BENEFITS CLIFFS: WHAT ARE THEY AND HOW CAN WE BRIDGE THEM?

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Unemployment rate: **3.5%**

Workforce Projections 2016-2026:
- Employment expected to grow by **11.5 million**
- Unemployed persons per job opening **0.8**
- Labor force expected to be **older** and more **diverse**

BUREAU OF LABOR STATISTICS, 2019
NATIONAL LABOR MARKET

*As of 7/29/2019
**WHERE WILL THE JOBS BE?**

**Chart 1. Ten fastest growing occupations, projected 2016-26**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percent change, projected 2016-26</th>
<th>Employment change, projected 2016-26 (in thousands)</th>
<th>Median annual wages, May 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar photovoltaic installers</td>
<td>104.9%</td>
<td>11.8</td>
<td>$39,240</td>
</tr>
<tr>
<td>Wind turbine service technicians</td>
<td>96.3%</td>
<td>5.6</td>
<td>$52,260</td>
</tr>
<tr>
<td>Home health aides</td>
<td>47.3%</td>
<td>431.2</td>
<td>$22,600</td>
</tr>
<tr>
<td>Personal care aides</td>
<td>38.6%</td>
<td>777.6</td>
<td>$21,920</td>
</tr>
<tr>
<td>Physician assistants</td>
<td>37.3%</td>
<td>39.6</td>
<td>$101,480</td>
</tr>
<tr>
<td>Nurse practitioners</td>
<td>36.1%</td>
<td>56.1</td>
<td>$100,910</td>
</tr>
<tr>
<td>Statisticians</td>
<td>33.8%</td>
<td>12.6</td>
<td>$80,500</td>
</tr>
<tr>
<td>Physical therapist assistants</td>
<td>31.0%</td>
<td>27.4</td>
<td>$56,610</td>
</tr>
<tr>
<td>Software developers, applications</td>
<td>30.7%</td>
<td>255.4</td>
<td>$100,080</td>
</tr>
<tr>
<td>Mathematicians</td>
<td>29.7%</td>
<td>0.9</td>
<td>$105,810</td>
</tr>
</tbody>
</table>

Five out of 10 new jobs are in health and human services sectors.
BENEFITS OF WORKING

- Financial security and independence
- Increased happiness, confidence and self-esteem
- Faster recovery from sickness
- Reduced risk of long-term illness
- Provides social outlet and builds network of relationships
ENGAGING WITH NON-TRADITIONAL WORKERS

Employment for People with Disabilities: Labor Force Participation
• People with disabilities: 33.9%
• People without disabilities 77.8%

Military Spouses:
• 66% of military spouses are in the labor force
• 12% are unemployed and actively seeking work

Reentry Population:
• 95% in state prisons will reenter society
• Economic stability (jobs), along with family and community support key to avoid recidivism

Long-Term Unemployed, Underemployed, Dislocated Worker:
• Real unemployment rate at 7.2%
THE FUTURE OF WORK

With New Challenges Comes New Opportunities

• New opportunities for rural workforce development
• New workers to enter the labor market
• Requires lifelong learning and constant upskilling
• Continual, regular engagement with stakeholders
WHAT ARE BENEFITS CLIFFS?

- More job openings than people actively seeking work. In that gap are the non-traditional, or hard to employ workers.
- Cliffs are a major barrier to entering, staying or advancing within the workforce.
- What are benefits cliffs, or the cliff effect?
  - When a sometimes small wage increase can lead to a drop in benefits or supports that exceeds the wage increase.
FIGURE 2: The Cliff Effect in Marion County
One Adult, One Preschooler, and One School Age Child

Source: National Center for Children in Poverty’s Family Resource Simulator, Indiana 2011 <www.nccp.org/tools/frs>. When eligible, the family receives the following work supports: federal and state tax credits, SNAP/food stamps, public health insurance, and a child care subsidy. Budget numbers are from NCCP Basic Needs Budget Calculator and the Self Sufficiency Standard for Indiana.
WHOLE FAMILY APPROACH TO JOBS PROJECT

- Partnership between NCSL and Administration for Children and Families (ACF), Region 1
- Funded by the W.K. Kellogg Foundation
- Working with six New England states
- Unique set of stakeholders:
  - Legislators
  - Executive Branch (human services, TANF, SNAP, Labor etc.)
  - Parents
  - Business
  - Philanthropy (national and local)
  - Community organizations
  - Others as identified by states
WHAT ARE THE CONSEQUENCES OF BENEFITS CLIFFS?

- Businesses can’t meet their workforce needs (worker shortage)
- Family Economic Instability
- Slow Economic Mobility
- Disincentive to Work or Advance
“I hear from employers that folks can’t take on extra hours or a wage increase because they’re afraid of losing their housing, child care or other supports. We want to hand them a pole vault stick to get over the cliff.”
— Jeff McCue, Commissioner, Massachusetts Department of Transitional Assistance

“We see people who won’t take a promotion or who quit because they lose benefits. People who won’t take the opportunity to work full-time. This is detrimental to their long-term stability and to the business’s stability, who deal with churn and turnover.”
— Tricia Canavan, CEO, United Personnel

“If I work more than 33 hours, I lose my day care. If I get a raise, I have to work less hours. I am stuck in public housing. Even working full time, by myself with two kids, I cannot afford a regular apartment. I could never afford to pay for everything by myself.”
— Sarah, Maine Parent

“It’s like being pushed over the cliff, not falling. You have to work to qualify, but then working too much can cost you your Care4Kids [child care]? The same goes for food stamps and HUSKY [health care], and with those we’re barely getting by [...] And because you’re not allowed to save anything up, to have money in your bank account, you have nowhere to land.”
— Connecticut Two-Gen Advisory Group Parent Participant
BENEFITS CLIFFS: A WHOLE FAMILY APPROACH TO JOBS

- Priority of 4 states leaving the kick-off meeting
- Ultimately, all 6 states have done something to address the cliff effect over the last 2 years
- Regional Work Group:
  - Included stakeholders from all 6 states
  - Discussed federal-state interplay
  - Identified barriers to state action
  - Developed a menu of state and federal policy options to consider to prevent or mitigate the cliff effect
MOVING ON UP: HELPING FAMILIES CLIMB THE ECONOMIC LADDER BY ADDRESSING BENEFITS CLIFFS

1. MAPPING BENEFITS CLIFFS
   - Self-Sufficiency Standards
   - Benefits Calculators

2. ALIGNING ELIGIBILITY LEVELS
   - Asset Limits
   - Income Disregards
   - Alignment of Rules Across Programs

3. MAKING WORK PAY
   - Tax Credits for Working Families
   - Career Pathways

4. INCREASING FAMILY ECONOMIC SECURITY THROUGH ASSET DEVELOPMENT
   - Escrow Accounts
   - Individual Development Accounts

5. FOSTERING CULTURE AND SYSTEM CHANGES IN THE PUBLIC AND PRIVATE SECTORS
   - Employer Engagement
   - Cost-Benefit Analysis
   - Goal Setting, Career Planning and Coaching
   - Student Access to SNAP

Access the Cliffs Brief HERE!
Some states use 200% of the federal poverty guideline.

Others factor in cost of living by geography, household size, and ages of children.

Seven states use a self-sufficiency calculator (California, Indiana, New York, Ohio, Oregon, Washington and Wyoming).

Source: University of Washington School of Social Work: http://www.selfsufficiencystandard.org
MAPPING BENEFITS CLIFFS: CALCULATORS

- Case Management vs. Statewide Perspective
- Minnesota, Family Stability Indicator
- Massachusetts, CommonCalc
- Urban Institute, Net Income Change Calculator
- National Center for Children in Poverty, Family Resource Simulator

ALIGNING ELIGIBILITY LEVELS: ASSET LIMITS

- Total value of assets an individual or family may hold and remain eligible for a program.
- Programs with Asset Limits: Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Medicaid, and sometimes housing programs.
- Exemptions:
  - Restricted Asset Accounts: Individual Development Accounts (IDAs), Retirement Accounts etc.
  - Vehicles
- Recent State Action:
  - In 2018, Massachusetts increased its asset limit from $2,000 to $5,000 for TANF.
  - In 2018, Vermont increased its asset limits for TANF from $2,000 to $9,000 with HB 236.

Source: Welfare Rules Database
ASSET LIMIT EXEMPTIONS

Restricted Asset Accounts

Asset Limit Exemption: Restricted Asset Accounts

Vehicle Exemptions

Asset Limit Vehicle Exemptions

States that exempt restricted asset accounts from asset limits

States that exempt restricted asset accounts and match the amount saved

Source: Welfare Rules Database
ALIGNING ELIGIBILITY LEVELS: INCOME DISREGARDS

- Enable workers to continue receiving public benefits while their income increases.
- For businesses, such policies may keep employee turnover in low and mitigate the negative effects of worker shortages.
- For workers, income disregards can help them stay in the workforce and provide for their families.
- In 2018, Massachusetts implemented an earned income disregard of 100% for the first six months of employment while receiving TANF, as long as the family income is not over 200% of the federal poverty level.
- Come into play at initial eligibility, for benefit computation and for continuing eligibility.
  - 11 states have an earned income disregard for determining continuing eligibility for TANF (AK, DE, HI, IN, AZ, AR, CA, MT, UT, CO, MA, TX)

NATIONAL CONFERENCE OF STATE LEGISLATURES
Complexity of federal system impacts a state’s ability to align rules.

State Options:
- Streamlined applications and eligibility determinations
- Broad-Based Categorical Eligibility (BBCE)
STREAMLINED APPLICATION AND ELIGIBILITY

Temporary Assistance to Needy Families

States and Territories with Aligned SNAP and TANF Applications and Eligibility

Medicaid

States and Territories with Aligned SNAP and Medicaid Applications and Eligibility

39 states, D.C., Guam and the Virgin Islands have established broad-based categorical eligibility for SNAP benefits if they qualify for non-cash TANF or state maintenance of effort (MOE) funded benefit.

MAKING WORK PAY: TAX CREDITS FOR WORKING FAMILIES

Earned Income Tax Credit

State Earned Income Tax Credit (EITC) Laws

- Has a refundable state EITC
- Has a non-refundable state EITC
- Does not have a state EITC, but has a law addressing the federal EITC

Child Tax Credit

State Child Tax Credits

- States with Refundable Child Tax Credit
- States with Non-Refundable Child Tax Credit

Sources: NCSL, Tax Credits for Working Families
Tax Credits for Working Families: http://www.taxcreditsforworkersandfamilies.org/state-tax-credits/#1468434105770-4f9c6c5-52e0
What are they?

- Enable families to build assets by accumulating funds as the participant’s income increases.
- Allow a certain portion of increased income to be deposited into a savings account without impacting benefits or services.
- Deposits are sometimes matched by federal grants, state appropriations or local philanthropy.

Example

- U.S. Department of Housing and Urban Development, Family Self-Sufficiency Program
- Families in public housing may escrow a portion of increased earnings that would go to increased rent.
- Funds can be used for home ownership or continuing education.
- Many local housing programs require financial education
- The average graduate of the program saw an increase in earnings of $10,000 to $12,000 and graduated with more than $6,000 in unrestricted funds in their escrow account.
Savings accounts for low-income individuals.

Savings can be used for (1) education; (2) starting a business; (3) buying a home.

Investments are often matched by community-based organizations and/or local, state and federal governments.

Disregarded as income in 40 states and D.C. for purposes of TANF.
OTHER STRATEGIES

- Phase out benefits by establishing sliding scales and gradually lowering benefit amounts.
- Engage with employers who have vested interest in maintaining the workforce and advancing employees.
- Career Pathways: identify high-growth occupations where there is opportunity for wage progression.
  - Pair with strategies to reduce or smooth the cliff effect.
- Maximize potential income from both parents: several states are leveraging child support and TANF to provide employment services to noncustodial parents engaged in the child support program. Child support is often disregarded as income for public assistance.
■ Benefits have an impact on employees and employers and may create a disincentive to work or advance.
■ Small increases in wages can significantly reduce net resources.
■ There are a lot of potential strategies that could smooth, or eliminate, the cliff effect.
■ Benefits cliffs impact each state differently, knowing the landscape in your state may help determine which strategies would be most effective.
QUESTIONS?

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