



OHIO CHAMBER *of* COMMERCE
RESEARCH
FOUNDATION

Lunch, Learn, & Lead:
*The Benefit Cliff –
Stories & Strategies*

May 23, 2019

What is the Benefit Cliff?

- There are numerous federal and state assistance programs aimed at lower-income Americans, designed to provide various forms of aid with the ultimate goal of putting the beneficiary on a path to self-sufficiency and success.
 - Ex: Medicaid, SNAP, LIHEAP/Utilities assistance, Section 8 Housing assistance, Child Care subsidies, ACA subsidies
- Eligibility for these varying aid benefits is based on family income, as defined by the federal government.
- As individuals move up the income scale, they may fall outside of the eligibility range for some programs.

What is the Benefit Cliff?

- In some cases, taking just a small increase in wages, or even working overtime, can put someone over the threshold for eligibility, costing them hundreds or even thousands of dollars in public assistance.
- Employees feel trapped by the system because attempts to improve their financial situation instead result in becoming more impoverished.
- Employers suffer because they cannot fill jobs and employees are fearful of accepting promotions or wage increases.



PROSPERITY PULSE

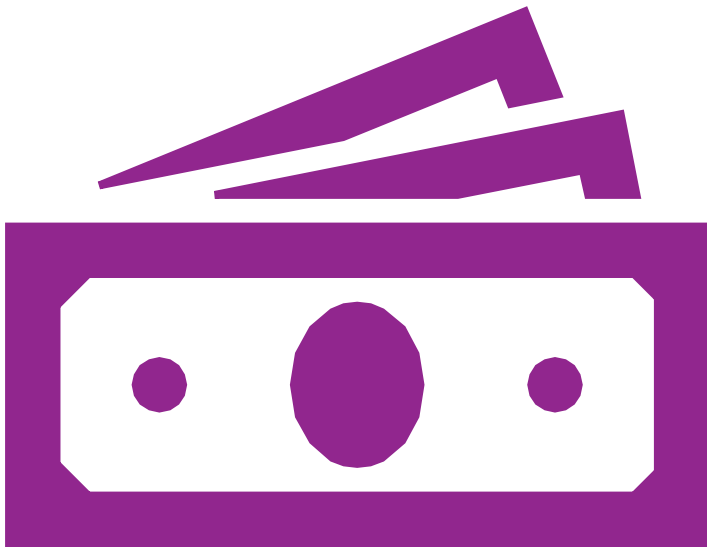
INSIGHT FROM OHIO BUSINESS LEADERS



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Benefit Cliff

“When it comes to hiring or promoting employees or raising their wages, have you found that some **employees or candidates at your company are unwilling to accept jobs, increased work hours, or other advancement** because they feared they would lose certain government benefits, including such things as welfare payments, unemployment benefits, child care, or Medicaid coverage?”



Benefit Cliff



- Nearly 1 in 5 (18.6%) business leaders answered affirmatively.
- Of those who said they have experienced issues:
 - 24% said they had issues with hiring
 - 14% said they had issues promoting employees or increasing hours
 - 8% said they had issues giving pay increases
 - 24% said they had a combination of two of those issues
 - 30% said they had issues with all three (hiring, promoting/increasing hours, increasing pay)

Jed Metzger

President & CEO

Lima/Allen County Chamber of
Commerce



Welfare to Workforce Pilot Program

The Lima/Allen County Chamber of Commerce in collaboration with Ohio Means Jobs of Allen County, Allen Economic Development Group, Greater Lima Region, Allen County Commissioners and two business owners assisted in organizing a meeting with State Representative Bob Cupp, State Senator Matt Huffman, and Ohio Director of Job and Family Services to discuss the “**Welfare to Workforce**” pilot program proposal.

The pilot program **incentivized** people currently receiving state **entitlement benefits** to rejoin the workforce by **slowly scaling** down the **rate/amount** of benefits as they transition back into employment. This would help individuals achieve self-sufficiency.

Welfare to Workforce Concept



The **Welfare to Workforce** concept began when the Lima/Allen County Chamber of Commerce Chamber and Ohio Means Jobs of Allen County worked together in coordinating a meeting with our State Representatives to discuss the concept on July 8, 2017.



The problem that existed was that all the partners were hearing from our businesses that they were not able to keep employees that were working for them due to the threat of losing benefits. When they promoted them or increased their wages by a few dollars per hour they would quit because they would lose benefits.

Business Examples of the Problem

We placed a person at Wilson Football in Ada. She started at \$12.50 an hour. She received a raise to \$13 and was about to lose food assistance. She then requested her job coach find her a job making less so she could keep her food assistance - something around \$10 an hour. The current system makes many people afraid to earn more and transitional benefits would be a solution to help wean them off food and cash assistance. This real-life example is repeated over and over with different companies and clients.

Servicemaster contacted the Chamber because one of their part-time employees, which was a single mom with three children, was doing an amazing job with their job responsibilities. She completed her job duties so well that the company gave her additional responsibilities. After several months the company decided to employ her full-time. She was very honored and excited because she felt this would help her to eventually get off of public assistance and provide her and her children a better life. Within a week of reporting her payroll she lost her food stamps, daycare and other benefits. She asked the company if they would please place her back on part-time because she couldn't afford to lose her benefits for her family.



Diamond Manufacturing hired an individual to weld for them. The individual performed very well at their job, so the company wanted to promote them and pay for additional training to enhance their welding skills. The employee declined the offer because they would lose their benefits if they made a couple more dollars per hour. The company really needed welders and was very disappointed that they were not able to promote and train this employee.



U.S. Plastics made a comment regarding the existing Employment Incentives Program (Welfare to Workforce). They stated that many times their workforce becomes stagnant in their jobs, and through this program they can promote employees which makes employees more productive within their company.



Several other businesses told us similar stories regarding increasing wages and employees quitting and going back on public assistance.

Business Examples of the Problem

General Outcomes of the Pilot Program

After meeting in July of 2017; several additional meetings were held throughout 2017 and 2018 with the Ohio Director of Jobs and Family Services, Government Officials, and our legislators to determine if a solution could be found to address the problem.

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General Outcomes of the Pilot Program

A press conference was held in May of 2018 to announce the **Employment Incentives Program** formerly known as the “**Welfare to Workforce Pilot Program**”. As a result of the program 30 individuals are now on the program and Ohio Means Jobs is averaging four new individuals every month signing up for the program. The program is allowing our businesses to keep and promote good employees and we feel it will eventually have a greater impact on securing needed employees for our businesses.





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Welfare Reform Employment Incentives Program



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The Problem...



- **Employees**

- Turning down raises or additional hours
- DIDN'T WANT TO MAKE MORE \$

- **Employers**

- Low Unemployment
- Frustrated
- Confused



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The Employment Incentives Program

Employment Incentives Program

- **The mission:** Emphasize the importance of employment, personal and community responsibility and family support
- **Tiered financial incentives** will be awarded to participants based on work-performance benchmarks to encourage transition into full-time employment.
- These incentives will help aid **employed participants** in **becoming self-sufficient** as they experience reductions in their public assistance benefits, based on income, also known as “the benefit cliff.”

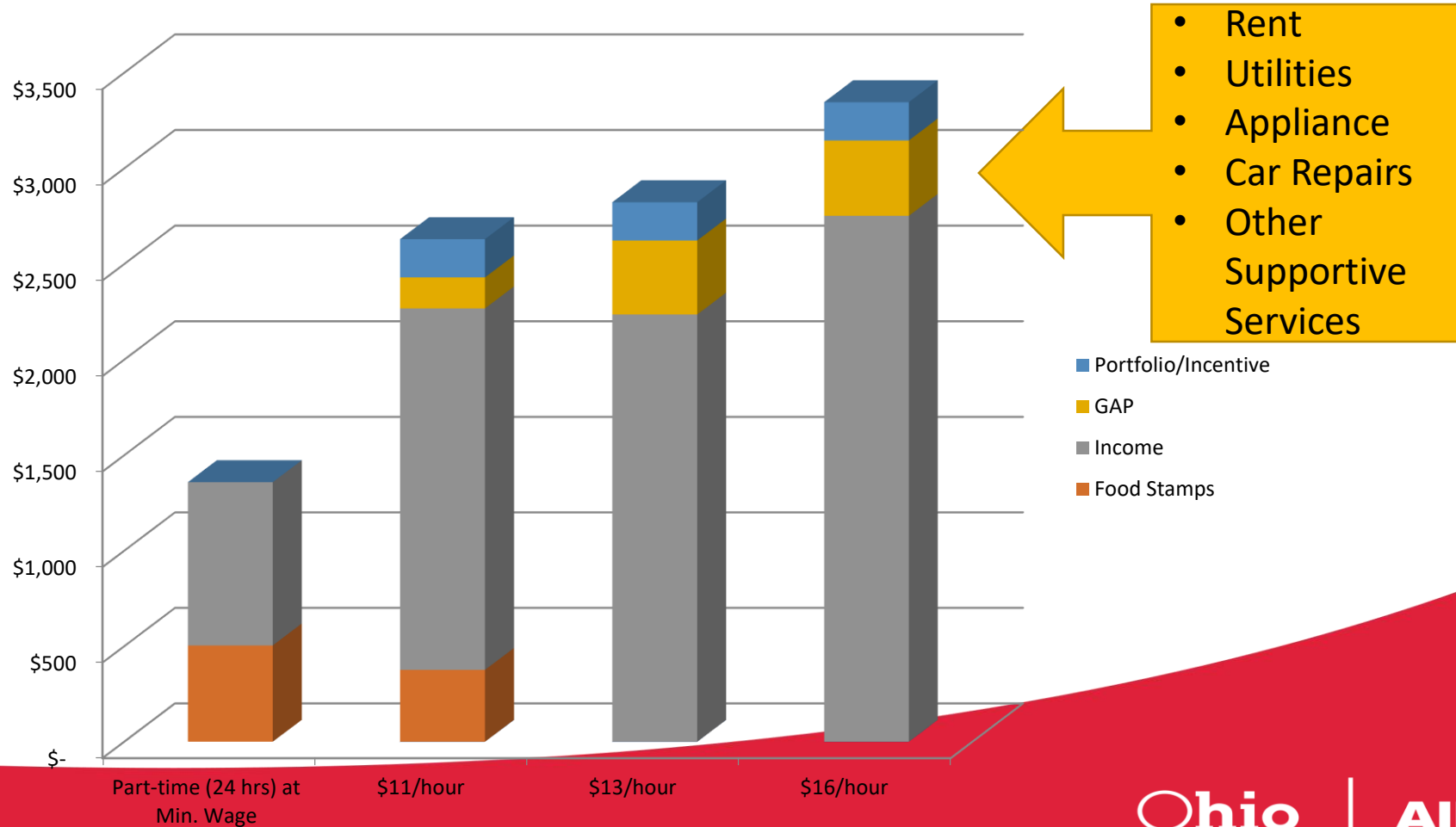
This program will serve those who are TANF eligible with an income at or below 200% of the federal poverty level and working full-time earning less than \$16/hour

The Benefit Cliff



Tier
1

Helping to Fill the Gaps to Supplement Assistance





Incentives Performance Portfolio

The Agency will generate and manage a tier-incentive performance portfolio that will be active for up to 18 months. For every month, if the participant successfully maintains full-time, uninterrupted employment, a one-time financial incentive will be added to his/her performance portfolio:

Month	Incentive	Total
Months 1-4	\$250/month	\$1,000
Months 5-6	\$150/month	\$300
Months 7-18	\$100/month	\$1,200
Total 18-month Incentive:		\$2,500

The \$2,500 will be paid out at the completion of the 18 months. In addition to this portfolio, periodic payouts will help cover the gap generated as the income rises and assistance falls to ensure the recipient is financially stable.



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Summary of Benefits

Job Coach Assistance

- Intensive case management
- Financial literacy and Budgeting
- Supportive Services
- Identifying and removing barriers
- Adjusting lifestyle

Employer Services

- Outreach and Community Development
- On-the-Job Training (50% of new hire's wages during initial training period)
- Supportive services for their employees to promote job retention

Participant Services

PRC services will provide with emergent needs and balance out reductions in public assistance benefits.

- 90 Days Transportation
- Work uniforms, safety equipment, and tools
- Rent or utilities
- Car repairs, car insurance, car payment, or car down payment
- Education/training to upgrade skills

Success Story:

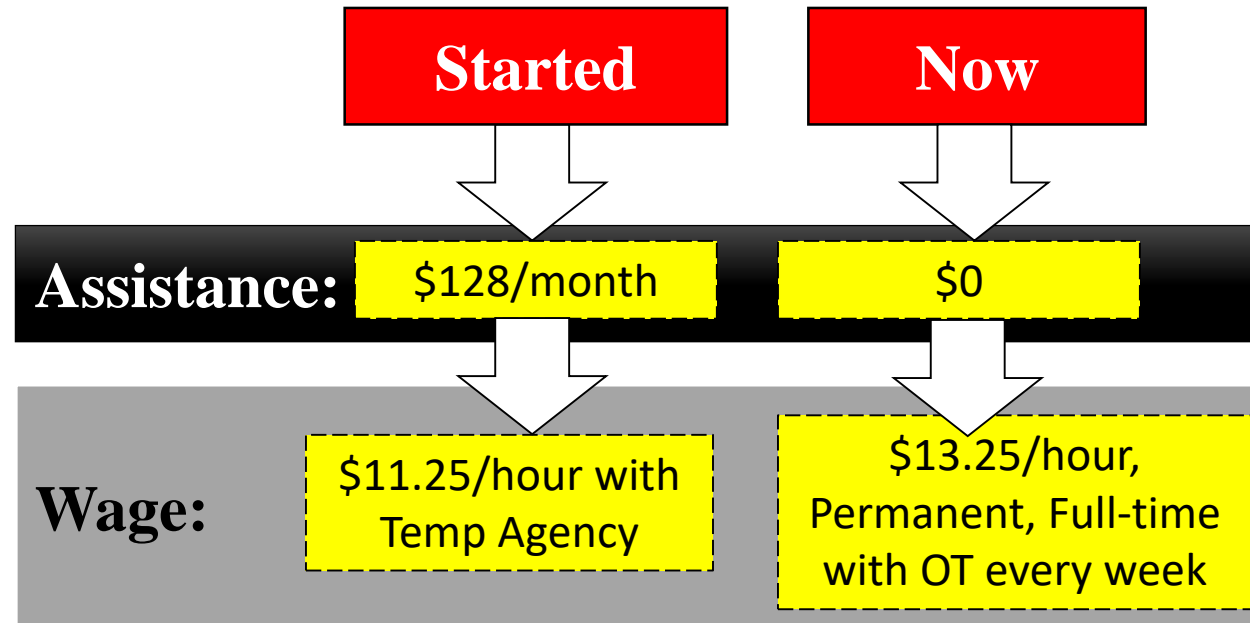
Annette

	Started	Now
Assistance:	\$241/month	\$0
Wage:	\$12.68/hour	\$17.80/hour

**No longer
needing
assistance with
her bills!**

**No longer
receives Food
Assistance or
Medical!**

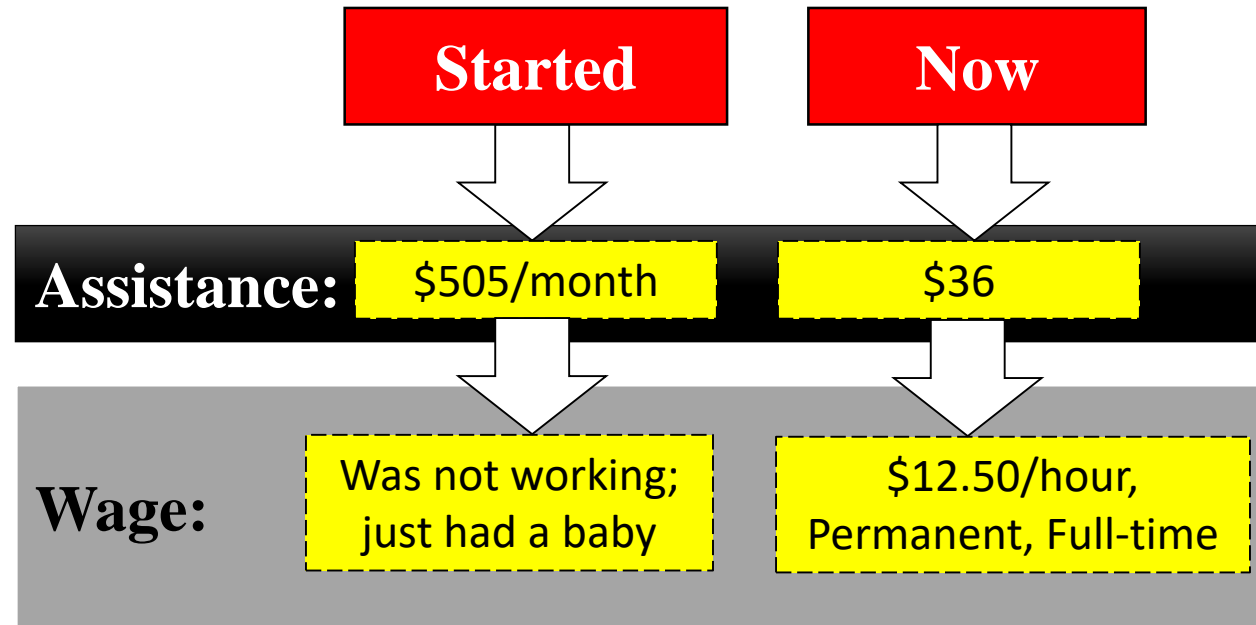
Success Story: **Cassandra**



Started saving money for the first time in years!

Other Services:
Employment transportation
Car insurance assistance
Utilities assistance

Success Story: Keshia



Started using her own money for food!

Other Services:
On-the-Job Training
Employment Transportation
Car Repair and new tires
Work attire



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Contact Information:



Joe Patton, Director

- Joe.Patton@jfs.ohio.gov
- (419) 230-0678



Jessie Garrity, OhioMeansJobs Administrator

- Jessie.Garrity@jfs.ohio.gov
- (419) 999-0332

Ohio Department of Job and Family Services

Benefit Cliff

What is the Benefit Cliff?

- When public benefit programs phase out or terminate as household earnings increase; and
- Even though household earnings increased, earnings have not increased enough to replace the lost benefits.



Benefit Eligibility

Ohio Works First Cash Assistance	50% FPL
Supplemental Nutrition Assistance Program	130% FPL
Child Care	130% FPL
Medicaid	138% FPL



Case Example: Mom w/2 children

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 <u>State payment:</u> Unrated center: \$863.23 5-star center: \$1,211.97	Parent copay: \$0 <u>State payment:</u> Unrated center: \$863.23 5-star center: \$1,211.97	Parent copay: \$0 <u>State payment:</u> Unrated center: \$863.23 5-star center: \$1,211.97	Parent copay: \$0 <u>State payment:</u> Unrated center: \$863.23 5-star center: \$1,211.97	Parent copay: \$180.60 <u>State payment:</u> Unrated center: \$682.63 5-star center: \$1,031.37

Ohio Initiatives

Child Care:

- Initial Eligibility: 125% FPL to 130% FPL
- Outtake Eligibility: 200% FPL to 300% FPL

Cash Assistance:

- Ohio Works Incentive Program
- County Incentive and Retention Programs



What's Next?



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Leadership in Ohio

- What changes would be necessary at the state level?
- At the local level?
- How can the business community get involved in driving change?

Initiatives in Other States

- Massachusetts' "Learn-to-Earn Initiative"
 - Collaborative groups of interested parties can establish pilot program opportunities in partnership with the state. Those applying can, but do not have to, come through traditional government-based administration.
- Colorado "Benefit Cliff Pilot Program"
 - Similar to Allen County EIP program, Colorado passed legislation allowing individual counties to set up pilot programs aimed at phasing-out public benefits over time.
- Maryland and Florida have conducted multi-generational poverty studies aimed in part at examining changes to public assistance programs to address cliff effects.

Questions?



Research Foundation

Justin Barnes

JBarnes@ohiochamber.com

www.ohiochamberfoundation.com