Strong, productive workers and families are the backbone of Nebraska’s communities and its economy. Unfortunately, many families in our state are struggling.

In fact, almost ONE out of THREE working families in Nebraska are low income; nearly 70,000 people in Nebraska.

Working families should not be in poverty. In order to lift Nebraskans out of poverty, we must ensure families can earn a wage to support a family, and can access work supports and health care coverage. We can and should invest in families and workers, and we can do so through policy decisions that will ultimately strengthen our communities.

“Nebraska Snapshots: Indicators of the Health of Workers and Families” looks at state-level data measures regarding economic opportunity, a healthy workforce, and economically stable families, and offers recommendations to improve the circumstances of thousands of Nebraskans.

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Even during the great recession, Nebraska’s economy has remained relatively strong. In 2013, our average unemployment rate of 3.9% was very low on a national scale, compared with the national average of 7.4%. More recently, Nebraska had the nation’s second-lowest unemployment rate. And our overall labor force participation rate in 2012–72.3%, ranked Nebraska second in the nation.

But sadly, even with our low unemployment rate and high labor force participation, many workers in our state struggle to make ends meet due to working in low wage jobs. (See sidebar at right.)

Thousands in our workforce are working in low wage occupations, and many of them hold multiple jobs to make ends meet. In order to remain economically strong, and to allow working families to meet their basic needs, Nebraska must ensure hard work pays. A key component of making hard work pay is ensuring jobs pay sufficient wages.

**Raise the Minimum Wage**

Working hard and taking care of one another are Nebraska values. Yet, despite working hard, families are falling behind. Nebraska’s current minimum wage is $7.25 per hour. At this wage level, a worker working 40 hours per week, 52 weeks per year, earns $15,080. This is below the federal poverty line for families of two or more. Nebraskans should not work full time jobs and still live in poverty. An increased minimum wage has the potential to lift families out of poverty through increased wages. Indeed, raising the minimum wage by just 10% could reduce poverty by 2.4%.

By raising the minimum wage, we can affirm the dignity in a hard day’s work, rebuild the middle class and help families earn enough to meet their basic needs. Hard work should pay in Nebraska.
A strong economy and a healthy workforce depend on a health care system that works for Nebraskans. Our system is improving; with tens of thousands of Nebraskans able to afford health care coverage through the new Health Insurance Marketplace created by the Affordable Care Act (ACA). However, many Nebraskans still do not have health insurance (See sidebar at left).

Moreover, families earning the lowest incomes cannot get help to pay for coverage in the Marketplace. These individuals fall into the “Coverage Gap.”

Under the ACA, which was mostly upheld under the 2012 U.S. Supreme Court ruling, those with incomes from 100% Federal Poverty Level (FPL) to 400% FPL can get help with the cost of health insurance through what is known as “tax subsidies.” This has allowed thousands of Nebraskans to access health insurance, many for the first time.

But, the U.S. Supreme Court found that the Medicaid coverage provision under the ACA must be optional for states. This means that those earning the lowest incomes (those below 100% FPL or $11,490 per year) cannot get help to pay for coverage in the Marketplace, because tax subsidies are available only to those with higher incomes (from 100% FPL to 400% FPL).

The consequence is that at least 54,000 of the lowest-income Nebraskans fall into the “Coverage Gap,” and will have no affordable avenue to health insurance, unless the Nebraska Legislature extends Medicaid coverage to them. Unfortunately, Nebraska has not yet taken the option to cover more adults under Medicaid. The lack of health insurance coverage for so many low-income workers puts their health and the health of our economy in jeopardy.

Health Insurance Coverage: Benefits for Nebraska’s Workforce

Healthier employees make for a more productive workforce. According to one estimate, 73% of all individuals that fall into the Medicaid Gap are working and Medicaid coverage under the ACA can help to ensure these low-income workers’ health care needs are addressed before they become so severe that worker productivity time is lost.

Indeed, Medicaid insurance has been shown to help low-income adults access preventative care and get treatment for chronic diseases. Extending Medicaid would even finance 10,770 to 13,044 jobs per year. Without this
coverage, however, working adults are simply less healthy and less able to be productive in our economy.

**Extend Medicaid Coverage in Nebraska**

To ensure Nebraska’s workforce is healthy and productive Nebraska should extend health insurance through Medicaid under the ACA. Extending Medicaid coverage could save as many as 500 lives per year, and would bring billions of dollars back into Nebraska’s economy. It would also allow more than 54,000 uninsured Nebraskans to gain coverage and be healthier and more productive. Simply put, it is the right thing to do for our workforce and our economy.

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**Economically Stable Families**

Families must be economically stable in order to fully participate in our communities and our economy. But too often, low-income families work hard but cannot afford the basic building blocks of a stable life on their wages alone (See sidebar at right and on page 6).

When working families who earn low wages struggle to make ends meet, they often turn to work support programs, like the Child Care Subsidy Program (CCSP) or the Supplemental Nutrition Assistance Program (SNAP), to fill the gaps. Unfortunately, state policies around work support programs can actually undermine hard work. The eligibility requirements of these programs can disincentive accepting a raise or working more hours because modest increases in earnings result in a lost benefit, often leaving families in a worse financial position. This is known as the “cliff effect.” (See Example on page 6)

**The Cliff Effect**

The cliff effect occurs when modest increases in earnings or a new job result in a significant loss of work support assistance; leaving families in a financially worse position than before the increased earnings. For example, an increase of 25 cents an hour in pay might put a family over the eligibility threshold for SNAP, causing them to lose that support. But that 25 cents an hour is not enough.
to cover the cost of the food that the family needs and was able to purchase with the help of SNAP. Similarly, if that 25 cent raise means a family loses child care assistance, the 25 cents an hour will not replace the support they receive from the child care subsidies. Without child care, a parent cannot work, creating an unproductive cycle with perverse incentives. This happens when eligibility levels for programs, like CCSP or SNAP, are so low and are designed to suddenly terminate – even with a modest increase in income.

The small increase in income does not offset the amount of assistance that was lost, ultimately resulting in the family being in a poorer situation.

**Incentivize Work by Addressing the Cliff Effect**

Nebraska can address the cliff effect in various programs by ensuring state policies help to reward work. In Nebraska, we can make changes to the child care subsidy program and SNAP.

**Extend Transitional Child Care Eligibility to CCSP Recipients**

Affordable childcare is vital to allow families to work and to keep children safe. In Nebraska, the Child Care Subsidy Program (CCSP)

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**Cliff Effect Example: Working mother with one child earning minimum wage**

- Mother currently earns the minimum wage of $7.25 per hour, working 40 hours per week, grosses $1,160 per month. Despite working full-time, this mother and her child are living well below the poverty level.
- Mother applies for and accepts another job, which pays $10 per hour, or a little over $20,000 per year. Working 40 hours per week, she grosses $1,600 per month – an increase of $440 per month in gross income.
- Because of an extra $440 per month in income, this mother now makes “too much” to qualify for assistance.
- Because she took a better paying job, she now has $560 less in her budget to meet her family’s needs than before she took the raise.

*For this mother, taking pay raises result in one step forward and two steps back.*
provides assistance to low-income families that are working their way towards financial stability, by helping cover the costs of child care. The program helps parents have a safe place for their children while they find work, maintain employment, or gain the education and skills needed to get a better job. Without this assistance to cover the cost of child care, many Nebraskans would be unable to work.

Unfortunately, access to the program is more limited than it needs to be. CCSP’s current income limit is 130% of the federal poverty level (FPL). If a family takes a raise, works more hours, or gets a new job earning income that takes them over this level, the family may experience the cliff effect, losing child care subsidy and potentially access to child care entirely, placing their continued employment in serious jeopardy.

On the other hand, individuals that have participated in Nebraska’s welfare to work program, called Aid to Dependent Children (ADC), are able to earn up to 185% FPL before they lose eligibility for child care assistance. This is known as transitional child care. Unlike families on CCSP, transitional childcare allows ADC recipients that increase their earnings through work to maintain their subsidy and not face the eligibility cliff.

Stated differently, if an individual receives ADC payments, they are allowed to continue to receive child care assistance until they reach 185% FPL (transitional child care). However, if an individual was never on ADC but earned low enough wages to meet the 130% FPL income eligibility threshold, they must remain below 130% FPL to continue to access child care assistance.

Creating a smooth transition to economic stability – instead of a cliff – is a smart policy that supports work as a way out of poverty. Allowing all families receiving CCSP to access transitional child care, up to 185% FPL, would reward work and address the cliff effect. Families in this situation could continue to pay an increasing portion of the cost of child care on a sliding scale. Raising transitional child care levels allows families to move ahead without facing significant losses in support that puts them back.

**Extend the Gross Income in SNAP**

SNAP helps many families in Nebraska put food on the table each month. In fact, around 180,000 Nebraskans – roughly 10% of the state’s population – receive SNAP. Under SNAP, there are two income tests that families must meet to be eligible. The first a 130% FPL gross income limit. The gross income is a household’s total income, before any deductions have been made. If a family is under 130% FPL then they must also meet the net income limit. Net income means gross income minus allowable deductions under SNAP, for things like the cost of housing, child care, or medical expenses.
Unfortunately, if a parent gets a small raise, the family may be pushed just over the gross income limit, leaving them in a position where they are ineligible for SNAP but still struggling to put food on the table. In other words, a small raise can push a family over the SNAP cliff (just past the eligibility threshold), leaving them worse off than before. But, Nebraska has the option to extend access to SNAP by raising the SNAP gross income limit from its current level of 130% FPL to a higher level; 185% FPL for example. By implementing this change, working Nebraskans who can show that their household expenses make it difficult to afford food would be eligible for SNAP. The rule change would allow household bills, like childcare, healthcare, or rent to be taken into account when determining eligibility for the program. In other words, the gross income limit would increase, but the net income limit would stay the same.

Increasing the gross income limit for SNAP would address the cliff effect and help working people striving to move off of public assistance. They would be allowed to increase their wages without losing essential food assistance before they can afford it.

Summary

Hard working Nebraska families are one of our state’s best assets. Investments in families and workers today will solidify our workforce for the future and contribute to the strength of Nebraska’s communities. State policy has great potential to impact the lives of hard working Nebraskans. Greater focus on making hard work pay, building a healthy workforce, and work supports for working families struggling to make ends meet can all contribute to our state’s ability to succeed in a global economy.
i) Population Reference Bureau, analysis of 2012 American Community Survey. For definitions of low income see infra, footnote ii.

ii) Unless otherwise denoted, data are derived from the American Community Survey (ACS) and the Current Population Survey (CPS), generated by the Population Reference Bureau. The following definitions are used throughout. A family is defined as a primary married-couple or single parent family with at least one child under age 18 present in the household; low-income family is defined as a family with an income below 200% of the federal poverty level (FPL) or double the threshold for poverty as defined by U.S. Census Bureau; low-wage is defined as a wage below the full-time, full-year wage required to keep a family of four out of poverty. In 2013, a family of four required $23,836 to stay out of poverty (at least $11.46/hr. on a full-time, full-year basis); Poor or family poverty is defined as a family with an income below the threshold for poverty as defined by the U.S. Census Bureau; and Working Family is defined as a family where all family members age 15 and over have a combined work effort of 39 or more weeks in the last 12 months or all family members age 15 and over have a combined work effort of 26 or more weeks in the last 12 months and one currently unemployed parent looked for work in the previous four weeks. The federal government defines family income as based on all family members age 15 and over.

iii) This section looks at indicators that reflect access to quality jobs that pay family-supporting wages.

iv) This section looks at data showing the availability of health care coverage for low-income adults and families.

v) This section looks at indicators showing the well-being of families and children in Nebraska, with a specific focus on how work support programs are structured.


ix) Data are taken from Geographic Profile of Employment and Unemployment, published by the Bureau of Labor Statistics, and based on the Current Population Survey, 2013. This is Preliminary data, but it is expected that labor force participation rates will be little changed. For updated data go to: http://www.bls.gov/gps/#tables.

x) This is a measure of the extent to which wage and salary jobs are in occupations, which pay below poverty, and the extent to which wage and salary jobs pay below 200% of poverty. See Population Reference Bureau, Analysis of May 2013 Occupational Employment Statistics.

xi) This indicator measures the percentage of all workers over 18 who hold more than one job. See Population Reference Bureau, analysis of 2013 Basic Monthly Current Population Survey.


xv) This is a measure of the extent to which at least one parent in working low-income and poor families does not have health insurance, whether provided through an employer or the government. If one spouse has health insurance and reported having group insurance, the spouse is automatically considered to have health insurance. See Population Reference Bureau, analysis of 2012 American Community Survey.

xvi) See Id.

xvii) This is a measure of the extent to which workers 18 to 64 do not have health insurance, whether provided through an employer or the government. (It is assumed that workers over 64 are eligible for government-provided health insurance). See Population Reference Bureau, analysis of Current Population Survey, Annual Social and Economic Supplement, March 2013.
Nebraska Appleseed is a nonprofit organization that fights for justice and opportunity for all Nebraskans. We take a systemic approach to complex issues — such as child welfare, immigration policy, affordable health care, and poverty — and we take our work wherever we believe we can do the most good, whether that’s at the courthouse, in the statehouse, or in the community. We would like to thank the ConAgra Foundation for its support, which allowed this project to happen.


xxiv) See Supra, note xxi, at pg. 1-2, Exhibit 1.

xxv) Population Reference Bureau, analysis of 2012 American Community Survey.

xxvi) Id.

xxvii) Id.

xxviii) The Child Care Subsidy Program (CCSP) helps to pay for the cost of child care for low income adults that are pursuing employment or education.

xxix) At $1,160 in monthly income, this family is at approximately 96 of the 2014 FPL ($7.25 per hour X 40 hours per week X 52 weeks in a year = $15,080 per year).

xxx) At $1,600 in monthly income, this family is at approximately 132% of the 2014 FPL. ($10 per hour X 40 hours per week X 52 weeks in a year = $20,800 per year).

xxxi) $440 increased wages minus $350 in lost SNAP assistance minus $650 in lost child care assistance = -$560.

xxxii) There is a range of income eligibility for the program. Some families are eligible at about 47% FPL with no cost sharing (ADC eligibility). Others families are eligible at 130% FPL, and must pay a portion of the cost of child care to the provider.

xxxiii) Eligibility for the program was cut in 2002 from 185% FPL to 120% FPL.

xxxiv) See Nebraska Legislative Bill 507 (2013). Note also that 10% of income is disregarded after utilizing the program for 12 months of continuously. See Nebraska Legislative Bill 359 (2014).

xxxv) 185% FPL is about $2,900 per month for a family of three.
