



# Making “Work Supports” Work

## Using NCCP’s Family Resource Simulator to Improve Policy

### What is the Family Resource Simulator?

The Family Resource Simulator (FRS) is a web-based tool developed by the National Center for Children in Poverty. It simulates the impact of federal and state “work support” benefits on the budgets of low- to moderate-income families. Work supports include earned income tax credits, child care subsidies, health care coverage, food stamps, and housing assistance. The FRS generates results that illustrate how a hypothetical family’s resources change as earnings and expenses change, taking public benefits into account.

The FRS is designed to:

- Calculate how much parents need to earn to cover a basic family budget, with or without work supports.
- Analyze policy rules and their effects on the work incentives facing low-wage workers.
- Identify and simulate policy alternatives that would better meet the needs of low-wage workers and their families.

### How Does the FRS Work?

The FRS calculates resources and expenses for a hypothetical family that the user “creates” by making a series of choices about: city and state, family characteristics, income sources, assets, and debts. The user also selects which public benefits the family receives when eligible and decides what happens when the family loses benefits (for example, does the family seek cheaper child care after losing a subsidy?).

The FRS includes the following public benefits and tax policies:

- Child care subsidies
- Public health insurance
- Food stamps
- TANF cash assistance
- Section 8 housing vouchers
- Income taxes (federal, state, and local)
- Income tax credits (federal, state, and local)
- Federal payroll taxes

Once the user creates a hypothetical family, the FRS generates graphs that:

- Display cash and near-cash resources (Figure 1).
- Compare family resources to basic expenses at different levels of earnings (Figure 2).
- Highlight net family resources after subtracting basic expenses (Figure 3).

### What Can I Learn from the FRS?

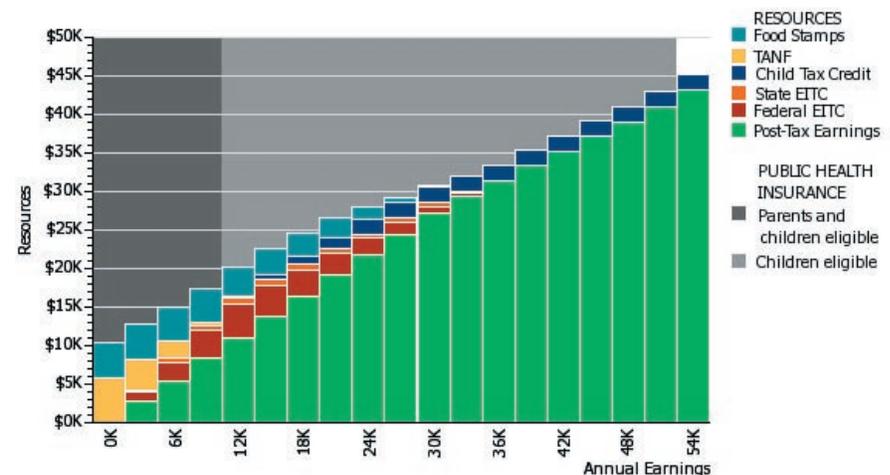
The FRS demonstrates that for families struggling to make ends meet, work support benefits can make up the difference between low earnings and the family budget. But these benefits are means-tested, so as earnings increase—particularly as they rise above the official poverty level—families begin to lose eligibility even though they are not yet self-sufficient. The result is that a parent may earn more without her family moving closer to financial security.<sup>1</sup>

For example, Figure 3 shows that with the help of public benefits, a single

<sup>1</sup>Cauthen, N. K. (2006). *When work doesn't pay: What every policymaker should know*. New York, NY: National Center for Children in Poverty, Columbia University.

**Figure 1: Family Resources, Cash and Near-cash**

Baltimore, Maryland: Single-Parent Family of 3 Receiving Most Benefits



Source: Family Resource Simulator: MD, 2004.

mother of two in Chicago can cover the cost of basic necessities for her family by working full-time at low wages, earning about \$15,000 a year. But as she earns more, the family loses its food stamps and child care subsidy, receives smaller EITC benefits, and begins to incur premiums for public health coverage. The result? The family is no better off financially at \$36,000 in earnings than it was at \$18,000.

### How Can the FRS Be Used to Inform Policy Reform?

Just as the FRS can calculate the effects of existing policies on a family's financial bottom line, it also can simulate the effects of alternative policies. In 2005, NCCP launched a new initiative that uses the FRS to identify policy solutions.

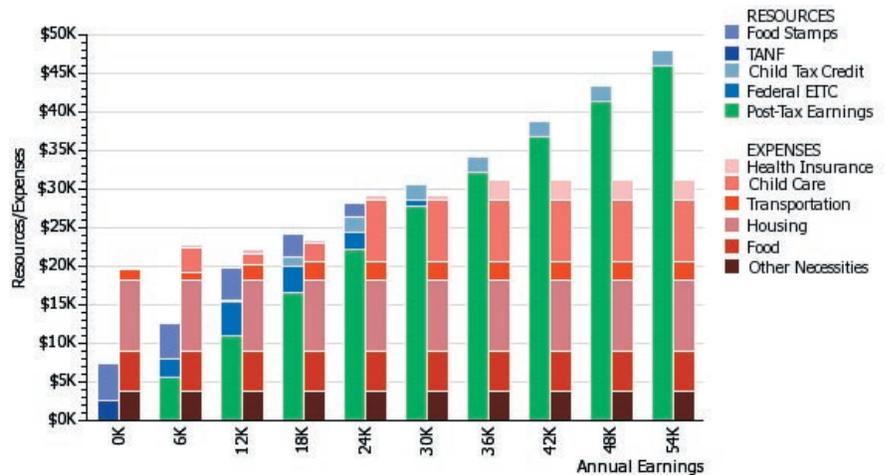
The *Making "Work Supports" Work* initiative addresses two major policy challenges:

1. **Making work pay:** Given the premise that a family with a full-time worker should not be poor, how can work support policies best fill the gaps between earnings from a low-wage job and what it costs to provide a family with the basics (housing, food, transportation, child care, and health care)?
2. **Rewarding progress in the workforce:** Ideally, earning more should always improve a family's bottom line, but that's not currently the case. How might work support benefits be restructured to eliminate high "marginal tax rates"<sup>2</sup> on earnings?

To carry out the initiative, NCCP works collaboratively with state-based partners. In the first step, we examine the complex interactions among benefits, earnings, and basic expenses, and identify the sources of "cliffs" and high marginal tax rates. The second

**Figure 2: Family Resources and Basic Expenses**

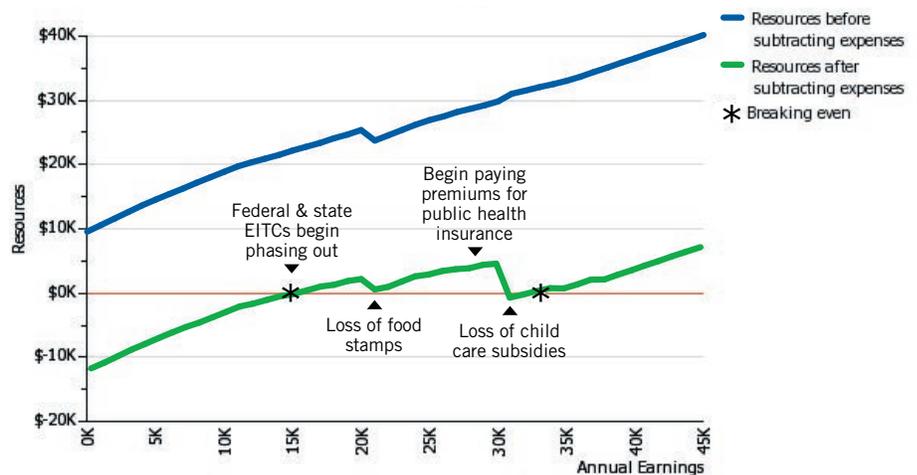
Houston, Texas: Single-Parent Family of 3 Receiving Most Benefits



Source: Family Resource Simulator: TX, 2004.

**Figure 3: Resources Before and After Subtracting Basic Expenses**

Chicago, Illinois: Single-Parent Family of 3 Receiving Most Benefits



Note: Labels have been added to this chart to show more clearly how benefit limits reduce the impact of increased earnings.  
Source: Family Resource Simulator: IL, 2006.

step involves modeling policy changes that would improve work support benefits for families. Finally, NCCP works with our partners to estimate the costs of various policy options and to share this information with key stakeholders.

The Family Resource Simulator and the *Making "Work Supports" Work* initiative are generously funded by the Annie E. Casey Foundation.

#### LEARN MORE

The FRS is available on NCCP's web site, [www.nccp.org](http://www.nccp.org), for AL, CO, CT, DC, DE, GA, IL, MA, MD, MI, NY, PA, and TX.

For more information about the *Making "Work Supports" Work* initiative, contact:

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<sup>2</sup>Although not really a tax, the term "marginal tax rate" is used to refer to the net value of additional earnings.