

Advancing Careers

Benefits Cliffs: Potential Barriers to Economic Mobility

Brittany Birken
Director and Principal Adviser
Community and Economic Development



Atlanta Fed – Community and Economic Development

The Atlanta Fed's Community and Economic Development department supports the Central Bank's mandate of stable prices and maximum employment by working to improve the economic mobility and resilience of people and places for a healthy economy.

We do this through the intersection of our research and engagement efforts to:

- Diversify evidence
- Build bridges to effective capacity, connections & capital
- Make research and data actionable



Advancing Careers for Low-Income Families

The Atlanta Fed's Advancing Careers initiative works to improve economic mobility and resilience by:

- Identifying how benefits cliffs and other structural barriers create financial disincentives to career advancement
- Conducting research, developing tools, and analyzing solutions on mechanisms for reducing barriers to economic mobility and resilience
- Engaging in partnerships to support community and state efforts to improve economic security for families

Benefits Cliffs

A barrier low-income families may face when working to improve their economic mobility. Also known as the “cliff effect,” a benefits cliff occurs when career advancement puts a family above the income eligibility threshold for public assistance and the family is financially worse off than before the wage increase.

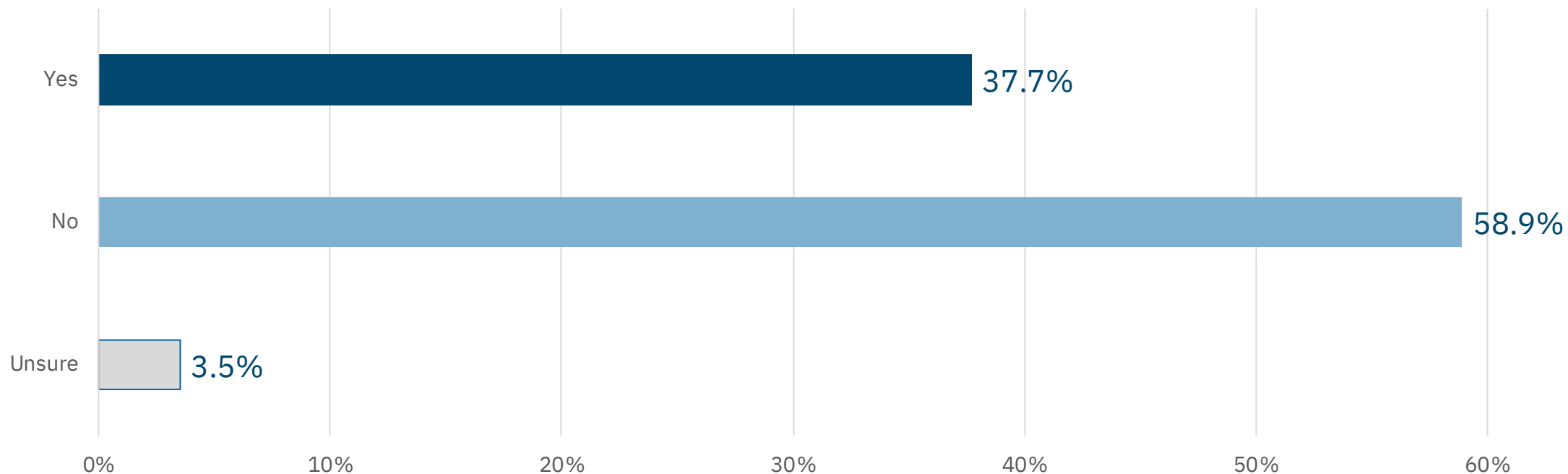


A Benefits Cliff Story:

A single parent with two young children was offered a .10 per hour wage increase by her employer that would put her over eligibility for continuing to receive child care subsidy. The approximate \$200 annual increase would result in the loss of nearly \$9,000 in child care subsidy.

Impact on Workers

Have you ever declined or delayed taking a new job or promotion because you were afraid you might lose a form of government assistance you were receiving at the time?



Source:
Alabama March 2021 PULSE Survey



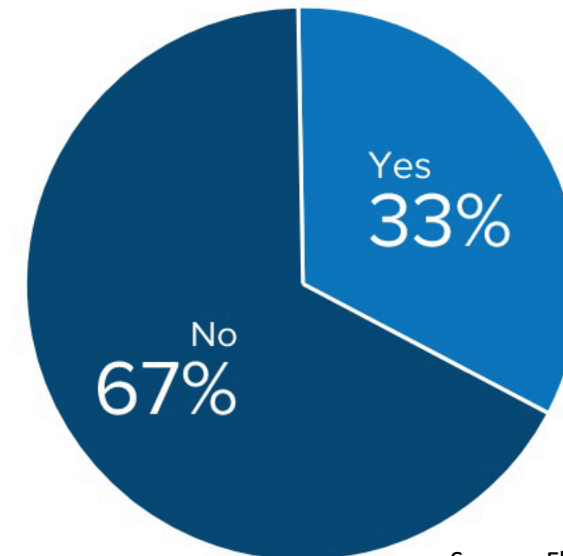
Impact on the Business Community

Florida Chamber of Commerce Surveyed Nearly 1,000 Businesses

- Nearly **72%** of Florida's workforce leaders have said that they have struggled to find qualified talent over the past year.
- **33%** of businesses found that some employees would not accept jobs due to potential loss of benefits.



Have you found that some employees or candidates at your company are unwilling to accept jobs, increased hours, or other advancements fearing they would lose certain government benefits?



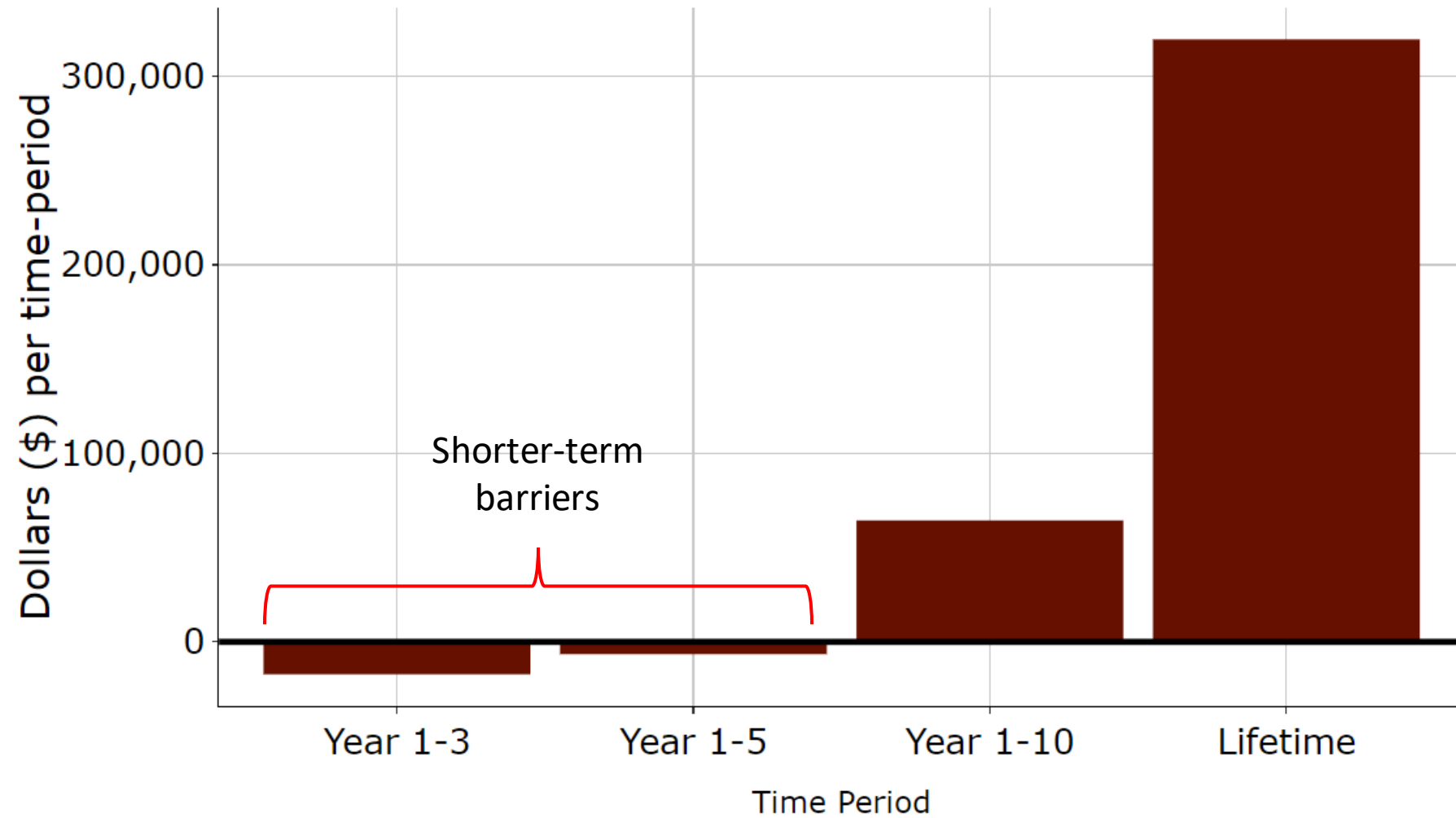
Source: Florida Chamber Foundation Survey, 2021

The Impact of Benefits Cliffs

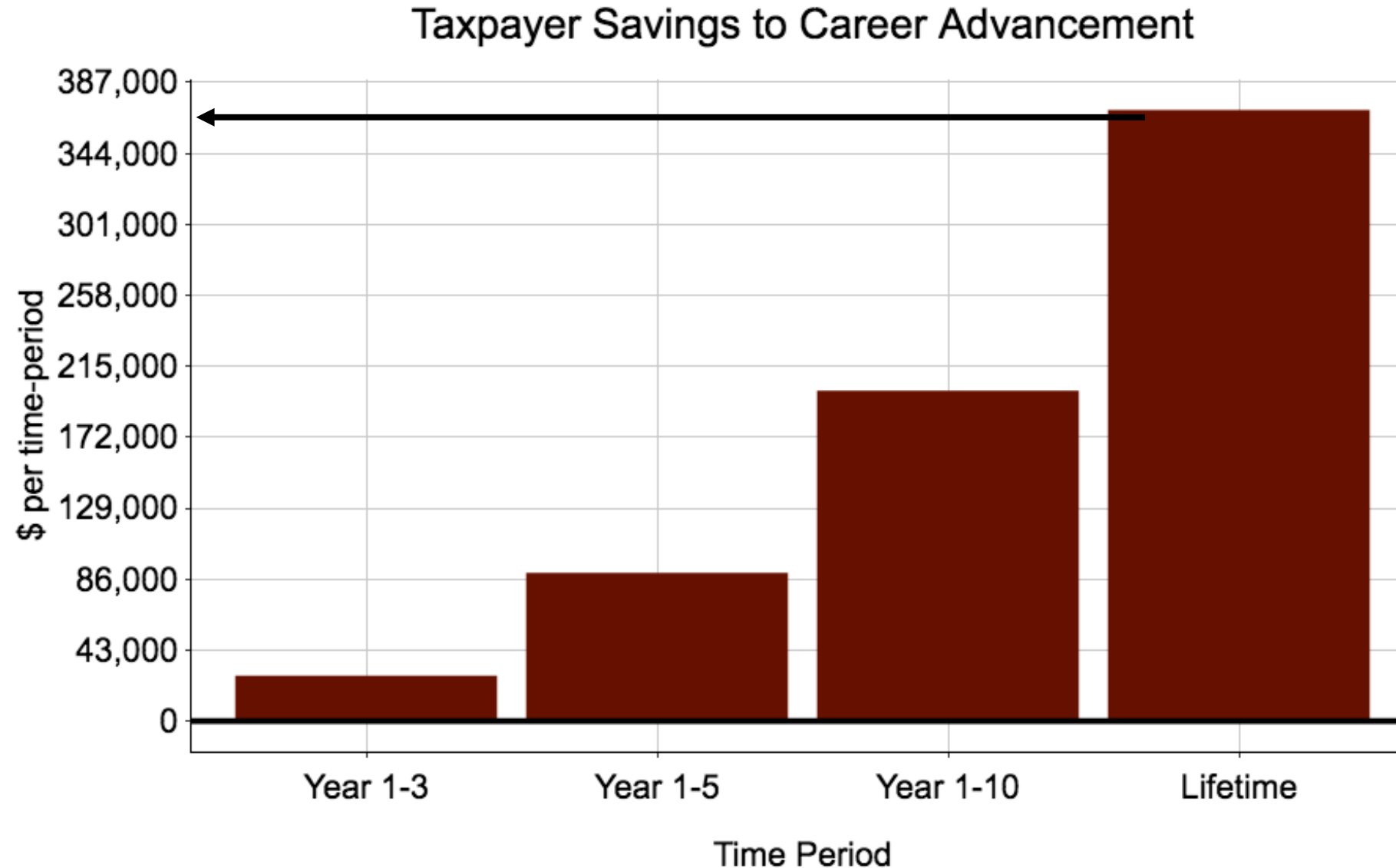
Annual Net Financial Resources
Income + Public Assistance - Expenses - Taxes



Short-term barriers may prevent the worker's realization of long-term gains.



The net returns to the taxpayer can be significant as the worker advances.



CLIFF Tools

Survive



Thrive

Client is focused on immediate financial stability

Client is actively planning for career advancement

SNAPSHOT

DASHBOARD

PLANNER



What happens if my
hours or wage increases?



What career allows me to meet my
short- and long-term goals?



What career allows me to meet
my short- and long-term goals?
(more individualized than
Dashboard)

The CLIFF Dashboard

Can be used to inform policy and innovation for mitigating barriers to economic mobility.

Policymakers, employers, funders, and other stakeholders:

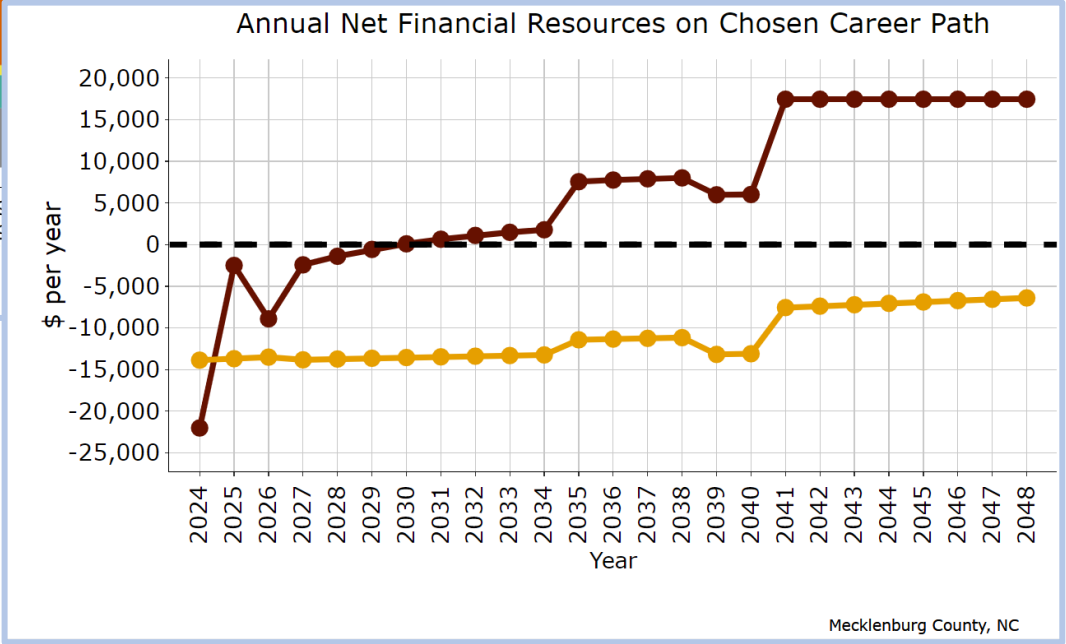
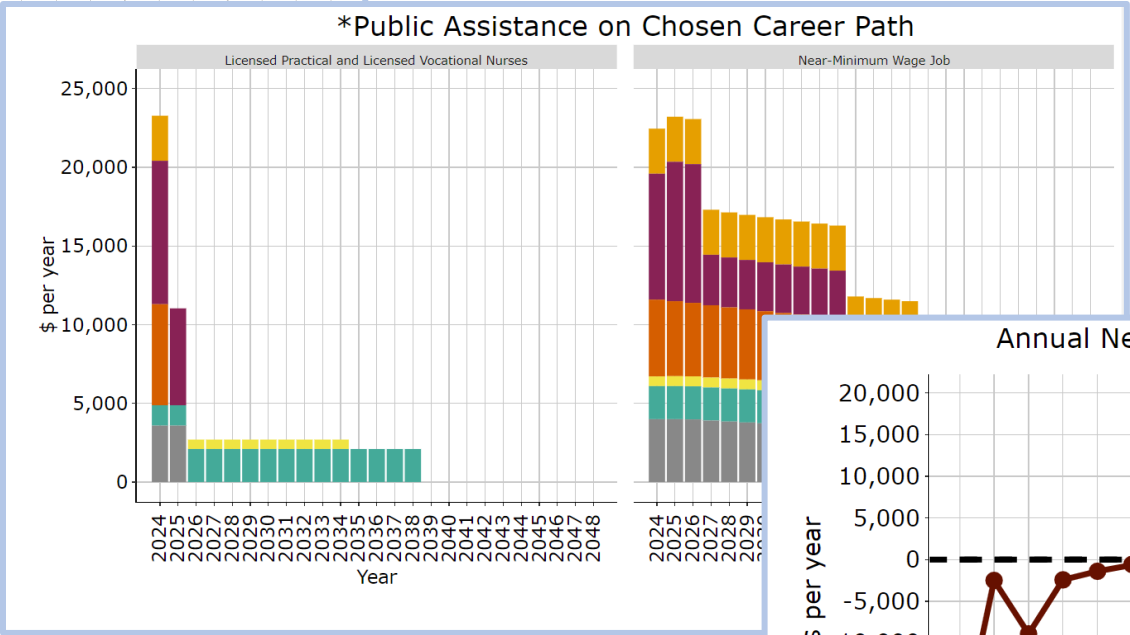
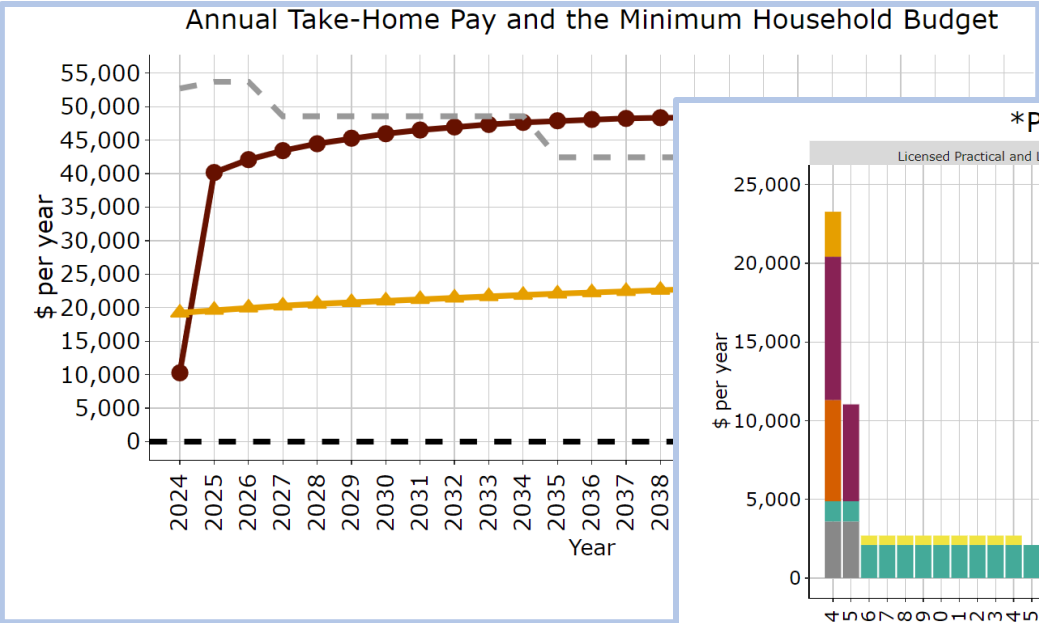
- Maps changes to net financial resources along various career pathways
- Identification of potential benefits cliffs
- Estimates net return to the government

Career coaches and workers:

- Supports career exploration as a complement to LMI typically provided during workforce development coaching sessions
- Provides information on earnings and earnings growth for potential career pathways
- Visualizes changes to public benefits and net financial resources overtime



The CLIFF Dashboard



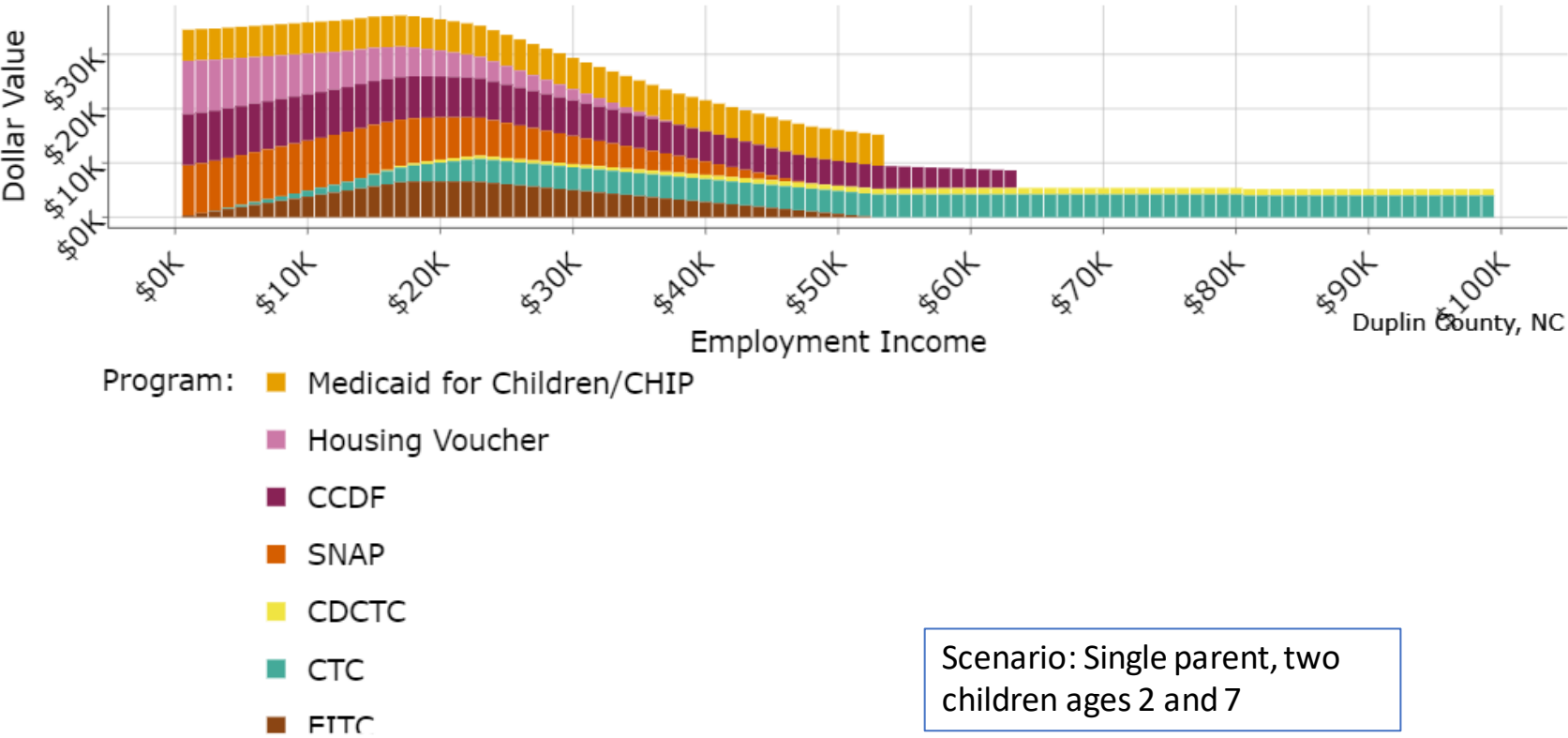
Scenario: Single parent, child aged 2 living in Charlotte is interested in becoming an LPN. She is currently in a near minimum wage job and is accessing assistance for food, child care, children's health insurance and various tax credits

Policy Rules Database and Dashboard

A visualization tool that shows how all existing public assistance programs and tax credits come together to support any type of family in any location in the United States.

The PRD Dashboard shows how the dollar value and composition of public assistance changes with increases in income.

https://emar-data-tools.shinyapps.io/prd_dashboard/



Use of CLIFF Tools

Mapping Benefits Cliffs

- Awareness of Issue
- Benefits cliffs calculators

Workforce Development

- Student advisement to increase post-secondary educational attainment
- Adult career planning and coaching toward self-sufficiency
- Career pathways design/targeted occupation and industry analysis
- Align wrap-around supports with training plans
- Employer engagement on matching talent needs to skill attainment

Policy Simulation/Changes

- Change asset limits
- Income disregards
- Alignment of rules/services across programs
- Tax credits for working families
- Graduated phase-outs

Cross-system Collaboration

- Asset mapping
- Common definition of economic self-sufficiency/ min household budget
- Coaching coordination and navigation

Select Partnerships

State Partners

- Alabama
- Connecticut
- Florida
- Louisiana
- Maine
- Tennessee

Non-Profit Partners

- Circles USA
- Goodwill Industries
- United Way
- Local workforce boards

Institutional Partners

- Federal Reserve System Banks

Employer Partnerships

- Buffalo-Niagara Partnership
- Large health care employers

Innovation Pilots

- Washington D.C.
- Nashville and 7 surrounding counties
- Martin and St. Lucie County, Florida

Highlighted State Efforts and Innovation Pilots

- Florida: Recent policy changes have been enacted to address benefits cliffs.
 - In 2024, legislation passed that creates case management as a transitional benefit for families transitioning off of cash assistance, requires local workforce boards to use tools with clients that illustrate the financial impact of changes to income and public assistance, creates a secondary child care subsidy program to address the child care cliff with eligibility up to 100% of state median income.
- Washington D.C.: The Department of Human Services used the CLIFF tools and Policy Rules Database to identify and test strategies to mitigate the benefits cliff as part of a five-year pilot, launched in 2023, serving 600 randomly selected families that experienced recent homelessness. The pilot aligns education/training with funding to mitigate the loss of public assistance as earnings increase to support sustained economic self-sufficiency.
- Tennessee: In 2021, the Tennessee legislature created the TANF Opportunity Grant dedicating funding from reserves to invest in seven community partnership pilots that support economic mobility and can potentially inform future policy.
 - One pilot in Nashville and the seven surrounding counties is designed to increase economic mobility for 900 families through workforce coaching support and benefit cliff mitigation as earnings increase.

For More Information:

For additional background on
research and tools, please visit:

[https://www.atlantafed.org/economic
-mobility-and-resilience/advancing-
careers-for-low-income-families](https://www.atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families)