

Benefits Cliffs as a Barrier to Career Advancement for Low-Income Adults: Insights from Employment Services Providers

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Primary issue:

Means-tested public programs and progressive tax incentives offer critical financial support to millions of low-income families and individuals. However, small changes in employment income can lead to an abrupt or gradual loss of benefits, creating a possible disincentive to enroll in training and obtain a higher-paying occupation. To help clients advance in their careers, caseworkers and other employment service providers must consider a complex set of benefits eligibility rules, support services to address barriers to employment, and labor market information to guide training and employment decisions.

Key findings:

Based on three focus groups with employment service providers, the authors discuss several themes about counseling clients about benefits loss and potential occupations. Service providers use a range of intake processes to determine clients' immediate needs and their skills and occupational interests. Career counseling typically focuses on short-term goals and immediate needs rather than long-term career planning. Counselors and clients may struggle to manage the impact of benefits loss because of a lack of clarity on program rules and difficulty finding jobs that pay enough to outweigh the loss of benefits.

Takeaways for practice:

Clients and counselors need greater clarity on benefits eligibility rules such as income and asset tests. This information can help individuals identify what benefits to consider applying for, how long it will take before they start receiving benefits, and when they will lose them. Such information can also help individuals avoid financial hardship resulting from an unexpected loss of financial resources. For career counseling, labor market information should include both the short- and long-term gains, though clients often face barriers that prevent them from considering longer-term outcomes. Young people may benefit most from information about longer-term career paths, though adults with barriers to employment may also benefit from that information.



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Abstract:

How do employment service providers explain benefits cliffs to clients who want to advance in their careers? To answer this question, the authors conducted three focus groups with a range of employment service providers. Focus group participants report that counselors and clients struggle to manage benefits loss because of a lack of clarity on program rules and difficulty finding appropriate jobs that pay enough to outweigh the loss of benefits. When advising clients about career advancement, counselors use a range of intake processes to determine clients' immediate needs and assess their skills and occupational interests. Career counseling activities typically focus on short-term goals and immediate needs rather than longer-term career planning, though participants acknowledge the value of labor market information that shows the long-term gains of advancing up career pathways. The authors conclude with several recommendations to help counselors manage complex benefits eligibility rules, the short-term needs of clients who face barriers to employment, and labor market information to guide training and employment decisions.

JEL classification: J240, J620

Key words: career change, occupational mobility, social mobility, promotion, human capital, underemployment, unskilled, vocational education

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Overview

Means-tested programs and progressive tax incentives support millions of low-income Americans. The U.S. Census Bureau analyzed calendar year 2012 participation in several such assistance programs—Medicaid, Supplemental Nutrition Assistance Program, Housing Assistance, Supplemental Security Income, Temporary Assistance for Needy Families, and General Assistance—and found that approximately 52.2 million people (21.3 percent of the population) participate in one or more of these programs each month (Irving and Loveless 2015). These programs and others provide critical financial support to low-income families. For example, a 2018 report by the United Way of Florida found that nearly half of Florida families in 2016 did not make enough income to afford a basic set of living expenses (Hoopes 2018).¹ According to the report, a single parent with one infant would need at least \$39,084 to afford basic necessities and \$69,252 to be financially stable in Miami-Dade County, Florida. However, a minimum wage job at 40 hours per week would provide only \$17,343, which is less than the amount required to meet basic necessities.

Low-income individuals require additional resources to make ends meet such as government assistance, assistance from local nonprofits and charities, and support from friends and family members (Allard, Wathen, and Danziger 2015). For example, we calculate that a single parent with two young children could receive government benefits and tax credits valued at as much as \$30,000 over the course of a year if he or she were receiving assistance through the Supplemental Nutrition Assistance Program (SNAP), childcare subsidies (CCDF), housing rental vouchers (Section 8), the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC), Medicaid for his or her children, and a subsidy on the health care exchange for his or her own health insurance.² However, these are upward bounds on government assistance, as demand often exceeds supply of two of the most financially valuable programs—housing and childcare subsidies. Many families who are eligible for the subsidies are placed on waiting lists (Romich and Hill 2018; Chien 2019).

Policymakers often design government benefits programs to be temporary assistance that helps the family until finding sufficient labor market income to make ends meet without public support. However, the design of many programs may make it difficult for individuals to transition into self-sustaining employment. Some programs phase out abruptly as employment income increases, creating disincentives to work more hours or to advance in a career (Autor and Duggan 2007; Congressional Budget Office 2015). In certain cases, effective marginal tax rates can exceed 100 percent and create “benefits cliffs” in which higher earnings actually make someone worse off financially (Chien and Macartney 2019). In particular, these benefits cliffs tend to be much more prominent for families than

¹ Figures available on page 44 of “State and County Budgets” supplement from the Alice Report, available at www.unitedforalice.org/florida. Last accessed March 11, 2020.

² For these calculations we use a similar methodology to that described in Altig et al. (2020), but in this example we analyze a single parent with one child age three paying \$1,200 per month in rent.

for individuals. Large benefits cliffs come with the loss of childcare assistance and the loss of Medicaid for children, both of which are particularly costly if substituted with private markets sources.³

These high effective marginal tax rates have at least two negative consequences. First, they can cause someone to forgo an opportunity to increase their earnings. For example, an individual may turn down raises or promotions, or not enroll in job training that leads to a higher-paying job.⁴ Second, they can negatively affect an individual or a family's psychological and financial stability. Romich (2006) finds that low-income families have limited awareness of when benefits will be lost until they experience it for themselves. When these families learn about benefits loss, they express "frustration," "disbelief," and a sense of being "persecuted for getting a raise." Furthermore, a loss in benefits due to income gains may not necessarily make an individual worse off financially; the loss of benefits instead reduces nearly all or all earnings gains, which can "[feel] like a loss" (Women's Fund of the Greater Cincinnati Foundation 2016, p. 9).

Many of the individuals who enroll in workforce development programs will likely be receiving one or more public benefit and must manage benefits loss as they advance in their careers. For example, a 2018 evaluation of the Health Professions Opportunity Grants Program (HPOG), a multicounty health care sector job training program was targeted primarily to Temporary Assistance for Needy Family participants. The participants were typically low-income single mothers with children. The results found that only 3 percent of certified nursing assistant (CNA) training completers advanced to train as a higher-paying licensed practical nurse (LPN) or as a registered nurse (RN) (Loprest and Sick 2018). A 2019 evaluation of HPOG 2.0—a modified version of HPOG that included more individuals, more career paths, and enhanced supportive services—reports that approximately 7 percent of training participants started or completed a more advanced training program (Loprest and Sick 2019).⁵ A high percentage of enrollees in HPOG 2.0 were receiving at least one public benefit. For instance, nearly 60 percent of participants were receiving the Supplemental Nutrition Assistance Program, and 67 percent were receiving Medicaid.

In this paper, we study how a sample of employment service providers explain benefits cliffs to clients as part of the provision of employment services. This information allows us to assess the benefits cliff barrier at the critical period when a client is weighing decisions about training and employment against a potential loss of public benefits. We summarize the results of three focus groups that were motivated by two broad questions. Are families typically informed about benefits cliffs as part of the

³ In states where Medicaid expansion was adopted, there is not a cliff effect for Medicaid because eligibility is extended through the point where subsidies for health insurance through the Affordable Care Act start. This design creates a smooth ramp toward paying the full cost of health insurance. Housing assistance, food stamps, and the EITC phase out gradually as income rises with minimal cliff effects in most localities. Childcare assistance through CCDF features a partial phaseout design, but still results in a potentially large cliff at income eligibility thresholds.

⁴ Romich (2006) studied 60 households over three years in the New Hope Ethnographic Study and found no instances of individuals turning down raises or promotions in order to avoid benefits losses. However, Roll and East (2014) interviewed 332 families in four Colorado counties and found 33 percent of survey respondents either have turned down a raise or chosen not to work additional hours in order to keep their childcare subsidies.

⁵ The HPOG 2.0 evaluation also uses a broader definition of career advancement and finds that 28 percent of health care training participants advanced. The broader definition includes individuals who obtain multiple entry-level credentials (rather than an entry-level and a more advanced credential) and participants who started the program in a mid- or high-level credential program.

employment services process? If so, how do caseworkers contextualize the impact of benefits loss when informing their clients about the expected economic returns to credential attainment or further education? Through these conversations, we learned to what extent counselors explain benefits cliffs to clients, how they fit into the wide array of challenges faced by this population, and about the counseling process in general.

We summarize what we learned in these conversations with five key findings:

1. Standard intake processes for clients include determining the client's immediate needs, assessing skills, and exploring occupational interests.
2. Career counseling typically focuses on quickly placing clients into employment rather than long-term career planning.
3. Counselors provide limited labor market information to clients weighing their employment options.
4. Clients face significant and varied barriers to employment. Counselors report that for some clients, benefits cliffs are a major barrier to career advancement.
5. Clients struggle with benefits cliffs because they (and the counselors who serve them) lack clarity on program rules. In addition, clients find it very difficult to find jobs that pay enough to outweigh the loss of benefits.

The themes that emerged in our focus group conversations echo findings from the social policy literature. Many low-income individuals, particularly those in welfare-to-work programs, face significant barriers to employment. The literature references barriers such as physical disabilities, mental health issues, substance abuse, domestic violence, discrimination, housing instability, low basic skills, and learning disabilities (Olson and Pavetti 1996; Danziger et al. 2000; National Partnership for Women & Families 1999). Individuals who rely on public benefits typically have multiple barriers at once, increasing their difficulty of transitioning into stable employment (Olson and Pavetti 1996; Bloom, Loprest, and Zedlewski 2011).

While many individuals rely on public benefits for financial support, they may not understand how increased income affects the amount of benefits they receive. Romich (2006) finds that low-income individuals generally are unable to predict losses in public benefits; they understand the general structure of a program (that is, greater earnings may lead to benefits loss) but not a specific understanding of the rules. Romich (2006) notes that caseworkers typically inform clients of benefits loss during periodic recertification meetings; nevertheless, caseworkers provide "brief and limited" statements about benefits loss and current income, and they typically do not provide prospective counseling about any future losses to benefit support. Respondents in Romich's study did not report learning about marginal tax rates from caseworkers (Romich 2006).⁶

These focus groups are part of a larger Federal Reserve Bank of Atlanta initiative to study low-income families' financial incentives for career advancement. The initiative includes quantitative and

⁶ Romich (2006) studies "effective marginal tax rates," which include the loss of means-tested benefits programs and progressive tax measures intended to support low-income working families.

qualitative research, outreach to community leaders and policymakers, and the development of computational tools to calculate benefits cliffs and the short- and long-term financial returns to career advancement. More information about this initiative can be found at atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families.

Benefits Cliffs: The Regional Context

We begin by reviewing the concept of benefits cliffs in the context of our two focus group cities—Atlanta, Georgia, and Miami, Florida. Some low-income workers, particularly those with children, face a disincentive to work more hours or pursue a higher-paying job because of benefits cliffs, which arise when earnings gains are offset or reduced by the loss of means-tested government financial supports, such as childcare subsidies. These benefits cliffs can be so severe that low-income workers may be better off financially by not taking a higher-paying job or not working more hours at their current job.

To illustrate family- and location-specific benefits cliffs, we calculate the annual net financial resources for a typical recipient of government benefits (a single parent of two children).⁷ The family's net financial resources equal the sum of employment income and public benefits minus basic living expenses and taxes. In Figures 1 and 2, we plot annual net resources on the vertical axis and annual employment income on the horizontal axis. If annual employment income equaled annual net resources, we would see a 45-degree line from the lower-left corner to the upper-right corner. The plotted lines are below the hypothetical 45-degree line, reflecting how the loss of public benefits and increased taxes cuts into increases in earnings.

Figures 1 and 2 show the presence of several benefits cliffs, or sudden decreases in annual net financial resources due to the losses in public benefits, in both Atlanta and Miami. The upper panels of Figures 1 and 2 show annual net financial resources.⁸ Net financial resources are the amount of disposable income left over after taking into account the employment income, the estimated value of government benefits received, the taxes paid, and a set of expenses (housing, health care, food, and childcare) paid.⁹ The lower panels decompose net financial resources into specific benefits programs and tax credits. The vertical grey lines connect the benefits cliffs on the upper panel to points on the lower panel that explain what losses cause the cliff.

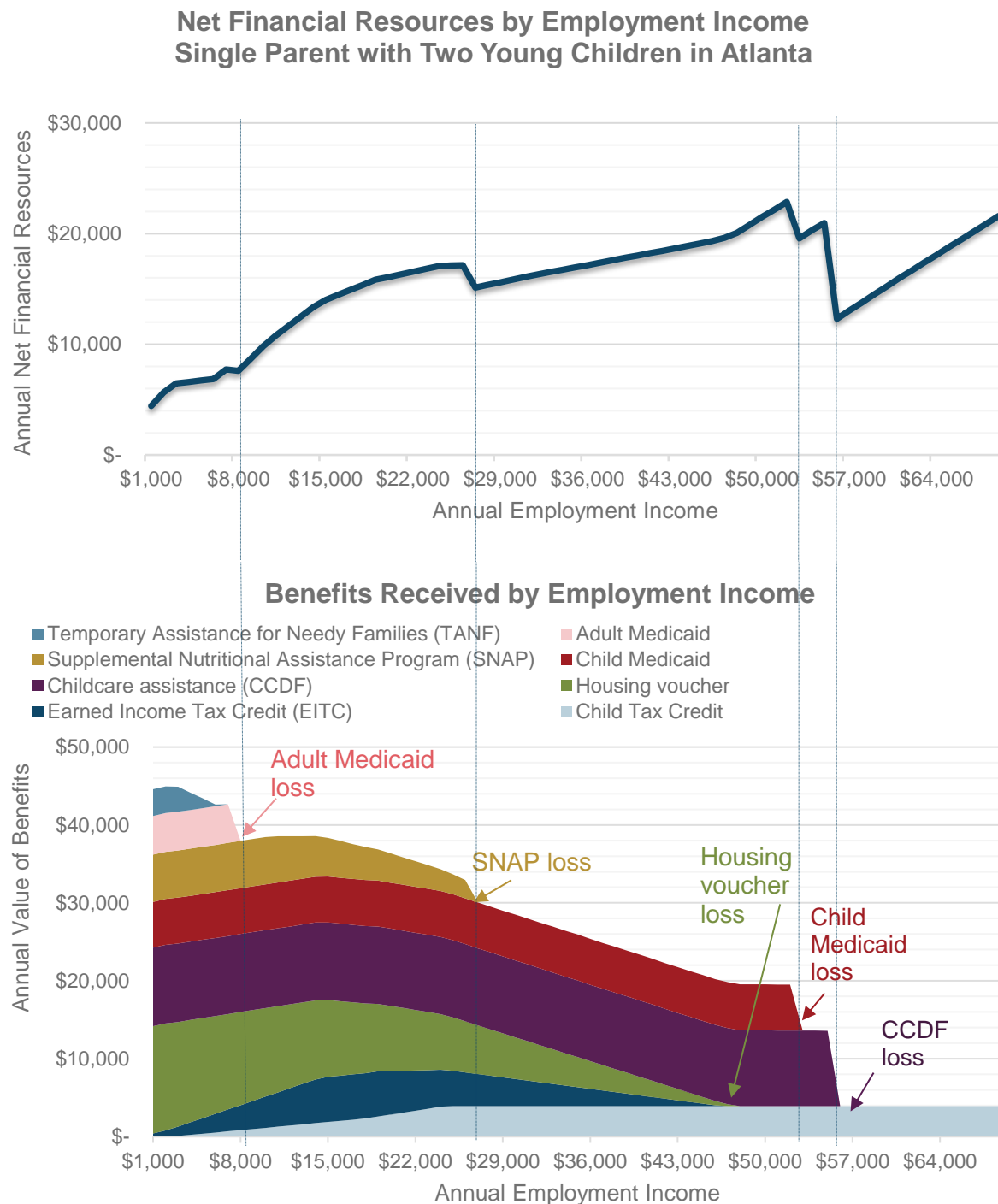
Before her employment income reaches \$29,000, a single mother in Atlanta will face two benefits cliffs; she will lose Medicaid for herself and access to the Supplemental Nutrition Assistance Program. At \$53,000 she will lose Medicaid for her children, and at \$56,000 per year she will lose childcare subsidies funded by the Child Care and Development Fund. Both losses are worth more than the small gains in income that cross the eligibility threshold, making the single mother worse off financially.

⁷ According to Foster and Rojas (2018), about half of government means-tested assistance goes to families with children. Of families on means-tested programs, on average, there are 1.3 earners in the family and 2.1 children under 18.

⁸ See Altig et al. (2020) for more information on the methodology we use to produce these figures.

⁹ We include only expenses that can be reduced by a government benefit.

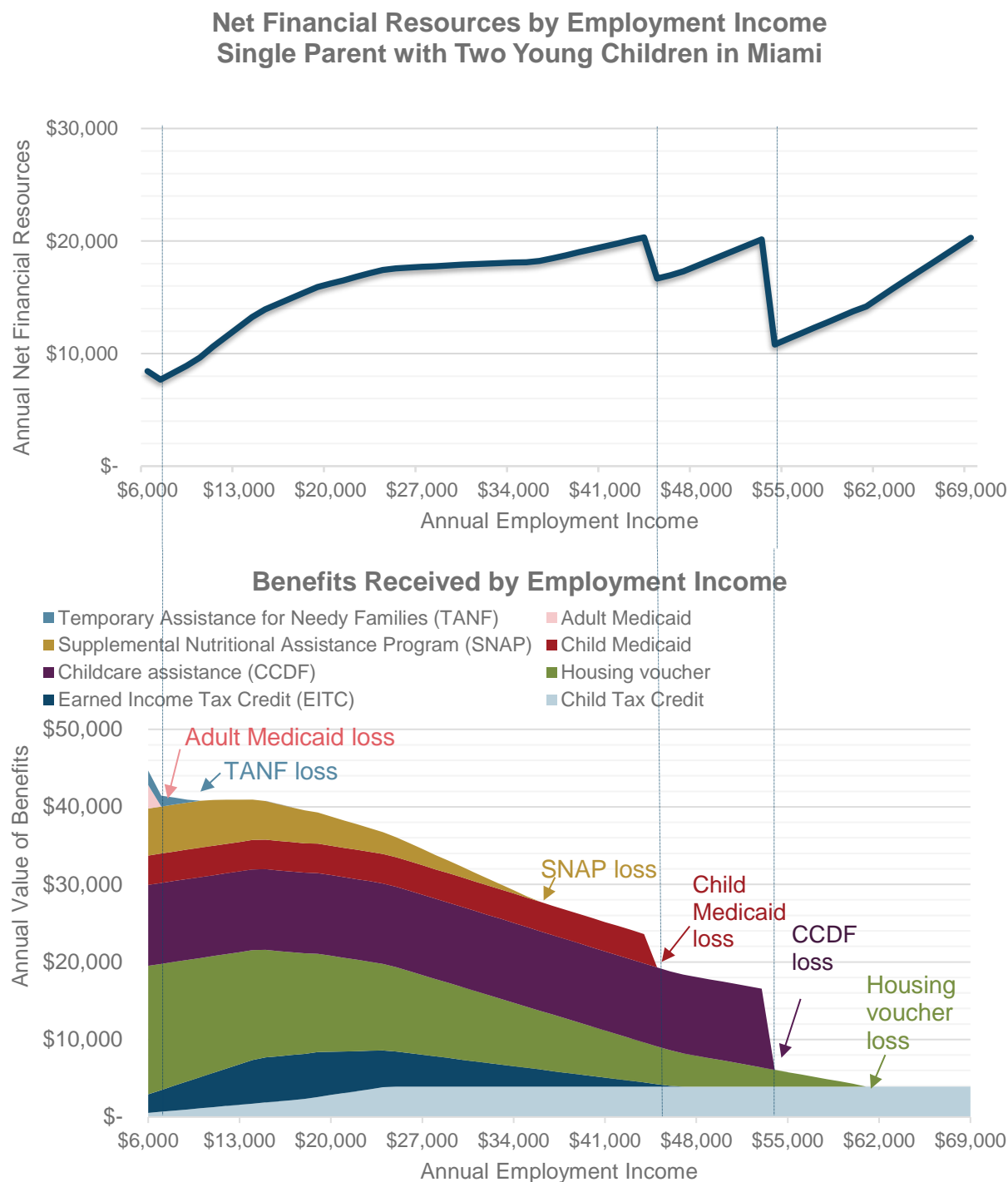
Figure 1: Benefits Cliffs in Atlanta, Georgia



Notes: Assumes single parent with two children (ages four and six). Eligibility rules for some government benefits differ for new enrollees and continuous enrollees. This chart reflects continuous eligibility rules.

Sources: Federal Reserve Bank of Atlanta (2020) and The Fiscal Analyzer (Kotlikoff, Auerbach, and Koehler 2019)

Figure 2: Benefits Cliffs in Miami, Florida



Notes: Assumes single parent with two children (ages four and six). Eligibility rules for some government benefits differ for new enrollees and continuous enrollees. This chart reflects continuous eligibility rules.

Sources: Federal Reserve Bank of Atlanta (2020) and The Fiscal Analyzer (Kotlikoff, Auerbach, and Koehler 2019)

A low-income mother in Miami faces a different set of benefits cliffs than the Atlanta mother. Figure 2 shows three significant cliffs. Similar to the Atlanta case, the low-income mother in Miami loses adult Medicaid before her employment income reaches \$9,000. At \$45,000 per year of employment income, she loses Medicaid for her children. Finally, she faces a significant cliff at \$54,000 per year of employment income, when she loses her CCDF subsidy.

Characteristics of Focus Group Participants

We organized three focus groups in order to better understand how the benefits cliff phenomenon is experienced by families and how counselors provide information to clients on benefits cliffs. We conducted two focus groups in Atlanta, Georgia, in May 2019, and one in Miami, Florida, in June 2019. We sought participants who could provide insights into the role that a potential loss of public benefits plays in the decision to take a job, enroll in job training, or advance in one's career through either increased work hours or occupational change. We recruited participants from organizations that met three criteria: 1) they serve clients with significant barriers to employment; 2) they serve clients who are likely to receive or to be eligible for public benefits; 3) they provide or refer clients to employment services, including job training, résumé preparation, interviewing tips, job search workshops, and other services related to preparing for and finding a job.

Between 10 and 20 participants representing a diverse set of organizations participated in each focus group. One individual—a coauthor on this paper—facilitated the focus groups. Due to the large size of the groups, the facilitator made an effort to include everyone in the conversation. Most participants worked at nonprofits directly serving at-risk populations. Some organizations were not direct service providers but still undertook activities to support low-income families. For example, one participant worked at an advocacy organization, one at a workforce development funder, one at a workforce development convening organization, and one at a community foundation. Several participants were from workforce development providers, including a program housed inside a large public college in Florida and an American Job Center funded by the Workforce Innovation and Opportunity Act (WIOA).

All the organizations serve mostly at-risk populations with at least one barrier to employment. They include adults with disabilities, low-income adults and youth, formerly incarcerated persons, and persons experiencing homelessness. Many organizations additionally provide a range of other wraparound services, including counseling, referral services to other providers, and shelter from abusive environments. As for the employment services offered, some organizations focused on services related to job readiness, such as job search skills, résumé preparation, and soft skills training, while others focused on enrolling clients in training programs that lead to certificates or short-term credentials.

The organizational composition of the focus groups varied across the three sites for several reasons. Participation was voluntary and not all organizations that we invited agreed to participate. We recruited participants from convenience samples of Federal Reserve Bank of Atlanta contacts and their networks. The diversity of organizations represented provides us with multiple perspectives on how benefits cliffs and other barriers impede career advancement. However, the findings may not be generalizable to the population of all organizations that serve low-income individuals.

Research Questions

We followed the same protocol (questions, format) in all three focus groups. Each focus group lasted approximately 90 minutes, and we asked participants a series of questions that addressed three research questions:

Research Question 1: How do counseling activities help individuals find employment, choose careers, and think about longer-term career advancement?

Research Question 2: What barriers most frequently impede individuals' career advancement?

Research Question 3: How do providers help individuals overcome benefits cliffs as barriers to higher-income employment and career advancement?

Findings

During the focus groups, one or more authors took notes and a research assistant recorded the meetings.¹⁰ After all focus groups were completed, the audio recordings were transcribed. One author collected all of the participants' comments and organized them into a spreadsheet under section headings that correspond to the questions we asked the participants. We summarize the responses to each question, emphasizing broad themes that emerged when multiple participants raised a similar point in response to a question. Throughout the summary of findings, we supplement the participants' comments with contextual information based on the literature or the authors' experiences.

Research Question 1: How do counseling activities help individuals find employment, choose careers, and think about longer-term career advancement?

Intake processes typically include determining the client's immediate needs, assessing their skills, and exploring their occupational interests.

Our first question asked participants about the range of intake processes for clients. The goal was to understand the process that occurs between when a client enters the provider's door and when the client begins employment services counseling.

Participants told us that intake meetings typically last from one to two hours. They begin with a holistic view of the individual to find out how that person "ended up in front of them," meaning what circumstances led the individual to require the service that the provider offers. Additional questions vary, depending on the unique population that organization serves. This includes asking about physical or mental disabilities, educational attainment and past work experience, and family issues or life trauma. Participants said their clients commonly have been victims of abuse or have experienced homelessness at some point. After developing an understanding of the client's background, the counselors focus on job placement. They gauge the client's skills, interests, and goals through conversation or formal assessments.

¹⁰ Before the focus groups, we asked participants for permission to record the session. One focus group asked us not to record.

After the initial meeting, most counselors develop personalized plans for each client. These plans include connecting the individual to community or government services to help the person meet any immediate needs that arose during the intake meeting. For example, counselors refer clients to other organizations to help address hunger or pain and to assess physical or mental disabilities. Focus group participants noted that an important piece of this plan is to help the client fill resource gaps—sometimes referred to as “hardship gaps”—by increasing clients’ financial resources through employment and enrollment in government benefits for which they may be eligible.

Career counseling typically focuses on quickly placing clients into employment and not necessarily on career planning.

We then asked about counseling activities related to finding the client a job. Job training and job placement activities most commonly focused on short-term goals:

- Place the client in a job regardless of income
- Place the client in a job with a reliable source of steady income
- Help the client complete a GED and/or prepare for postsecondary school
- Connect the client with a certificate training or other technical program in line with his or her skills and interests

Our questions then focused on how counselors conceptualize a career with their clients. This can entail conversations to help clients obtain quick entry-level employment that can potentially start them on a career path with longer-term advancement opportunities and discussions about opportunities for advancement for those already on a career path.

When probed about the development of long-term career plans, participants indicated that it was rarely a part of their counseling services. Instead, participants generally placed a high priority on moving clients quickly into employment. Participants repeatedly emphasized that their role is to help their clients, and their clients are focused on meeting their immediate needs.¹¹ While participants recognized a need to encourage a longer-term perspective on career advancement, they believed their clients’ short-term challenges prevent them from thinking about long-term goals and outcomes.¹² Participants noted that some individuals such as youth aging out of foster care or those released from incarceration come to their offices with trepidation about entering the workforce, due to factors such as their low levels of educational attainment. Enrolling individuals in smaller-scale programs that lead to entry-level employment allows them to attain some immediate successes, gain skills and confidence, and build a foundation for future career advancement.

Most participants indicated that a small subset of their clients are able to think about longer-term career goals. One respondent classified them as “MRD”—people who are unusually motivated, resilient, and determined. For example, a participant from a workforce development program at a college indicated that its students tend to have a focus on “careers” as opposed to “jobs.” Another participant’s

¹¹ For more on the distinction between immediate and long-term needs, see Albelda and Shea (2010).

¹² For more on how operating under scarce resources affects an individual’s mental functions and thought processes, see Mullainathan and Shafir (2013).

organization offers students several certification programs. Upon completion of these certificates, students can transfer credit to a local college to get a head start on more advanced credentials.

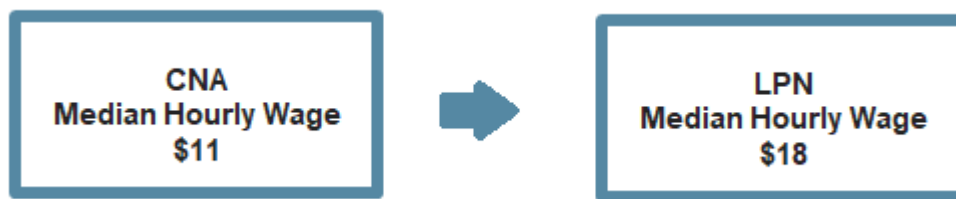
At least two providers we spoke with cultivate alumni networks to boost chances of long-term engagement. Yet even individuals who think about longer-term career goals can face numerous obstacles to career advancement. These obstacles distract from career planning and keep caseworkers and counselors occupied with bridging short-term gaps.

Counselors provide limited labor market information to clients weighing their employment options.

Participants indicated that their career counseling services focused mostly on aligning the clients' interests with their respective skill sets. Participants generally agreed that clients receive little or no information about the labor market opportunities to help guide occupational choice.

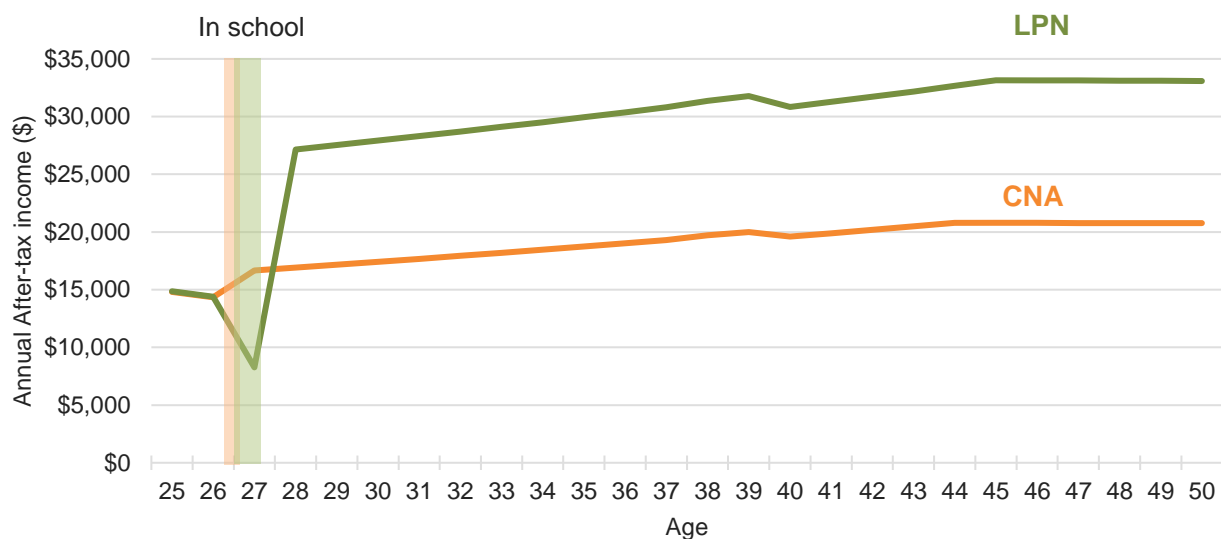
To understand how counselors inform their clients about job and training opportunities, we showed participants several common labor market information statistics. We then asked whether, or how, they use this information to inform clients about the financial returns to career advancement. In each focus group we showed participants Figure 3, the median wages of two careers in a health care career pathway. We asked if the type of labor market information looked familiar and if they used it or something similar to advise their clients. Some participants said yes, but contrary to our expectations, most said no. Participants said that many clients become stuck in one occupation due to a lack of exposure to other options, so information such as Figure 3 could be useful to clients and inspire the next step in their career.

Figure 3: Median Hourly Wages of Certified Nursing Assistant (CNA) to Licensed Practical Nurse (LPN)



Source: U.S. Bureau of Labor Statistics 2018 Occupational Employment Statistics

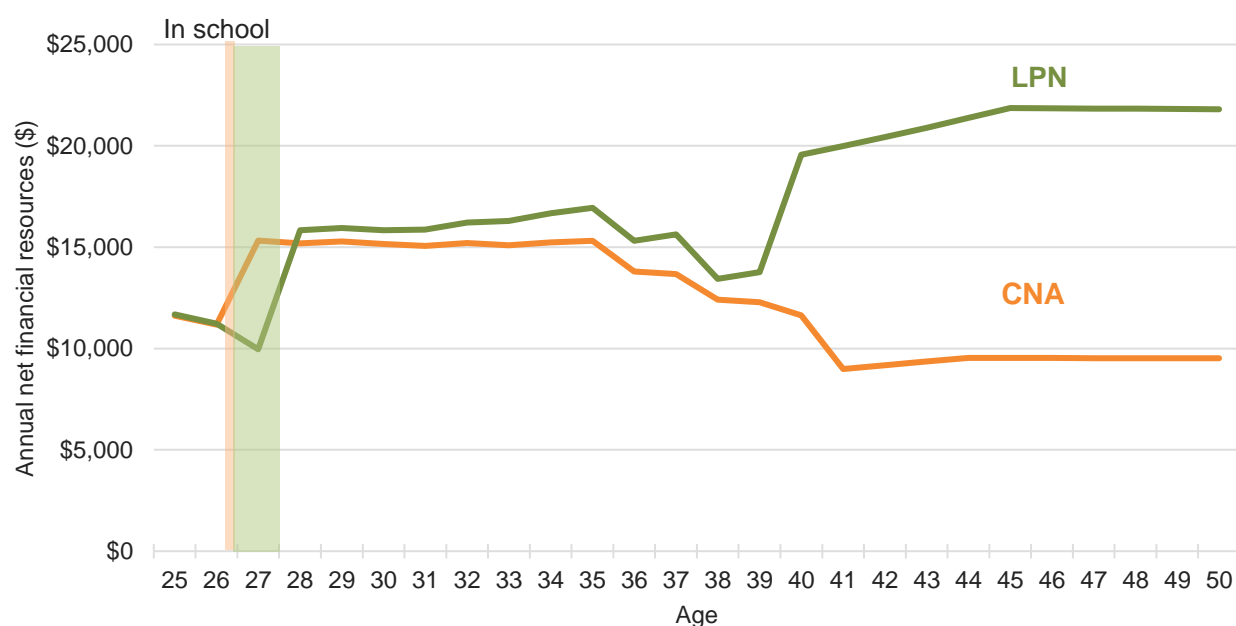
To illustrate career advancement in a different way, we then showed participants Figure 4: the after-tax employment income of these same two careers over a lifetime (assuming an individual experiences gradual raises as he or she gains experience). No participants in any of the focus groups indicated that they provided this type of information when counseling clients. Participants generally liked that the chart gave a long-term perspective; several noted the dip in earnings during school as a useful piece of information (the vertical shaded columns represent schooling periods). One participant said that for many clients the overall gains in income were not high enough to motivate someone to endure the short-term dip in income during school.

Figure 4: Annual After-Tax Income: CNA and LPN

Sources: U.S. Bureau of Labor Statistics 2018 Occupational Employment Statistics, Federal Reserve Bank of Atlanta, and The Fiscal Analyzer (Kotlikoff, Auerbach, and Koehler 2019)

Finally, we sought to understand how participants explain the impact of benefits loss on family financial resources. The results in Figure 5 take into account not only income and taxes, but also the implied value of benefits and expenses over time for a single mother of two young children.¹³ From about the age of 25 to 35, the mother gains only a small benefit by advancing to the higher-paying LPN position. Over the longer term, the financial trade-off of career choice improves. When she and her children are older and no longer need subsidized after-school childcare, she gains significantly more as a LPN relative to the CNA position. Participants indicated that the chart was useful for providing a long-term perspective. Some participants noted that many clients would likely opt for the lower-paying job because it seemed more consistent and smooth.

¹³ See Altig et al. (2020) for more details about these calculations.

Figure 5: Annual Net Financial Resources for CNA and LPN

Sources: U.S. Bureau of Labor Statistics 2018 Occupational Employment Statistics, Federal Reserve Bank of Atlanta, and The Fiscal Analyzer (Kotlikoff, Auerbach, and Koehler 2019); net financial resources are defined as benefits and employment income minus taxes and expenses.

Several participants also added that labor market information alone would not be enough to motivate their clients to enroll in training. Their clients would also require the detailed steps on how to become a CNA or an LPN, the time that education would take and its cost, the schools offering the courses, and an explanation on how to apply for financial assistance for school.

Research Question 2: What barriers most frequently impede an individual's career advancement?

Low-Income adults face significant and varied barriers to career advancement. Numerous participants cite benefits cliffs as a major barrier.

Participants described several barriers to career advancement. Common themes emerged in all three focus groups, which we organize into three categories: mental health and social support, inability to meet basic needs, and benefits cliffs.

Mental health and social support: Participants mentioned that some clients have to overcome mental health obstacles in the short term. Clients face a range of traumas, disabilities, and sometimes homelessness. A lack of financial and social support exacerbates these issues. Respondents in one focus group noted that some clients self-medicate. Both traumas and not having strong coping mechanisms can keep people from focusing on career goals.

The importance of social supports, or social networks more specifically, emerged as a common theme. Many participants view strong social networks as a key factor of individual success, but these networks are also one of the hardest factors to measure and manage. Clients may also have trouble trusting or believing that job training or job placement providers can help them. The process of earning client trust emerged as a fundamental element of client/counselor conversations. Counselors may struggle to establish trust with the client, which, according to participants, can result in negative outcomes such as job seekers dropping out of training programs. Building on the idea of counselor trust, one participant said that a lot of client success depends on the “magic of the case manager.” Counselors use a variety of strategies, such as motivational interviewing, that help to build trust and empower clients with a sense of personal agency.¹⁴

Inability to meet basic needs: When we asked focus groups about factors that affect whether job seekers successfully get on a path to higher earnings, respondents told us that inadequate transportation to and from jobs or school poses a major barrier (Bostic and Carpenter 2018). More generally, the cost of basic expenses strains budgets beyond many clients’ capacity. Financial instability ensues, which jeopardizes their ability to complete training programs or keep a new job.

Transportation barriers affect clients in several ways. Many clients lack the resources to buy, use, or maintain a personal car. While low-income individuals may be able to afford public transit as an alternative, this leaves them subject to transit schedules and routes, which can limit their ability to work early or late shifts. While cabs or ride-sharing services can fill in public transit gaps, using these services can impose an unsustainable cost burden.

Focus group participants emphasized two other expenses that create barriers to employment: housing and childcare, particularly access to affordable childcare. Childcare subsidies tend to be available, but participants seemed frustrated by some of the requirements. One participant told us that state residents could not apply for childcare subsidies until they prove they have worked their first 25 hours. Even then, it can take 40 days for clients to receive the subsidy. We heard that people on stretched budgets rarely have the resources to cover childcare costs for that length of time.

Benefits cliffs: Participants told us that some clients rely on public benefits programs to pull together enough resources to make ends meet while they work in a low-wage job, search for employment, or are enrolled in a job-training program. In some cases, they encountered clients who found benefits cliffs to be an obstacle to career advancement: with increased training and opportunities to earn more, clients lose eligibility for public assistance programs. Participants told us that some clients avoid earning more because it is easy to lose access to benefits and much harder to get back on them. The chance to earn more most often came by working additional hours at their jobs rather than seeking higher-paying occupations.

For example, we heard one story of a student who hesitated to enroll in a training that would pay a small stipend. The focus group participant paraphrased what the client said, in tears: “I want to work and take this opportunity, but I get Social Security and they are going to cut my benefits off. I’m trying to get an apartment for my son [who had been living in a shelter]. What do I do?” Another

¹⁴ See www.communitycarenc.org/what-we-do/clinical-programs/behavioral-health-integration/motivational-interviewing for a description of motivational interviewing. Last accessed March 11, 2020.

participant shared a similar story of a client who received an offer for a steady, full-time job in the hospitality sector. She did not want to take it because she would lose her childcare subsidy, causing her childcare costs to increase significantly. With two children under 13 months old, she would have to pay \$1,500 a month for their care on a monthly paycheck of only \$1,400.

One participant told a story about a disabled man who wanted to launch a cleaning business. The man was working as a part-time janitor. His mother, however, preferred him to stay at his current job. If he were to start the small business, he would lose his Social Security Disability Insurance (SSDI), which his mother uses to pay rent. She thought the business may not succeed, and it would be a long process to get her son back on SSDI if he were to lose it.

A related obstacle is client uncertainty about how higher incomes affect their receipt of public benefits. Clients worry that a higher income may jeopardize their benefits, but they are unsure what the impact will be. Focus group participants told us that people who have grown up struggling financially do not like the idea of losing a benefit they have relied on for a long time. One respondent framed the issue from a client's perspective: "Why would I start paying for something that I had been getting for free?" Reiterating the same point, another participant pointed to the difficulty of getting some clients to move from a "recipient" mindset to an "earner" mindset. We understand these comments to reflect the confusing income eligibility requirements for public assistance programs and an aversion to losing a source of income that is stable.

We then asked which benefit cliffs seem to be the largest barriers and how clients tend to overcome them.¹⁵ In Georgia, many participants agreed that the loss of SNAP benefits comes up the most frequently and that the loss of Social Security Disability Insurance benefits can be substantial. Some participants from Georgia also said that childcare subsidies and Medicaid drop off abruptly, causing a barrier for clients. In our Florida focus group, loss of SNAP benefits was also reported as a work disincentive.¹⁶ In Florida, however, we note that SNAP has a higher income threshold and tapers off more gradually compared to Georgia (see Figures 1 and 2).

Research Question 3: How do providers help individuals overcome benefits cliffs as barriers to higher-income employment and career advancement?

Overall, we heard a need for more clearly explained eligibility requirements and for incentive structures that do more to promote investment in longer-term career planning. Participants describe three general strategies: explaining benefits eligibility rules to clients, enrolling clients in benefits programs and locating other wraparound services provided by nongovernment organizations to fill financial resource gaps, and choosing occupations selectively so clients earn enough to cover the decrease in public benefits.

¹⁵ While focus group participants acknowledged that some of their clients do face benefits cliffs, they also noted that some people on the cliff never even enter the door of an employment service provider.

¹⁶ Our own calculations confirm these observations from participants. See Figures 1 and 2 and Federal Reserve Bank of Atlanta (2020) for details.

Clients struggle with benefits cliffs because they lack clarity on program rules and struggle to find jobs that pay enough to outweigh the loss of benefits.

Help clients understand the rules: Participants emphasized the difficulty of explaining rules to clients. Neither counselors nor clients typically have all the required information. To help clients understand the rules, participants reported having to call the relevant government caseworker for each benefit program to talk through what benefits will and will not be available when client income changes.

Handouts or other tools have been used by participants to help clarify eligibility. For example, one participant mentioned that an area workforce services provider uses a highly detailed matrix to show which benefits clients are and are not eligible to receive at different income levels and family structures.

Help clients obtain resources and supportive services: Participants help clients who have already lost benefits or who are about to lose benefits obtain alternative resources to substitute for the lost benefits. For example, one agency pays for Uber rides for clients who lack the resources to get home after working a late shift. Some participants told us that they help job seekers fill resource gaps when there is a gap between enrolling for benefits and when receipt of those benefits begins.

Choose occupations selectively: Some participants would like to commit to place clients only into higher-paying jobs that pay enough to cover the difference of benefits lost, though participants said that in practice clients are not always able to obtain these jobs. Participants said that clients may lack education, schedule availability, ability, or interest in the job. To understand these strategies to overcome benefits cliffs, it helps to remember that many of our focus group participants view their fundamental role as bridging clients' immediate hardship gaps. Every day they see how immediate needs take precedence over the longer-term goal of getting clients into jobs or training programs.

Takeaways for Practice

The focus groups covered a broad range of topics related to casework, employment services counseling, and the interaction of benefits cliffs with employment and training decisions. To conclude, we summarize some of the most critical points related to improving practice for both policymakers and direct service providers:

1. Clients need labor market information—such as wage ranges—on careers to help inspire and motivate them into taking the next step into employment. The information should be clearly presented and easy to interpret.¹⁷
2. Clients need information regarding the process of completing a particular career path. For example, they need detailed steps on how to become a CNA or LPN, including the cost and duration of schooling, and how to apply for financial assistance.
3. Longer-term labor market information and career paths would be useful to younger individuals in high school or college because they are thinking more explicitly about longer-term career choices. Because individuals in difficult life circumstances with scarce resources tend to focus on

¹⁷ The Opportunity Occupations Monitor, for example, shows the range of wages by occupation from the 10th to the 90th percentile. See atlantafed.org/cweo/data-tools/opportunity-occupations-monitor.

meeting short-term needs, this population is less likely to use a long-term career perspective. However, a subset of such individuals who are motivated, resilient, and determined to become self-sufficient may use the longer-term information.

4. Clients and counselors need greater clarity on benefits eligibility rules, such as income and asset tests. This information can help individuals identify what benefits they should consider applying for, how long it will take before they start receiving them, and when they will lose them. Such information can also help individuals avoid financial hardship arising from an unexpected loss of benefits.¹⁸

In conclusion, participants in our focus groups report that clients face numerous employment barriers previously reported in the literature. Participants and their clients struggle to understand and communicate complex benefits rules and schedules, a finding also echoed in the literature. The addition of career planning—including an understanding about how occupational choice affects both short- and long-term employment earnings—adds additional complexity to an already complex decision-making process.

¹⁸ The Federal Reserve Bank of Atlanta has developed a methodology to predict benefits loss in a short-, medium-, and long-term career planning framework. See atlantafed.org/economic-mobility-and-resilience/advancing-careers-for-low-income-families for more details.

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