

## ADDRESSING THE “BENEFIT CLIFF” IN OHIO

June 13, 2019

A key driver in the economic well-being of the state of Ohio is steady access to workforce talent. As Ohio’s unemployment rate has steadily fallen over the last two years from 5.2% to 4.3%, meeting the demand for available workers continues to be crucial to the state’s prosperity.<sup>1</sup> The Ohio Chamber of Commerce Research Foundation conducts a quarterly survey, the *Prosperity Pulse*, and its most recent findings indicate that nearly 3 in 10 business leaders (29.1%), responded that they are “very concerned” with quality of labor and finding sufficient talent for their business’ needs, with 1 in 6 (17%) rating it the most important issue their business faces.<sup>2</sup>

One component of the workforce puzzle is a scenario that is unfortunately all too common. There are numerous federal and state assistance programs aimed at lower-income Americans, designed to provide various forms of aid with the goal of putting the beneficiary on a path to self-sufficiency and success. Eligibility for these varying benefits is based on family income, as defined by the federal government. As lower-income workers move up the income scale, they may fall outside the eligibility range for some benefits and lose access to those support programs. In some cases, the effects are severe: taking just a small increase in hourly wages or working a few hours of overtime can put an individual over the threshold for eligibility, costing them hundreds or even thousands of dollars in public assistance.

This situation is known as the “benefit cliff,” and is a dilemma faced by both workers and businesses across the state. Employees may feel trapped by the public benefit system because any attempt to improve their financial condition instead results in becoming more impoverished. Employers suffer because they cannot hire workers to meet their business needs, and have difficulty advancing or promoting their employees, giving them additional hours or increased pay. The results of the benefit cliff leave businesses and their employees frustrated, reduce economic output, and reduce growth for small businesses.

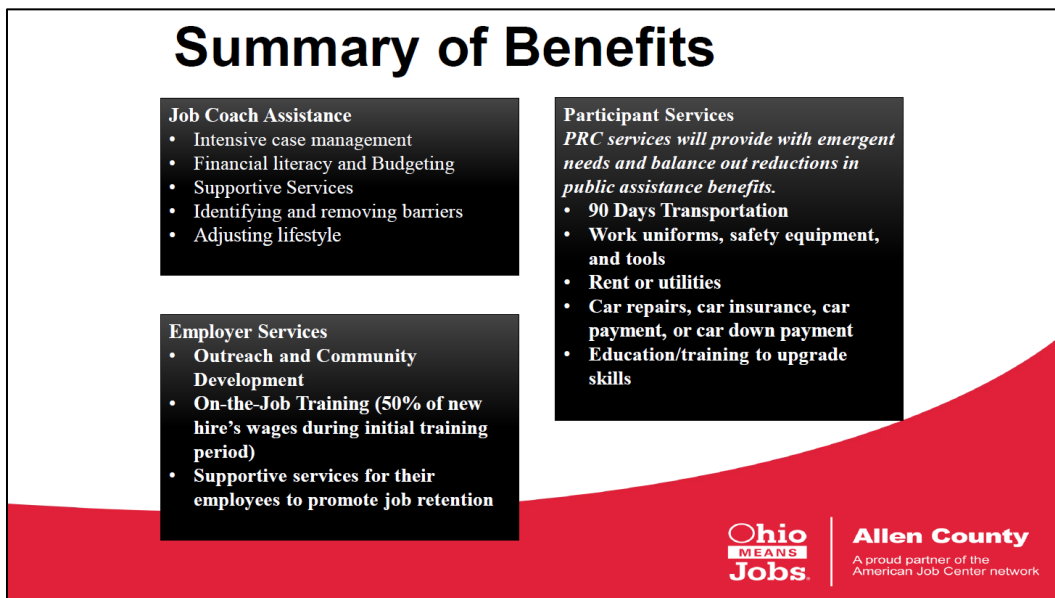
On May 23, the Research Foundation hosted a panel discussion aimed at examining the benefit cliff, to review the “Employment Incentives Program” pilot project in Allen County, and to identify potential methods to address the issue on a statewide basis. What was made clear through our conversation was a common desire among business leaders, non-profit executives, and public officials to confront this challenge and work toward solutions that would benefit workers, employers, and the state’s economy.

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<sup>1</sup> U.S. Department of Labor Bureau of Labor Statistics, Ohio Economy at a Glance  
(<https://www.bls.gov/eag/eag.oh.htm>)

<sup>2</sup> Ohio Chamber of Commerce Research Foundation 1<sup>st</sup> Quarter 2019 *Prosperity Pulse* Survey, Page 6  
([http://ohiochamberfoundation.com/wp-content/uploads/2019/05/OCCRF-Prosperity-Pulse\\_1Q\\_2019.pdf](http://ohiochamberfoundation.com/wp-content/uploads/2019/05/OCCRF-Prosperity-Pulse_1Q_2019.pdf))

After conversations between the Lima/Allen County Chamber of Commerce, Allen County Job and Family Services, and elected officials, the Allen County JFS office announced in May 2018 the formation of a new pilot program using Temporary Assistance for Needy Families (TANF) funding, aimed at “emphasiz[ing] the importance of employment, personal and community responsibility, and family support.”<sup>3</sup> The program provides participants with tiered financial incentives based on work-performance benchmarks, and, as shown in Figure 1, combines those incentives with job readiness training, financial literacy training, and limited crisis-oriented benefits and services to ensure continued advancement in the workplace as public benefits phase out. Since the announcement, more than 30 enrollees have begun the 18-month program and it has already had multiple success stories.



**Figure 1. Summary of Benefits provided to beneficiaries enrolled in the Employment Incentives Program. (Source: Allen County OhioMeansJobs)**

On a statewide level, the Ohio Department of Job and Family services is keenly aware of the sharp cliffs that beneficiaries experience with aid programs. Figure 2 below demonstrates an example of a working mother with two children at varying income levels, and the benefits as well as costs that the mother must balance to make ends meet. Not included in this chart are variable costs such as rent and transportation, which make the balancing act that much harder. Today, a single parent with two children must earn less than 130% of the Federal Poverty Level (FPL), or \$27,729 annually, in order to begin receiving state-assisted childcare. Should they earn even \$1 more than that threshold, they would not be eligible for those benefits.

<sup>3</sup> “OhioMeansJobs Allen County Announces Employment Incentive Program,” Allen County Job and Family Services Press Release, May 4, 2018.

Program	Not employed/ no earned income.	Employed 20 hours per week at minimum wage	Employed 30 hours per week at minimum wage	Employed 40 hours per week at minimum wage	Employed 40 hours per week at \$12.50 per hour
Ohio Works First - Cash	\$497	\$255	\$71	\$0	\$0
SNAP - Food	\$505	\$505	\$455	\$367	\$193
Medicaid	Eligible	Eligible	Eligible	Eligible	Eligible
Child Care	Parent copay: \$0 State payment: Unrated center: \$863.23 5-star center: \$1,211.97	Parent copay: \$0 State payment: Unrated center: \$504.86 5-star center: \$708.85	Parent copay: \$0 State payment: Unrated center: \$863.23 5-star center: \$1,211.97	Parent copay: \$0 State payment: Unrated center: \$863.23 5-star center: \$1,211.97	Parent copay: \$180.60 State payment: Unrated center: \$682.63 5-star center: \$1,031.37

**Figure 2. Example of aid eligibility and child-care costs for a single mother with two children. (Source: Ohio Department of Job and Family Services)**

Several states have proposed efforts to address the benefit cliff. In 2012, Colorado passed legislation establishing the Colorado Child Care Assistance Program, which provides a gradual phaseout of public benefit payments for childcare as opposed to a sharp cutoff that reinforces the cliff effect. The program has since been revised in 2014 and 2016, and currently operates in 15 of the 64 counties in the state.<sup>4</sup> Massachusetts passed legislation establishing the “Learn to Earn Initiative,” enabling private and non-profit partners to contract with the state and establish individual, occupation-specific programs that provide employment services, training, and a “Benefit Innovation Fund” to provide support to families to mitigate benefit cliff effects.<sup>5</sup>

## **Conclusion**

During the event, there was robust discussion involving aspects of the benefit cliff and its impact on the state economy. It became clear that there is no single answer or silver bullet to address the impact of sharp reductions in public benefits, but that there are willing partners both in the public and private sector who are giving thoughtful consideration as to how to solve this problem. Utilizing the lessons learned from the Employment Incentives Program in Allen County, exploring the models used in Colorado, Massachusetts, or elsewhere, and examining Ohio’s childcare system are important next steps. The business community should engage with state, county and local officials to inform them of the impact of the cliff on their companies.

<sup>4</sup> Brittany Birken, Erin Moriarty-Siler, Roxane White. “Reducing the Cliff Effect to Support Working Families,” Ascend, The Aspen Institute, Washington DC. April 2018. <https://ascend.aspeninstitute.org/reducing-the-cliff-effect-to-support-working-families/>

<sup>5</sup> “Learn to Earn Initiative,” Massachusetts Executive Office of Labor and Workforce Development, <https://www.mass.gov/service-details/learn-to-earn-initiative>



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As members of the Ohio General Assembly consider legislative proposals relating to public assistance programs moving forward, Ohio can and should find ways to address the benefit cliff for the betterment of workers providing for their families, businesses in need of employees, and the economic well-being of the state.