

WHEN

EMPLOYERS ARE PAYING PEOPLE IN THE WORKFORCE

MORE

YOU'D THINK THAT INCREASE IN PAY WOULD GROW THEIR

MEANS

WHEN—ACTUALLY—THEY ARE BRINGING HOME MUCH

LESS.



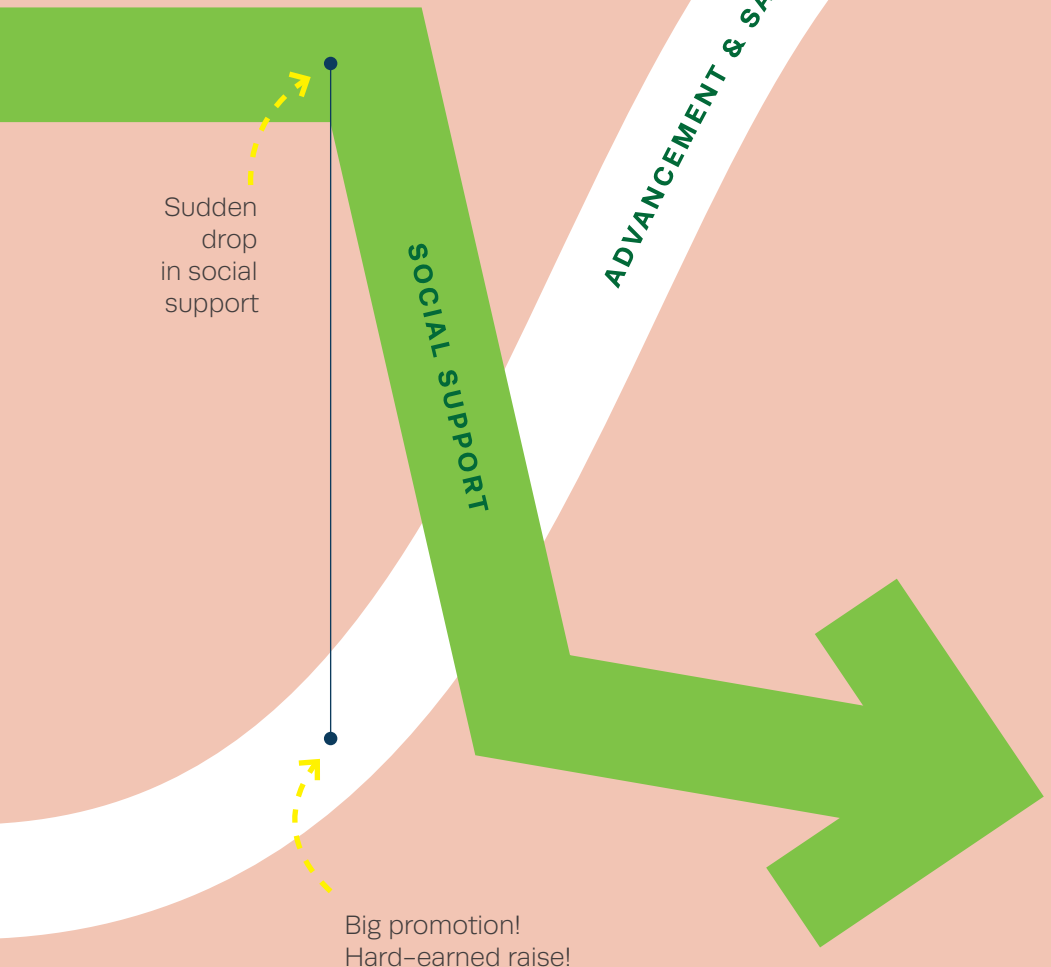
A dollar over the earnings threshold—
that's all it takes for someone to lose
critical support, including healthcare,
housing, and nutrition benefits.



THE BENEFITS CLIFF IN SHARP RELIEF.

Imagine working hard to earn a promotion and a significant raise only to find that, should you accept, you'll soon be denied assistance via social support programs that are critical to making ends meet—and leaving you and your family financially worse off than before. As a result, you're forced to make an unfair choice: advance your career or do what's best for your family in the here and now.

That's the threat of the Benefits Cliff. It's the reality for **28.4 million people** in the United States receiving any level of means-based assistance, and it's contributing to keeping people in poverty and perpetuating a cycle of dependence.



WHEN A RAISE DOESN'T HELP A COMMUNITY RISE.

Right here at home in Western New York, many available positions are going unfilled. In a recent survey conducted by the team at the Buffalo Niagara Partnership (BNP), nearly half of all employer respondents reported having employees often or sometimes turn down promotions or more hours because of the Benefits Cliff.

Everyone ends up losing. Employees don't advance, employers struggle to build their businesses, workforce development is limited, and ultimately, economic growth is stunted—locally, regionally, and nationally.

To understand the significant threats the current policies around this issue present, consider the data. This example was developed using the **Buffalo Niagara Partnership's Benefits Cliff Calculator**—a dynamic tool that helps employees and employers understand when increases in take-home pay will impact social assistance.

Cassidy

Mom of Two, Head of Home,
Healthcare Professional

Current Position

Healthcare Technician

New Position

Registered Nurse

Current Compensation

\$18/hour; \$30,114/year

New Compensation

\$25/hour; \$40,909/year

The Benefits Cliff Reality



+ \$10,795 annual increase in wages

- \$16,954 annual loss in social support*

- \$6,159 annual shortfall

*Including \$13,884 in childcare subsidies; \$2,868 in earned income tax credit; and \$202 in housing voucher credits

What can employers do to create change?

Even when employers provide substantial raises, the Benefits Cliff can still hold employees back. Given this reality, employers can't be expected to pay our collective way out of this systemic imbalance. In fact, current policies are hurting them, too, as they push employees to turn down raises or work less to stay within thresholds, which means employers are investing in the development of vital employees but never converting that investment into bottom-line growth.

How can raising the minimum wage make an impact?

Raising the minimum wage can be a good thing, but the truth is that it often doesn't close disparity gaps significantly enough and can push more people toward (or off) the Benefits Cliff. Without broader policy change, some things that seem like part of the solution often become part of the problem.



1 in 5

families in Erie County receives social support.

Source: Erie County Department of Social Services

THE SOLUTION

EVERYONE BENEFITS WHEN THE CLIFF BECOMES A SLOPE.

Leveling off and eliminating the negative impacts of the Benefits Cliff—creating more of a Benefits Slope, where support decreases gradually as a worker’s career advances—is a strategic and sustainable way to move families away from need-based social support, changing the lives of people in vital occupations, from healthcare to construction, finance to IT.

Source: Federal Reserve Bank of Atlanta

How the picture changes when benefits slope instead of cliff.

GRADUAL DECREASE IN SOCIAL SUPPORT

\$51,640 The edge of the cliff:

Currently, this is the maximum income a single-wage earner with two children can make without losing benefits—but that doesn’t always paint the whole picture. Some single-wage earners may also provide for additional family members, a partner, or aging parents.

ADVANCEMENT & SALARY GROWTH


Source: U.S. Dept. of Health and Human Services

HOW WILL ELIMINATING THE BENEFITS CLIFF BENEFIT THE ECONOMY?

Consider a scenario: Demetri—a single parent with twins—decides to bet on himself and leave his minimum wage job to train and become a computer support specialist. It's something he's wanted to do for years. Thanks to policy changes that support the worker, he's finally doing it.

The effort pays off for Demetri with greater job security, a more consistent schedule, and, of course, a higher salary. In the big economic picture, that salary translates into a net tax revenue of roughly **\$43,000** over five years—considerably more than when Demetri was an hourly, minimum wage employee.

To multiply and magnify this point of potential, there are nearly **90,000 individuals** like Demetri working in the Buffalo-Niagara region right now. **If only .5 percent of them** followed the same or a similar career path, the total net tax revenue for the state and county would equal **\$19 million over a five-year span.**



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SMARTER POLICIES ADD UP.

It's time to take action—together.

The Employ Buffalo Niagara Coalition—an employer-led initiative that connects the entire regional workforce ecosystem—is advancing the following focused policy recommendations that are designed to make an immediate impact by helping create real economic mobility across our region and state.

1

Grant a six-month grace period.

THE BIG IDEA: Provide current social support recipients reaching the Benefits Cliff a **six-month income disregard** (up to 400 percent of the federal poverty level) to allow for a **manageable adjustment period** for working families and encourage career advancement. NYS should also request a required federal waiver to apply the same monetary thresholds to federal benefit programs.

~90,000

The number of individuals poised to add significant potential tax revenue

2

Recognize training programs as work.

THE BIG IDEA: Current regulations discourage many people from career advancement by putting their benefits at risk if they enroll in a training program to learn in-demand skills. To encourage advancement, we recommend **allowing enrollment in training programs** aligned with the Workforce Innovation and Opportunity Act (WIOA) **to satisfy benefit program work requirements.**

In-demand careers that require a certification for entry, along with their annual wages:

Dental
Assistant

\$45,220

Computer
Support
Specialist

\$57,200

HVAC
Technician

\$57,860



3 **Get real about assets.**

THE BIG IDEA: Building savings—to purchase a car, make housing repairs, or simply to be prepared for an emergency—can force families over the Benefits Cliff. The current asset limit on certain benefit programs penalizes individuals who have responsibly built savings to protect their families. **Increasing the asset disregard limit from \$2,500 to \$10,000** will minimize the impact of the Benefits Cliff, encouraging financial planning and career advancement.

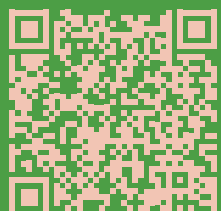
+\$7,500 The recommended increase of the asset disregard limit

4 **Band together.**

THE BIG IDEA: Eliminating the Benefits Cliff must become a top priority—the financial health of our residents and our state depends on it. Establishing an official **NYS Benefits Cliff Taskforce** will galvanize the perspectives of workers, employers, and government agencies. Working together, we will connect current mitigation efforts with the increased statewide focus on measuring progress and tailor policy to meet the region's needs.

Build your agenda.

No one knows the needs of your constituents better than you. Partner with the BNP's Employ Buffalo Niagara Coalition to advance the discussion on this vital issue and advocate for needed policy changes. **Scan the QR code to connect and learn more.**





The Benefits Cliff Calculator was developed by the Employ Buffalo Niagara Coalition—an initiative of the Buffalo Niagara Partnership—in collaboration with the Federal Reserve Bank of Atlanta.



Federal Reserve
Bank of Atlanta