When working harder does not pay:

Low-income working families, tax liabilities, and benefit reductions

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Abstract

Under some circumstances, recent reforms to policies that affect the working poor create a barrier to workers who try to increase their families' financial well-being through greater earnings. As earnings rise, benefits are reduced and taxes increase. Together these two factors may mean that accepting a raise or working more hours may not make a worker's family better off financially. This article presents an analysis of the extent of total implicit taxation and describes how low-wage workers experience this phenomenon. We address three areas: how programs combine to create high implicit taxation, the implications of this system for low-income families' well being, and finally, suggestions for practice and reform. (109 words)

Key Words: working poor, social policy, welfare reform, tax policy, implicit taxation

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Introduction

Aid to Families with Dependent Children (AFDC), the American cash assistance program for much of the 20th century, discouraged its participants from working for pay in two ways. First, benefit amounts were steeply reduced whenever a recipient reported earning money. For earnings over a low threshold, a worker would commonly lose $.67 in benefits for every dollar earned, an implicit tax rate of 67 %. Second, access to other benefits, most importantly Medicaid, was linked to AFDC receipt, meaning that recipients and their children would lose health coverage or other supports if they separated from the cash welfare system. For this reason, poor families were seen as having an either-or choice between market employment (henceforth "working") or cash assistance receipt. The Family Support Act of 1988 began reducing these work disincentives through de-linking Medicaid from cash assistance and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) enacted further reforms guided by the principle that earnings from employment rather than welfare benefits should raise family income (Haskins 2002).

As part of efforts to "make work pay," PRWORA and related reforms extended many other supports to low-income families containing at least one employed person, a group known as the "working poor." Reforms aimed at supporting employment and reducing the work disincentives found in the AFDC system included a decentralized combination of time-limited grants with earnings disregards administered by state Temporary Assistance to Needy Families (TANF) programs, earnings-based supports paid through the tax system such as the Earned Income Tax Credit (EITC), and subsidized benefits including TANF child care grants and expansions of public health insurance, notably the loosening of eligibility for Medicaid and the creation of State Children's Health Insurance Programs (SCHIP) (Sawhill and Haskins 2002).

These reforms have indeed removed many reasons that previously discouraged poor people from going to work and keeping a job. However, the resulting benefit structure creates strong disincentives for some workers to increase earnings through more hours spent at work (overtime) or through higher hourly wages (author citation; Ellwood 2000; Ellwood and Liebman 2000; Sawhill and Haskins 2002; Romich 2006). The combined effect of multiple means-tested programs means that low-wage workers – especially those with children – can face sharply declining benefit amounts as their earnings increase. Under some conditions, a raise can trigger reductions in several benefits. This results in a situation of high implicit taxation. When combined with increasing net tax liabilities in the income tax system, combined benefit reduction can mean that getting a raise or working more hours does not increase disposable income. A long-recognized feature of anti-poverty policy, high rates of implicit taxation reflect the tension between three competing goals sometimes called the "iron triangle" of income support: matching assistance with need, promoting economic self-sufficiency through employment, and minimizing public costs.

Of course, if support is targeted to the poorest families, families who earn more will receive less. This has always been the case, but recent changes have increased the importance of this phenomenon. Since 1989 the percentage of poor families containing a worker has increased by over 20 % (McNichol and Springer 2004). At the same time, the expansions of the EITC and the decoupling of assistance eligibility from cash assistance receipt mean that more transfers are going to working poor families (as opposed to only poor families who participate in cash welfare). Sawhill and Haskins (2002) estimate that these changes have created an eight-fold increase in the total value of benefits available to working poor households. Despite the expansion in the number of households affected by implicit taxation, it receives little attention from practitioners or researchers other than labor economists. Despite the complex and arcane nature of this topic, we argue that understanding it is necessary for social work practitioners and social welfare policy analysts. Those who serve clients in low-income working families (or teach students who will go on to serve such clients) should be aware of the financial impact of clients' earnings and income choices. Program designers should consider the interactions between programs as they create eligibility guidelines. Finally, those who advocate for policy reforms should be aware that benefit reductions and tax liabilities can blunt the impact of seemingly positive policy changes, such as raising the minimum wage.

Our aim in this article is to explain the phenomenon of high implicit marginal tax rates in a way that can inform future direct practice and policy work. We begin with case studies of two low-wage workers drawn from ethnographic fieldwork. The remainder of the article presents an analysis of the policy context for these workers' experiences. We address questions in three areas, starting with the policy background. What combination of taxes and benefits gives rise to implicit taxation? How high are the implicit tax rates faced? The implications of this system are considered next. What is known about the relationship between implicit taxation and decisions to work? How may implicit taxation affect stability and well-being? Finally, suggestions for practice and reform are posed as an agenda for how social workers, researchers and policymakers can better support and empower families, particularly economically vulnerable families who are transitioning from welfare to work. Overall this analysis suggests that the promise of welfare reform – to make work pay – is only half delivered. Work now pays more than welfare, but many working poor families face significant financial barriers along the traditional path of getting ahead by working harder and earning more.

Case Studies

Families' experiences of implicit taxation are illustrated by two cases from an ethnographic study of low-wage workers in Milwaukee, WI, over the period 1998-2001 See Romich (2006) for a description of the full study.

Karen

Karen (a pseudonym) is a single woman with three children. Her economic history includes various minimum wage jobs (often more than one at once), some spells of welfare reliance, and use of means-tested benefits. In 1999 Karen worked as a personal home health care worker, earning $6.25 per hour. She used food stamps, lived in subsidized housing, and her children had health coverage through Medicaid.

In July 2000, the governor of Wisconsin signed a bill raising the pay of home care workers to $9.25 per hour, a $3.00 hourly raise for Karen. Her estimated yearly earnings, before taxes, increased to $19,000. After this raise, Karen had a periodic meeting with a caseworker at the rental assistance program. There she was told that she was now making too much money to qualify for her current rental subsidy. Her rent was almost doubled, increasing from $179 to $356 per month. The raise did not affect her children's health care coverage, but the family's food stamp allotment was reduced from $151 to $70 per month. Her case worker told her that if her wage were to increase as little as $.50 an hour, her food stamps would be cut altogether. Karen says, "It's like being persecuted for getting a raise. This is why people don't want to work."

Karen's raise, amounting to just over $500 more in earnings per month, is offset through benefit cuts by the loss of food stamps and rental assistance valued at $259. She also now pays about $80 more per month in payroll taxes, and if she works full time for the year, her combined state and federal EITC will be worth about $2600 less for the year (or $200 per month) (Feenberg and Coutts 1993). In other words, if Karen keeps paying her rent and buying the same amount of food, she will likely be financially worse off because of the raise. In Karen's case, she stops seeing one of her clients soon after the raise, and when her hours fall she again qualifies for more support. Throughout she feels "stressed out" by her bills and week-to-week finances.

Edith

Edith is a 31-year-old woman with three children, ages 6, 4, and 2. A former welfare recipient, Edith starts work in 1998 as a receptionist at a local social service agency. She also uses subsidized childcare and public medical insurance for her children.

Over time Edith is recognized for her skill at work and after a series of raises, Edith transfers to a case management job which pays $30,000 per year. Because she is now earning above the cut-off point, she no longer qualifies for a child care subsidy which limited her costs to $600 per month. The cost of paying out of pocket so that her three kids can remain in their same care center is $1,200 per month. Edith tells her caseworker, "If I have to pay $1,200 per month, then why am I working? Just to pay daycare?" Edith is so angered by what she sees as a system making it nearly impossible for her to work and afford day care that she calls the governor of Wisconsin to ask for help. She tells his aide, "It means that I will lose my job just because I can't receive day care. Are you telling me that I have to quit my job and go back to the system?"

By one reckoning, Edith is a welfare reform success story. She started work and quickly got promoted. However, her last pay increase – from $1900 per month to $2500 – would have been completely consumed by the increase in child care costs. Instead of paying the full cost of care herself, Edith eventually reluctantly switched to paying a neighbor to baby-sit her children, frustratingly acknowledging that her children were still safe, but now watched television instead of participating in educational activities.

Policy Background

The two upwardly-mobile low-wage workers presented as cases above experienced implicit taxation as their means-tested benefit eligibility decreased. Although less visible in the short-run and not discussed in the vignettes, both women also experienced changes in their taxes owed and credits received through state and local income tax systems. For social workers, understanding how benefit eligibility schedules and tax systems work together to affect families that they serve is essential. This section describes the sources of implicit taxation and the complexities in determining a given family's situation.

Sources of Implicit Taxation

A complete description of the financial incentives and constraints faced by low-income working families must include analyses of means-tested benefit schedules and the taxes paid on wages. We use the blanket term 'implicit total taxation' to refer to the combination of tax-like reductions in benefits and actual taxation through income and payroll taxes.

Means-tested benefits

Implicit taxation results from the benefit schedule of means-tested programs including food stamps and subsidized services such as public housing, publicly-funded child care, and the Medicaid/State Child Health Insurance Programs (SCHIP) (Ellwood 2000; Holt 2002; Holt 2003). These programs all have progressive designs such that families with lower incomes receive a greater subsidy, and hence as income rises, families' benefits are reduced. When a benefit is reduced, the effect is that of being taxed. This was Karen's experience with food stamps. After she received a raise, her family's food stamp benefit was reduced, reducing the net value of her raise in the same way as would a tax.

The size of the implicit taxation depends on the benefit schedule in question. In the case of food stamps, benefit amounts are calculated according to a formula that includes family size and household income after deductions for earned income, certain medical and dependent care expenses, child support paid, and particularly high housing costs (USDA 2004). The basic benefit reduction for earnings alone is $.24 for every additional dollar, an implicit tax rate of 24% (author calculations from USDA 2004).

Other programs, such as housing vouchers, child care subsidies, and health care, vary both eligibility and cost-sharing based on income. For instance, children in households below 100% of the Federal Poverty Guidelines (FPG) are generally covered by free Medicaid. Programs for slightly higher earners vary from state-to-state. Children and some parents in households who earn between 100% and 200% of the FPG generally qualify for SCHIP, but cost-sharing measures such as annual enrollment fees, monthly premiums or co-pays apply to some or all families in this range (Dubay, Hill et al. 2002).

Some benefits phase-out gradually, but sometimes a one dollar increase in earnings is enough to impose a sizeable hike in cost-sharing or even total loss of eligibility. Such incidents of sharp benefit decreases are referred to as "cliffs" or "notches" in the marginal tax rate literature, and they can completely negate the effect of a raise and even make a household worse off. This was the experience for Edith, whose most recent raise caused her to lose eligibility for her child care subsidy.

This discussion focuses only on key federally-funded supports commonly used by families who may be welfare-eligible. Other programs and benefits also operate on a means-tested or sliding-scale basis. As families earn more, they may lose eligibility for nutrition programs such as WIC or school lunches; Head Start or locally subsidized children's after-school or summer programs; community resources such as Legal Aid; and reduced-fee health services.

The tax system

State and Federal income tax systems, anti-poverty credits delivered through the tax system, and payroll taxes affect taxpayers at each earnings level differently. Overall, the Federal income tax system is progressive, meaning that lower-income households face lower tax rates, but for some low-income workers, an increase in earnings may be partly undone through higher tax obligations or lower total credits. Please note that although state and local sales and property taxes represent a significant part of the overall tax obligations paid by low-wage workers (Seipel, 2000), these taxes are not linked to specific earnings levels and are not discussed below.

At the federal level, income and payroll taxes are paid on earnings. The Omnibus Budget Reconciliation Act of 1985 raised the earnings level at which federal income taxes are owed. As a result of the standard deduction and exemptions for household members, the lowest-income households owe no income taxes. For instance, in tax year 2005, an adult worker with two children pays no Federal income tax on the first $17,000 of earnings. Above $17,000 this household is in the 10% tax bracket (Internal Revenue Service 2005). Low-income workers also pay payroll taxes of 7.65% on each dollar earned to fund Social Security and Medicaid.

For low-wage workers, tax credits are a more important feature in determining the ultimate size of a tax return check. A series of expansions in the EITC over the late 1980s and early 1990s and recent expansions in the Child Tax Credit have increased the redistributive properties of the tax system as a whole. In particular, EITC is credited with increasing the number of single mothers in the workforce (Meyer & Rosenbaum, 2000; 2001) and more generally boosting families' ability to save, pay off bills, and get ahead (Beverly, 2002; Smeeding, Phillips, & O'Connor, 2000). However, when a tax credit phases out, it acts like an additional tax. Low-income workers who increase their earnings level will find themselves with lower tax credits. Phase-out ranges and rates depend on filing status and number of children. In 2005, EITC phase-out points begin between $6,530 for a worker without qualifying children and $16,370 for a married worker with two or more children. For workers with two children, the phase-out rate is 21.06%, meaning that the total credit is reduced by just over 21 cents for each additional dollar earned. From the perspective of the tax filer, the effect is equivalent to a 21% tax.

At the state level, forty-one states plus the District of Columbia (DC) tax income, and fourteen states plus DC have some sort of state EITC. Some state income tax systems are less progressive than the federal system. For instance, Illinois levies an income tax of 3% on all income above an exemption of $2000 per filer or dependent. Other states are more progressive. Some localities also levy income taxes; for example, the City of Philadelphia taxes all residents' earnings at 4.33%.

Variations

Rates of implicit taxation can vary greatly from household to household. In addition to obvious considerations such as earnings and the number and age of children, program interactions introduce additional complexities. For example, income supports such as SSI can affect benefit levels depending on the program. Families who have high housing costs and do not receive any housing subsidy will receive higher food stamp allotments. Even federally-funded benefits can vary by state, and benefit calculation formulas change on varying schedules or because of state budgetary considerations.

Another source of variation is transitional provisions designed to ease the transition from welfare to work. SCHIP programs may allow families who qualify for coverage with incomes of less than 185% of the poverty guidelines to continue their coverage for a period of time even when income exceeds the standard income cap. Some residents of public housing have a phased 24 month exemption for the earnings of household members who moved from long-term unemployment or TANF receipt into employment (HUD 2002). These program interactions and time-limited extensions further complicate the task of determining a family's future income from assistance programs.

-FIGURE 1 ABOUT HERE -

Combined Effects

When taken individually, programs such as food stamps or progressive tax measures such as the EITC are seen as positive supports for families. However, the combination of reduced benefits and increasing net taxes may pose barriers to families. Figure 1 shows the changes in eligibility for means-tested assistance and net tax liability that affect households moving along an earnings trajectory. A household with earnings of $10,000 per year (roughly full-time work at the Federal minimum wage of $5.15) qualifies for Medicaid, housing subsidies and food stamps. This household would also be in the phase-in portion of the EITC, meaning that each additional dollar earned is supplemented by an additional $.40 in the tax credit. However, if this worker were to move to a higher-paying job, the family would soon reach the "flat" or plateau point of the EITC schedule, in which additional earnings do not increase the total EITC. The family's food stamps and rental assistance would be taxed away at 24% and 30% respectively. Above $16,090, adults and children over age six would no longer be eligible for Medicaid, although children could switch to SCHIP.

- FIGURE 2 ABOUT HERE -

The total implicit tax rate for working poor households with children can easily exceed 50%, meaning that a family loses out on over half of every additional dollar earned. If higher earnings trigger a cliff effect, the household may actually have less money although earning more (an implicit tax rate over 100%). Figure 2 illustrates these results of high implicit taxation by showing the disposable income available to a sample family after paying taxes, receiving transfers, and securing basic essentials (basic food, housing and health insurance). As earnings double from $15,000 to $30,000 per year, household income after basic expenses is relatively flat, increasing only by about $250 per month. The dip at the $20,000 point corresponds to a cliff effect where the household starts to pay health insurance premiums. By lessening the incentive to increase earnings, high implicit taxation may create a new "poverty trap" (Wolfe 2002) or "welfare wall" (Sayeed 1999). Both Edith and Karen experience this trap when benefit reductions make them feel penalized for getting a raise.

Impact of High Implicit Tax Rates

What is the impact of these high implicit marginal tax rates? One recognized concern is whether or not high tax rates reduce employment. Although there is little evidence that this happens, another emerging area of concern is that high implicit taxation may affect the well-being of working poor families through creating financial instability.

Few impacts on work effort

Economic theory predicts that higher tax rates on additional earnings may reduce work effort, and research shows that this is the case for very high-income tax filers (Gruber 2002)For instance, physicians in higher tax states work fewer hours and miss work due to vacation or illness more frequently than do physicians in states with lower marginal tax rates (Thurston 2002). However, low-income households do not appear to adjust how much they work even when faced with high marginal tax rates (Gruber 2002; Keane 1998).

The literature contains several explanations for why low-wage workers do not seem to "respond" to high implicit taxation. One explanation is that low-income workers have little discretion in reducing their work hours. If workers cannot select the amount of time they work (hours, shifts, etc.), their only choice may be between working or not working at a given job. A larger issue is imperfect information or understanding. Marginal tax rates are difficult to calculate. When faced with intersecting programs in the welfare system, two knowledgeable observers note that "even economists have a hard time computing marginal tax rates" (Liebman 2004). Evidence suggests that front-line caseworkers generally do not explain them (Meyers, Glaser et al. 1998; Anderson 2001) and peers are not a good source of information because individual situations are dependent upon a large set of parameters which vary widely even among superficially similar families (Romich 2006). Finally, low-wage workers – like many economic decision-makers – may make decisions based on simplified "rules" that are useful in many situations but do not always accurately reflect certain complex financial trade-offs (Liebman 2004; Mullainathan 2000; Shefrin 1988).

Effects on family well-being

High implicit taxation and the multiple intersecting benefit schedules may cause economic instability. In the wake of TANF reforms, attention forced on interruptions or reductions in supports due to sanctions (Cherlin, Bogen et al. 2002; Scott 2004; Cheng 2005). Implicit taxation – and benefit cliffs in particular – may be a second, under-recognized source of instability in benefits. This was the case for Edith, who lost her child care subsidy after earning a raise. In Edith's case, she moved her children to a much less expensive public school summer program and ultimately found a relative who could care for the children during the school year. For other families, the loss of child care may lead to transitions in child care (which can impact children's well-being), job losses due to lack of child care, or financial strain.

High implicit taxation may also lead to worker discouragement or disengagement. In examining responses to incidents of income-triggered benefit reductions, Author (citation) finds that many workers passively accept the decreases in benefits. Other reactions include challenges based on administrative grounds and strategic action involving misrepresentation of income or other circumstances. As a whole, this set of options does not allow workers to manage their own families' future in a way that gives a sense of control, rewards compliance with rules or provides for increasing well-being.

Implications for Practice

How should social workers respond to implicit taxation? This analysis suggests important considerations for social work practice. Here we outline an agenda for best practice under current laws as well as a set of reforms that could reduce the poverty trap caused by policy interactions.

Best practice under current policies

Taking current policies as a given, practitioners who work with low-income families can take steps to increase families' control over their financial future. We recognize that we make these suggestions to human service workers who have likely faced increased job demands as a result of welfare reform (Abromovitz, 2005). Our hope is that investing time at the beginning in helping a client to fully understand implicit taxation could result in less time spent in the future helping clients untangle benefit decreases and reduced incomes.

Recognize when high rates of implicit taxation may arise

Social workers in clinical or agency settings should take a first step of diagnosing whether and how implicit taxation affects their clients. In addition to the experiences of Edith and Karen, we have noticed less obvious situations in our own and colleagues' practice in which implicit taxation likely plays a role. For instance, coaches in a job training agency report a common pattern in which former welfare recipients enter the program with a high degree of motivation and move into full-time jobs, only to quit the jobs and leave the program after six or eight months. Through speaking with clients about their experiences, the coaches learned that this was because their finances became more strained as benefits were reduced over time. Because of the lag in benefit recertification, the effects of benefit reductions were not immediately noticed.

The experience of rising taxes, decreasing benefits and increasing costs is not limited to clients. After making a presentation based on this research, the first author was approached by a single mother who just recently earned a college degree and got a full-time job at a social service agency. She quietly confided that this research resonated with her own experience. Despite moving from part-time to full-time work and getting a substantial increase in pay, her checking account does not have that much more money in it at the end of the month than it did when she was a student – not enough to make payments on the car she now drives to work and barely enough to buy food since her family no longer qualified for Food Stamps.

Generate and spread local knowledge.

Since the shape of implicit taxation varies by state, local practice, and individual families' situations, it is important for practitioners to be aware of the benefit and tax schedules that apply in their particular areas. Although the above analysis describes the programs to track, an additional challenge is that the effects of increased income are only revealed over time. Most people have experienced the surprise of payroll and income tax withholding from their first paycheck. The larger impacts of benefits reductions and increased cost-sharing will occur over time based upon eligibility review schedules. Here local knowledge is important, as practice may deviate from policy. Even programs with monthly reporting may have one to two month delays. Keep in mind as well that reductions in tax-based supports such as the Earned Income Tax Credit will not be experienced until the next annual filing, often long after the earnings change that triggers a smaller refund. State income taxes, earned income tax credits and other tax credits also vary from place to place.

Offer tools for proactive choices.

After diagnosing what an earnings change may trigger, the next step is to communicate this information in a way that helps workers plan to achieve their goals despite looming benefit cuts or increased taxes. Currently, workers receive information about benefits in several manners. Word of mouth and advice from caseworkers are two of the most common ways that workers come to understand their options. The PRWORA reforms eradicated the predictability of the AFDC system. Under the old system, workers could exchange information about support amounts with relative consistency. Now that benefit amounts are dependent on family structure and wages, there is less certainty and more possibility for the spread of inaccurate information (Romich 2006).

Organizations whose constituents include working poor families can develop a set of resources that explain tax rates, state-specific benefit schedules, as well as explaining the interactions between various programs that families might participate in. For instance, the Transitional Work Corporation (TWC), which provides transitional employment for Philadelphia TANF recipients experiencing difficulties in getting and keeping jobs, is testing a simulation tool to help familiarize clients with the impacts of earnings on income supports. The tool, in spreadsheet form, shows monthly family budgets based on actual program schedules and formulas. Multiple scenarios capture variation in family composition and benefit use patterns. During TWC's new participation orientation, a leader walks the group through the columns for the initial month, in which employment begins, and then month three as earnings increase, taxes begin to be incurred, and benefits start to decrease. Small groups each then work with a particular scenario to predict the impacts on that household's income supports in month five. The leader then provides each group with the tool's month five projections and leads a discussion of what participants found surprising. This interactive process continues through the orientation period and is reinforced in subsequent refresher training sessions. For low-wage workers, understanding the connection between earnings and changes in benefits may help alleviate confusion and frustration associated with increased earnings and stagnant financial well-being.

Advocate for solutions

Policy-level advocacy on social programs and tax issues is an important part of social work practice (Seipel 2000; Anderson and Gryzlak 2002). The above analysis suggests important considerations for social workers engaged in advocacy.

Consider unintended consequences.

The above analysis poses a caution for social workers already engaged in advocacy for the working poor. Advocates for the working poor generally support increasing the EITC or raising earnings via increases in the state or Federal minimum wage or local living wage strategies. This analysis suggests that the interaction of multiple programs should be considered while developing an agenda for improving families' financial well-being. For some families, higher wages do not pay more than lower wages. At the state or local level, raising wages may reduce federal transfers through making fewer workers eligible for the EITC. Raising all workers' wages will then have the unintended result of disproportionately benefiting childless workers relative to workers with children (Toikka 2002)

Real solutions.

Although both state and federal policies contribute to high implicit total taxation, reform at the federal level is needed. Advocates for the working poor generally support increasing the EITC (Seipel 2000; Beverly 2002), but the phase-out portion of the EITC is the largest contributor to the high marginal tax rates facing low income families. Increasing the value of the credit would require either making the phase-out rate greater or making it apply to moderately higher income families (families with incomes just above the current cut-off). One solution proposed at the federal level is a unified child credit which would combine the benefits in the EITC, child tax credit and value of dependent exemptions (Sawicky, Cherry et al. 2002; Carasso and McKernan 2005). This is similar to the idea of a child allowance (Ozawa and Hong 2003) in that it would provide a benefit to all families without regard to earnings, and it would reduce the current penalty on middle class parents who earn too much to qualify for the EITC but receive less value for their dependent exemptions relative to higher-earning families (Ellwood and Liebman 2000).

Among means-tested programs, the most damaging consequences for families occur when families unexpectedly fall off the "cliffs" present in programs such as subsidized health and child care. Replacing the current restricted, means-tested programs with universal programs (financed through broad, progressive taxation) would eliminate the possibility of upwardly mobile families losing key supports. However, given the relative low awareness of the magnitude of implicit taxation facing low-wage workers as well as political and public budget conditions, there is currently little prospect for universalization. An intermediate approach would be to look at the availability of other supports (*e.g.,* employer-subsidized health insurance) and extend coverage incrementally upward.

Conclusion

One tenet of welfare reform – that work should pay more than cash assistance – has been realized. This analysis suggests that a corollary – that more work should pay more than less work – does not yet fully hold for working poor families. Movements toward universal programs that do not phase out as earnings raise could allow for greater stability and pay-off from work. Such reforms would increase total public expenditures on supports, but we argue this price should be paid to align efforts with rewards for the working poor.

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