

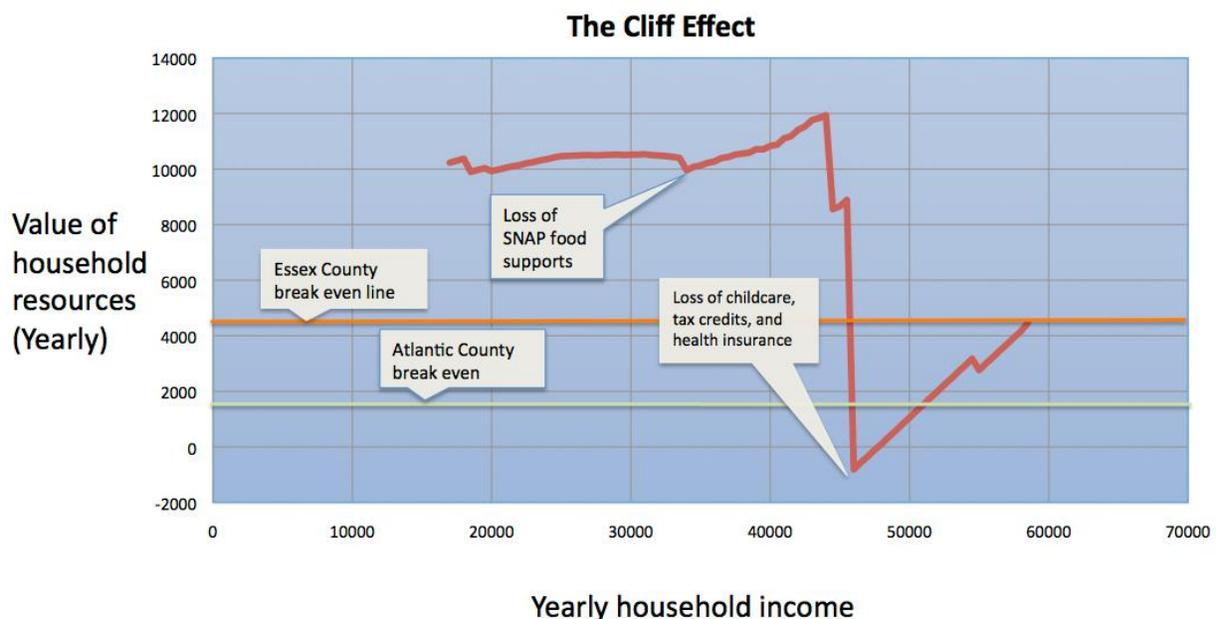
NEW JERSEY'S BENEFITS "CLIFF EFFECT"  
AND ECONOMIC SELF-SUFFICIENCY  
CENTER FOR WOMEN AND WORK FACT SHEET



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### KEY FACTS

- For working poor New Jerseyans, the "Cliff Effect" describes the phenomenon of the sudden drop off in "work support" benefits (e.g., earned income tax credits, Medicaid, child care assistance) that help cover the cost of basic necessities. As earnings increase, families begin to lose these benefits, even though they have yet to reach economically sustainable earnings.
- The "Cliff Effect" can be most devastating for low-income single parent households with children under the age of 12 due to the loss of child care benefits.
- Because of this phenomenon, working poor families are often forced to turn down a pay-raise or a promotion in order to keep their work supports. For a low-income single parent household with 2 children these benefits can mean a sudden deficit of \$9,700 dollars.



## THE CLIFF EFFECT HURTS THE WORKING POOR

- As the figure shows, for a low-income single mother of two, there is a sudden drop off in benefits as the hourly income reaches \$22.11 an hour or \$44k annually. However, self-sufficiency data supplied by the Center for Women's Welfare at the University of Washington shows that in order for this same household to stay out of deficit this same mother would need to make \$28.07 an hour.<sup>2</sup>
- Self-sufficiency income data provides a much more realistic measure of how much money a single mother of two needs to survive in the average NJ county.<sup>3</sup>
- This can disincentivize families from taking a pay raise or a promotion that could lead to a better paying job and the gateway to the middle class.
- Nearly 1 million people now live in poverty in NJ, requiring public assistance to care for themselves and their families.<sup>4</sup>
- Households with children account for nearly two-thirds (62 percent) of all households below the self-sufficiency standard in New Jersey, even though less than half (46 percent) of all New Jersey households have children.
- More than half of all single mothers raising children alone (57 percent) lack adequate income.
- Almost half of working mothers who are low-income are employed in retail and service sector jobs that often pay low-wages, limit hours and fail to provide benefits such as health and paid sick leave.<sup>5</sup>

## FROM THE FEDERAL POVERTY LINE TO THE SELF-SUFFICIENCY STANDARD

- Eligibility for programs like SNAP and TANF depend on the Federal Poverty Line and not the amount of money a household needs to be self-sufficient.
- New Jersey's high housing costs and overall high cost of living make self-sufficiency less attainable than in other states.
- New Jersey's Earned Income Tax Credit is lost to a single mother of three if she makes \$40,500 dollars per year, while she would need \$58,384 to be self-sufficient without any public benefits.<sup>6</sup>

- Female-headed households/single parent households are at greatest risk of the cliff effect because they rely heavily on subsidized childcare.<sup>7</sup>
- New Jersey has a high self-sufficiency threshold compared to other states<sup>8</sup>

### **NJ POLICIES TO SUPPORT WORKING FAMILIES IN DANGER OF THE “CLIFF EFFECT”**

In order to provide the best opportunities for New Jersey’s working poor families to improve their economic prospects and move out of poverty into economically sustainable jobs, policy makers must structure work support eligibility standards and levels in order to keep workers and their families out of danger of the “cliff effect.”

- Change the eligibility requirements for low-income families in NJ so they can access supportive programs until they can provide for their household.
- NJ should use the self-sufficiency standard not the Federal Poverty Line (FPL) and programs should not abandon families until they reach the self-sufficiency standard.
- Subsidized childcare, full-day pre-school and kindergarten are important for keeping families with small children out of poverty.
- While acknowledging the importance of cash-assistance to families below the Federal Poverty Line, NJ should consider cash benefits (also known as work supports) to keep families supported in the workforce.

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<sup>1</sup> The Center for Women and Work at Rutgers, the State University of New Jersey, conducts cutting-edge research relevant to gender, workplace policies, education, career development, women’s leadership and advancement, work-life integration, and other issues of importance to New Jersey’s and the nation’s working families. CWW is a member of the Working Poor Families Project, a national initiative aimed at strengthening state policies for America’s working poor. For more information about CWW, visit our website at [www.cww.rutgers.edu](http://www.cww.rutgers.edu); for information about the Working Poor Families Project, visit their website at [www.workingpoorfamilies.org](http://www.workingpoorfamilies.org).

<sup>2</sup> This represents self-sufficiency data based on the cost of living in Essex County estimated at \$58,384 annually. In Atlantic County this would be \$24.79 per hour or \$51,562 annually.

<sup>3</sup> The self-sufficiency measure is provided by the Center for Women’s Welfare. This data set is calculated using scholarly or credible sources such as the U.S. Census Bureau. <http://www.selfsufficiencystandard.org/standard.html>

<sup>4</sup> According to *Not Enough to Live On*, by Diana M. Pearce, Ph.D. and Legal Services of New Jersey Poverty Research Institute

<sup>5</sup> As determined by The Working Poor Families Project analysis of ACS data.

<sup>6</sup> Representing the self-sufficiency standard for Essex County. In Atlantic County the annual income would be \$51,562.

<sup>7</sup> This calculation uses data available from the Center for Women’s Welfare and the National Center for Children in Poverty

<sup>8</sup> <http://www.selfsufficiencystandard.org/docs/New%20Jersey%20Demographic.pdf>