



The Iowa Policy Project

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The Cost of Living in Iowa — 2016 Edition, Part 3

Work Supports Leave Gaps in Path to Middle Class

IOWA CITY, Iowa (Nov. 15, 2016) — Iowa can design child care assistance and other policies to “make work pay” for low-income working families, a new report shows.

“Earnings fall short for 1 in 5 families. We can find ways to use public policy to help families to prosper,” said author Peter Fisher, research director for the nonpartisan Iowa Policy Project (IPP).

In “*Strengthening Pathways to the Middle Class: The Role of Work Supports*,” Fisher identifies “cliff effects,” where a higher-paying job can result in fewer resources in the household budgets of low- and moderate-income families. The report is available at www.iowapolicyproject.org.

“This is a longstanding problem. Instead of celebrating a new or better job as they try to move to the middle class, families can feel like they are falling off a cliff,” Fisher said. “More pay or more hours can actually leave you with less to support your family.”

The report is the third in Fisher’s 2016 “Cost of Living in Iowa” series, which maps basic family budgets for families in every county, examines what share of families can meet those bare-bones budgets, and in this report, looks at the benefits and shortfalls of work-support programs.

For example, Child Care Assistance can address a big cost item in a household budget, but eligibility vanishes at just 145 percent of the federal poverty level.

“That is very low,” Fisher said. “If you’re a single parent with one preschool child, your child care assistance vanishes when you make just \$11.15 an hour — a net loss of about \$4,600.”

The report recommends:

- Reforming Iowa’s Child Care Assistance program to eliminate a huge disincentive called the “cliff effect” and to make it more effective as a help to parents trying to improve their skills and raise their wage level.
- Expanding the Earned Income Tax Credit to provide even stronger support to low-wage workers, encourage more work effort, and keep children out of poverty.
- Expanding the Child and Dependent Care Credit to cushion the loss of Child Care Assistance.

The Iowa Policy Project is a nonpartisan, nonprofit public policy analysis and research organization based in Iowa City. Reports are at www.iowapolicyproject.org.

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