What is the “Cliff Effect”?  

Single Parent Family with two children in Allegany County or Garrett County, MD

This is what we call the “Cliff Effect”. It depicts a single parent with 2 children that lives in poverty. The 2017 federal poverty level for a family of 3 is $20,420 or $9.81/hour working 40 hours per week, year round. Maryland’s minimum wage is $9.25/hour and will increase to $10.10/hour in July 2018.

At this income, the family qualifies for benefits (such as child care vouchers, housing and energy assistance, food stamps, and medical assistance) that help cover the cost of basic necessities. However, as earnings increase, families begin to lose these benefits. The Result? Parents can earn more without improving their financial situation.

Notes:
At $13.83/hr. food stamps are lost.
At $14.42/hr. child care subsidies are lost.
At $14.67/hr. straight Medical Assistance is lost, but coverage is available through MCHP until $22.44/hr.
At $16.42/hr. public housing is lost.
At $17.18/hr. energy assistance is lost.
And at $17.93/hr. WIC benefits are lost.

The family doesn’t breakeven at $20/hour and you can clearly see that even at $21/hour the family is not as well off financially as they were at $9.81/hour with supports.

*Eligible for $5,616 EITC ($2.70/hour) for 2017 tax year