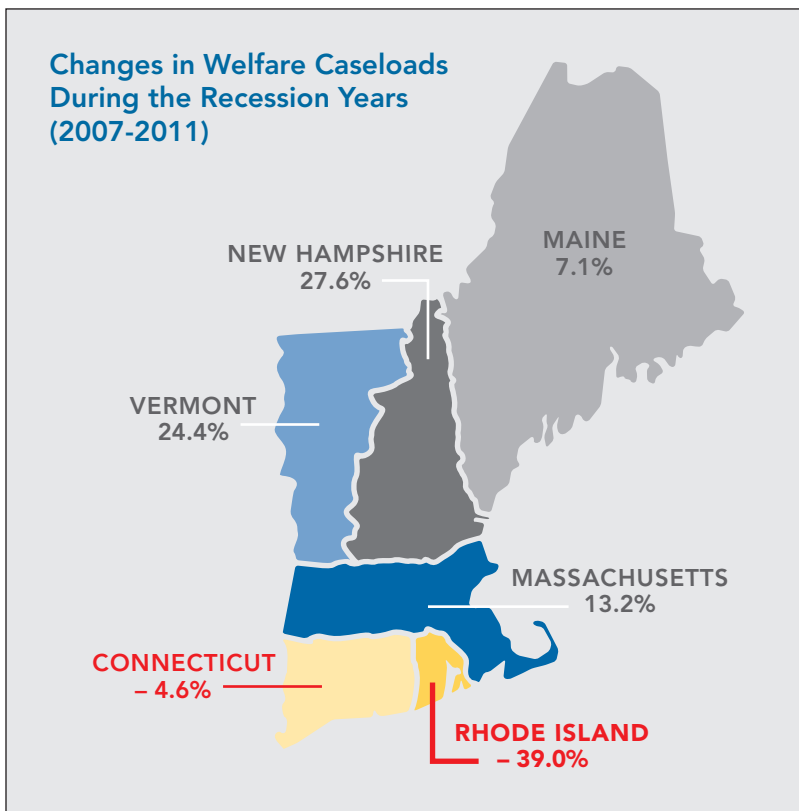


Families receive a small monthly cash benefit based on family size. For a family of three, the typical family size, the payment is \$554/month. Unlike the federal welfare benefit for adults with disabilities and seniors (SSI), which is adjusted yearly for inflation, the RI Works benefit has been the same for over twenty years, leaving families with income that is 66 percent *below* the federal poverty level. According to the *Rhode Island Standard of Need*, these families fall short of meeting their basic monthly expenses by \$1,339 every month.

Rhode Island Works replaced the Family Independence Program, Rhode Island’s welfare reform program, in 2008. The new program imposed

some of the strictest time limits on benefits in the country, and limited access to education and training for parents most in need of those services to get a job. These policies proved devastating for families during the Great Recession. Only sixteen states had case loads that were lower in December 2011 than at the beginning of the recession. Rhode Island had the third largest decline (39 percent), despite consistently having one of the highest unemployment rates in the country throughout the economic downturn.^v In New England, the only other state to experience a decline in its case load at the end of the recession was Connecticut, where the case load dropped by just under five percent.

Chart 2



Source: Center on Budget and Policy Priorities analysis of TANF caseloads

The most problematic policies enacted through the Rhode Island Works law were the short, periodic time limits and the restrictions placed on skills training for the lowest skilled participants. The lifetime limit on receipt of benefits was lowered to four years from five years (allowed under federal law and the limit in most states). To complicate matters, families are only allowed to receive benefits for two years in any five year time period. “Hardship extensions,” which provide benefits beyond the regular time limit, are allowed in recognition that two years might not be sufficient time for recipients, especially low-skilled recipients, to find jobs during times of high unemployment. Because these hardship benefits must be renewed every three months, parents cycle in and out of work readiness activities/job search and child care starts and stops more frequently than if the family were receiving regular benefits. This cycling interferes with participants having a good trajectory into the job market and is both cumbersome and time consuming for staff.

Two policy changes to the RI Works law would help promote better employment outcomes for parents and strengthen this important safety net program.

POLICY SOLUTION

Provide meaningful opportunities for very low-skilled parents to improve their skills so they can compete in the job market.^{vi} At least 1,300 parents receiving cash assistance benefits in Rhode Island have very limited literacy skills and/or very limited English skills. Many of these parents test below a 6th grade reading level. The State should expand opportunities for these parents to participate in a specially-designed program that combines adult education with work experience beyond the currently allowed six months. A six-month program is not sufficient for a parent who lacks English language skills or has very limited literacy to be ready to compete in the job market.^{vii}

POLICY SOLUTION

Repeal the 24-month time limit so that parents can engage in job readiness activities, and case workers can serve their clients, without unnecessary interruptions.^{viii} This change would improve parent participation in job-readiness activities, provide continuous early learning education for young children and reduce administrative burden on staff.

Expanded Access to Child Care Assistance: Promoting Upward Mobility

Access to child care is a basic necessity for working parents. In Rhode Island, almost 72 percent of children under age six had their parent(s) in the labor force in 2010, the highest percentage in New England, and higher than the national average of 65 percent. This means that these children spent at least some time in child care. Quality child care is also an important part of the State’s early learning system, providing important educational opportunities for our youngest residents.



Quality, regulated child care is often unaffordable for working families. The average cost of care for children under age six in Rhode Island in 2011 was \$9,444/year, more than the cost of tuition at a public college (\$7,912/year in 2011-12).^{ix}

The Child Care Assistance Program (“CCAP”) provides subsidies to working parents to help pay for early learning programs for their young children and for safe after-school care. Approximately 7,000 children currently participate. To qualify, the parent must be working at least 20 hours per week and have gross income that is less than 180 percent of the Federal Poverty

Level (\$35,154 for a family of three). Parents pay between 2 and 8 percent of income toward the cost of care. For example, the average cost of care for a child under age 6 is \$787 a month. A parent with two children earning close to the income limit pays \$234/month (8 percent of income). The problem is that if the parent earns a penny over the limit the full cost of child care (\$787) will now consume 27 percent of her income, making care unaffordable.

Table 1: 2012 Child Care Income Limits (percent of federal poverty level)

Rhode Island Has Lowest Child Care Eligibility Level in New England					
RI	CT	ME	MA	NH	VT
180%	224% 336% (exit)	250%	220% 375% (exit)	250%	192%

Source: National Women’s Law Center 2012

Rhode Island has the lowest eligibility limit for child care assistance in New England. (The income limit of 225 percent of the Federal Poverty Level was reduced in 2007 to 180 percent as part of budget savings initiative.) Neighboring states Massachusetts and Connecticut also allow parents to continue to receive assistance as income rises (also known as exit income).

A modest reinvestment in the Child Care Assistance Program would help to ensure that families don’t experience significant financial setbacks as their earnings increase, and that parents are able to afford child care while they improve their skills.

POLICY SOLUTION

Implement an “exit income eligibility limit” for the Child Care Assistance Program.^x The State should allow working parents who are already receiving child care assistance to earn up to 225 percent FPL (\$42,953 for a family of three) before losing their assistance. This will help to address the “cliff effect”, illustrated in the example above, that happens when a parent gets a raise or works more hours and can no longer afford the cost of care.

POLICY SOLUTION

Provide child care assistance while a parent participates in education and training to increase her skills.^{xi} The Child Care Assistance subsidy can only be used while the parent is “on the job”, leaving parents who want to participate in education or training to find other child care arrangements. The State should allow parents to use subsidized child care during time spent in education or training if the parent is working at least 20 hours per week.

In addition, unemployed parents should be able to receive subsidized child care when it is necessary to participate in short-term training leading to a job. The Governor’s Workforce Board is supporting new programs that help connect unemployed workers to existing jobs through short-term training and/or internships leading directly to employment. Parents with young children are unable to participate in these programs if they cannot afford necessary child care, even though they would be eligible for child care assistance once they started the new job.

Boosting the Income of Single Moms

The minimum wage and Earned Income Tax Credit (EITC) are both important economic policies for low-income workers and their families.^{xii} Recent research suggests these policies improve the living standards and economic opportunities of single mothers and their families — the major beneficiaries of these policies — most effectively when they operate in tandem and at high levels.^{xiii}

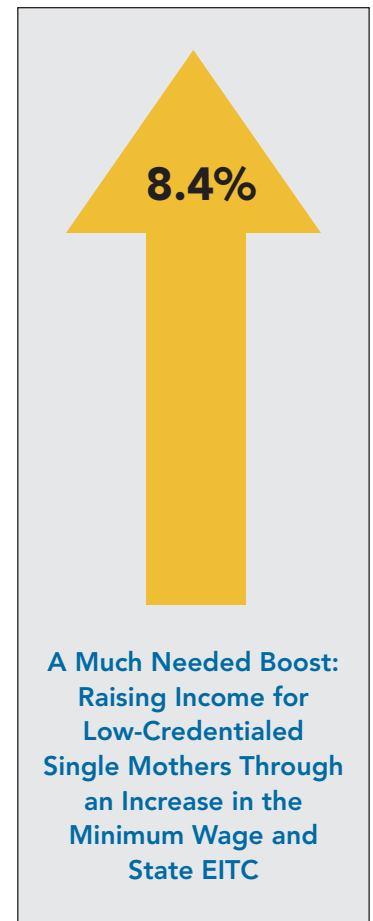
The federal earned income tax is acknowledged as an effective way to lift working families out of poverty. Twenty-four states, including Rhode Island, have adopted a state EITC, following the success of the federal credit. The Ocean State’s credit is 25 percent of the federal EITC, but only 15 percent of that is refundable, one of the lowest amounts in the country. A family with three children can receive a maximum state refund of \$221.^{xiv}

Rhode Island’s current minimum wage of \$7.75 is slightly higher than the federal minimum wage, but it is the third lowest in New England. A single mother working full-time earning the minimum wage would earn well below the federal poverty line for a family of three (\$16,120 versus \$18,480).^{xv}

POLICY SOLUTION

Increase the State’s minimum wage and refund through the state Earned Income Tax Credit.

The Rhode Island legislature is currently considering both an increase to the State’s minimum wage, from \$7.75 to \$8.25,^{xvi} and an increase in the refund available from the State’s EITC.^{xvii} Recent estimates indicate that implementing the proposed



minimum wage increase and increasing the refundable EITC from 15 to 50 percent could produce an 8 percent increase in the income of a typical single mother in Rhode Island with a high school degree or less who works for low wages. Today these moms earn, on average, \$10.10/hour.^{xviii}

Boosting the minimum wage generally results in increases for other low-wage earners. The mom earning \$10.10/hour could expect to see her average pay increase by about 2 percent to \$10.30 if the minimum wage was increased. Increasing the earned income tax credit and minimum wage generally results in additional hours of work for lower wage earners. The mom in our example could be expected to add about two more hours of work each week, boosting her yearly earnings from about \$13,500 to \$14,600. The federal EITC would add an additional \$5,370 and the state EITC would add an additional \$670 (an additional \$470 with the proposed change), bringing total earnings to \$20,600. This represents an increase of \$1,600 in yearly income – a substantial 8.4 percent rise in this family’s living standard. An income boost of this size is greater than what the average Rhode Island household experienced over the entire expansionary period of the 2001-2007 business cycle of 5.7 percent.^{xix}

Clearing the Path to Affordable Health Care for Low-Income Families

Rhode Island has a long-standing commitment to providing health insurance to its residents and has been a leader in providing insurance to families, children and pregnant women through the RIte Care/RIte Share Medicaid managed care programs. Beginning in January 2014, more Rhode Islanders will have access to affordable health coverage through the new Health Insurance Exchange, an on-line marketplace where people can compare and enroll in commercial health insurance plans. Consumers with lower incomes can receive tax credits to help pay for coverage.

The Governor’s budget retains the current income eligibility limits for parents and children enrolled in RIte Care. This will keep health insurance affordable for families with income between 138 percent and 175 percent of the Federal Poverty Level (\$26,951 and \$34,177 for a family of three) and assure that 6,000 lower-income parents who are currently participating in the program with their children will keep their coverage.

For families with income between 175 percent and 250 percent of the Federal Poverty Level (\$48,825 for a family of three), children will remain eligible for RIte Care, but parents will need to buy coverage through the Exchange. The RIte Care premium for children is one of the highest in the country and it is unlikely that families will be able



to afford both the RIte Care premium for their children and a premium for parents to enroll in coverage through the Exchange. In fact, several hundred families currently lose RIte Care coverage each month because they cannot afford the premium.

POLICY SOLUTION

Repeal monthly premiums charged for children enrolled in RIte Care. To increase affordability for families, policy makers should support repealing the RIte Care premium which will ensure that children never lose RIte Care coverage and that parents are more likely to be able to afford coverage through the Exchange.

- ⁱ *American Community Survey, (2011) US Census.*
- ⁱⁱ *Id.*
- ⁱⁱⁱ *Id. Poverty rates are for families headed by female householder with no husband and with related children under age 18.*
- ^{iv} *Id.*
- ^v *Data from: Pavetti, Finch, & Schott. "TANF Emerging from the Downturn a Weaker Safety Net," Center for Budget & Policy Priorities, March 2013.*
- ^{vi} *This policy would be implemented by H 5410/S531, bills pending in the 2013 General Assembly session.*
- ^{vii} *MacEwan, Arthur. "Early Childhood Education as an Essential Component of Economic Development with Reference to the New England State," Political Economy Research Institute, University of Massachusetts, Amherst, January 2013*
- ^{viii} *Id.*
- ^{ix} *Average cost of care for infant, toddler and preschool care that would allow a parent to access care at 75% of RI providers, based on the Statewide Survey of Child Care Rates in Rhode Island (2011) Bodah M.M., University of Rhode Island. Tuition and fees for in-state full time students in 2011-12 at University of Rhode Island, Rhode Island College and Community College of Rhode Island averaged \$7,912 according to the school's websites.*
- ^x *This policy would be implemented by H5132/ S249, bills pending in the 2013 General Assembly session.*
- ^{xi} *These policies would be implemented by H5409/S263 and H5473/S250, bills pending in the 2013 General Assembly session.*
- ^{xii} *For more information about the federal and state Earned Income Tax Credits, see "Enhancing the Economic Security of Low-Income Working Rhode Islanders by Increasing the State's Earned Income Tax Credit Refund," The Economic Progress Institute, April 2013 and Marr, Charite, and Huang. "Earned Income Tax Credit Promotes Work, Encourages Children's Success at School, Research Finds." Center on Budget and Policy Priorities, April 2013.*
- ^{xiii} *Wicks-Lim, Pollin, "Making Work Pay: Combining the Benefits of the Earned Income Tax Credit and Minimum Wage", April 2012.*
- ^{xiv} *"Enhancing the Economic Security of Low-Income Working Rhode Islanders by Increasing the State's Earned Income Tax Credit Refund," The Economic Progress Institute, April 2013.*
- ^{xv} *"Raising the minimum wage to \$8.25 an hour: A win-win for Rhode Island workers and the economy", The Economic Progress Institute, May 2013.*
- ^{xvi} *This policy would be implemented by H5079/S256, bills pending in the 2013 General Assembly session.*
- ^{xvii} *This policy would be implemented by H5640, a bill pending in the 2013 General Assembly session.*
- ^{xviii} *Wicks-Lim, Pollin, "Making Work Pay: Combining the Benefits of the Earned Income Tax Credit and Minimum Wage," April 2012, using Rhode Island specific data from the Current Population Survey, years 1997-2007. Assumes single mother with two elementary-aged children.*
- ^{xix} *Id.*