



Supporting Work Through Work Supports

Presentation for Governor's Task Force on Poverty

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Supporting New Mexicans

- ✓ People who work hard should enjoy a decent standard of living
- ✓ Every child should have the opportunity to succeed

Measures of Poverty

- ✓ In 2008, the Federal Poverty Level (FPL) for a family of four is \$21,200 – too low for subsistence
- ✓ The FPL does a poor job of measuring economic insecurity
- ✓ Basic Family Budgets are a better measure of what families need to stay afloat – for Albuquerque, a Basic Family Budget for a family of four would be \$43,100 for 2008

The Basic Family Budget

- ✓ A Basic Family Budget (BFB) uses the actual costs of the goods and services needed to have an adequate standard of living
- ✓ BFBs are specific to family size and configuration
 - ✓ 1- and 2-parent families with 1, 2 and 3 children
 - ✓ A May 2008 study added 1- and 2-person households with no children
- ✓ The rest of this presentation will draw heavily on the analysis in the Center for Economic and Policy Research's 'Bridging the Gap' report

Analyzing Family Economic Hardship

- ✓ First step: establish the state's BFB as a baseline for comparison
- ✓ BFB components for each geography are:
 - ✓ Housing and food
 - ✓ Childcare
 - ✓ Transportation
 - ✓ Health care
 - ✓ Other necessities
 - ✓ Taxes
- ✓ Several examples of New Mexico-specific BFBs from 2004 have been attached to this presentation

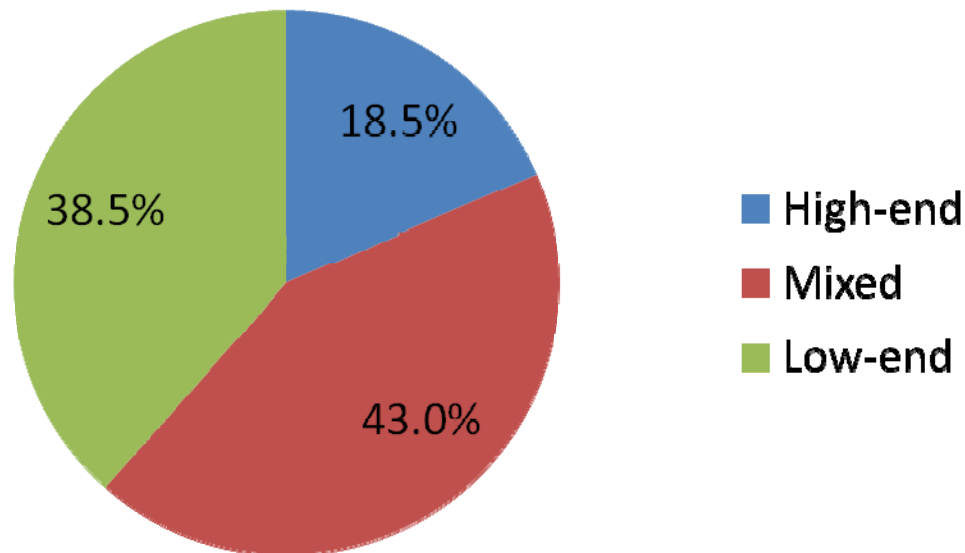
Income Level is A Key Factor

- ✓ The foundation for income for working families is employment
- ✓ A “high-end job” is a job that pays more than \$17.00 per hour and has health care and pension benefits
- ✓ Only 18.5% of jobs in New Mexico meet the standard for a high-end job
- ✓ Most working New Mexicans don’t even meet the austere standard of the Basic Family Budget

Income Levels in New Mexico

- ✓ A low-end job pays less than \$17.00 an hour and does not carry health insurance or pension benefits
- ✓ 38.5% of jobs in New Mexico are low-end jobs

Quality of Jobs in New Mexico



Minimum Wage Effect

- ✓ New Mexico's minimum wage will increase to \$7.50/hour in January 2009
- ✓ With consumer inflation running at nearly 4%, workers will lose 20% of that increase to inflation over five years
- ✓ The state's minimum wage should be tied to a standard that rises with the cost of living

Assessing Hardship

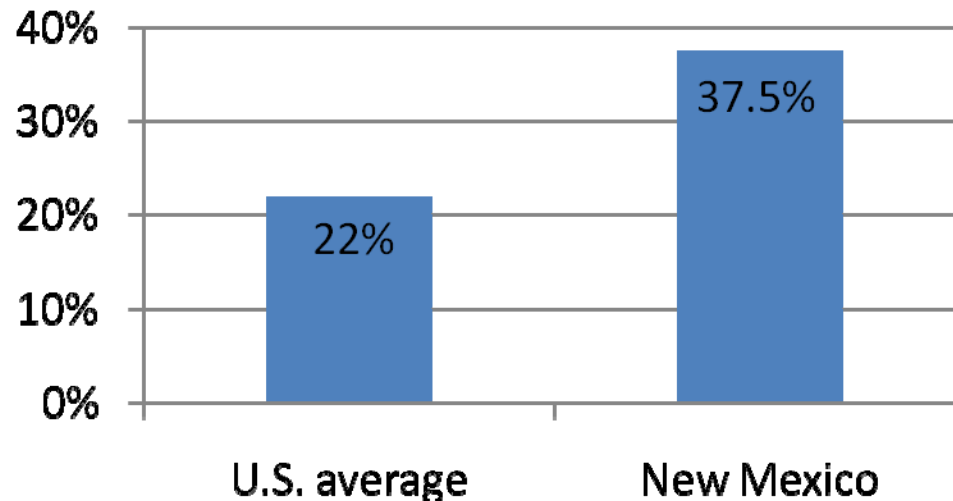
- ✓ ‘Work Supports’ are often ignored in assessing family economic hardship, which can distort the true picture

- ✓ Work Supports for working families include:
 - Earned Income Tax Credit
 - Medicaid and S-CHIP, Food Stamps
 - TANF (Temporary Assistance for Needy Families),
 - Housing supports
 - Childcare assistance

Hardship in New Mexico

- ✓ Nationally, 22% of people in working families are economically insecure even after taking work supports into account
- ✓ In New Mexico, 37.5% are economically insecure

Economically Insecure Working Families



Jobs are the Foundation

- ✓ There is a direct relationship between low-end jobs and economic insecurity
- ✓ 38.5% of jobs are low-end in New Mexico
- ✓ 45% of New Mexican working families are economically insecure before taking work supports into account.
- ✓ 44.4% of jobs in New Mexico provide employer-supported health insurance
- ✓ 41.6% of jobs in New Mexico provide employment-based pensions

Closing the Hardship Gap

- ✓ Work supports play an important role in promoting economic security and opportunity for working families
- ✓ New Mexico's work supports close almost three-quarters of the gap between income from employment (wages) and the Basic Family Budget. That leaves about one-quarter of the difference that is not covered

Recommendations - Income

- ✓ Improve wages
 - ✓ The minimum wage should increase with the cost of living to help families stay afloat
- ✓ Implement personal income tax simplification
- ✓ Raise the wage requirements under state incentive programs such as the Jobs Training Incentive Program (JTIP), the High Wage Jobs Tax Credit, etc.

Recommendations - Work Supports

- ✓ Increase the Working Families Tax Credit to 15% of the federal Earned Income Tax Credit
 - ✓ Restrict tax refund anticipation loans, which can reduce the value of the state and federal credits by up to one-third
- ✓ Provide comprehensive health care to all children
- ✓ Increase Food Stamp participation from 60% to 80%
- ✓ Increase investment in early childhood education
- ✓ Provide adequate, recurring funding for the Housing Trust Fund

Recommendations - Other Supports

- ✓ Increase funding for adult basic education programs
- ✓ Increase funding for incumbent worker training within the Jobs Training Incentive Program
- ✓ Reduce the risk to working families from payday loans