

Impact of Living Wage on Individuals Receiving Government Assistance

One of the concerns associated with living wage initiatives is that raising employee wages may result in a subsequent loss of benefits for families currently receiving government assistance. Unfortunately, this is a legitimate concern and one we would like to briefly address. Individuals whose families live on an income below 130% of the poverty level could potentially be receiving Food Stamps, the Earned Income Tax Credit (EITC), and Section 8 housing assistance. If individuals receive only a small increase in their wages, an increase not sufficient to raise them out of poverty to a living wage, it is possible that such a small increase in wages could be completely offset by a subsequent loss in social programs, or an increased cost in those programs. However, it is important to note that while these individuals may be no better off due to a raise, they are certainly no worse off than before.

Let us take this worst case scenario as an example. Assume an individual is receiving food stamps, EITC and Section 8. If that individual gets a raise, but a raise insufficient to raise him above 130% of the federal poverty level (FPL), he will still qualify for food stamps. However, as long as he stays under 130% FPL, every \$100 raise in income will result in a loss of \$24 in food stamps. Note that the individual still receives a net raise of \$76. In addition, because Section 8 is figured on 30% of an individual's income, for every \$100 increase, his rent will increase by \$30. The net raise is now \$46. In addition, the individual may lose approximately \$20 of their EITC. The resulting net raise is then \$26. It is important to note that even with all of these deductions, the individual is still experiencing a net gain in income.¹

At this time, we have no way to determine how many, if any, Texas A&M employees would be facing such a scenario. While this seems to be discouraging to the implementation of a living wage, we would like to suggest otherwise. If people are ever to see a rise in their income, they must pass through the income range where they lose eligibility for government subsidies and see an apparent rise in costs – the range where they won't see much of a wage gain. BUT, once they are through this range of income, they do get to keep more of this wage gain and it will make a significant difference in their daily lives.

Thus, it is essential that the living wage be a significant increase in order to move families toward self-sufficiency. Wages that enable self-sufficiency respect human dignity, encourage individual responsibility, and help build caring, healthy families. As Martin Luther King, Jr. said, "There is nothing but a lack of social vision to prevent us from paying an adequate wage to every American citizen... There is nothing except shortsightedness to prevent us from guaranteeing an annual minimum and livable income for every American family." We encourage Texas A&M to join in this vision and guarantee a livable income for all A&M employees.

¹Personal Communication (September 19, 2004). Edith Rasell, M.D., Ph.D. Minister for Labor Relations and Community Economic Development, United Church of Christ.