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BANK  
*of* ATLANTA

# Benefit Cliffs: An Exploration with the Atlanta Fed

Removing Barriers to Prosperity:  
Early Learning Coalition of Orange  
County and Orlando Economic  
Partnership

Orlando, FL

August 14, 2019

The views expressed in this presentation do not represent those of the Federal Reserve Bank of Atlanta, the Federal Reserve System, or anyone other than the presenter. If you think you heard otherwise, you are mistaken.

# An Atlanta Fed key priority: Promoting Economic Mobility and Resilience.



The **CAPACITY** to assist lower-income individuals striving to move up the economic ladder.

**ACCESS** to the tools, programs, and opportunities that promote economic well-being.

The **RESOURCES** and **LIFELINES** required to weather shocks to households' economic circumstances.

# The cause of economic mobility and resilience touches all of the Federal Reserve's responsibilities.

*Function*  
Conducting Monetary  
Policy

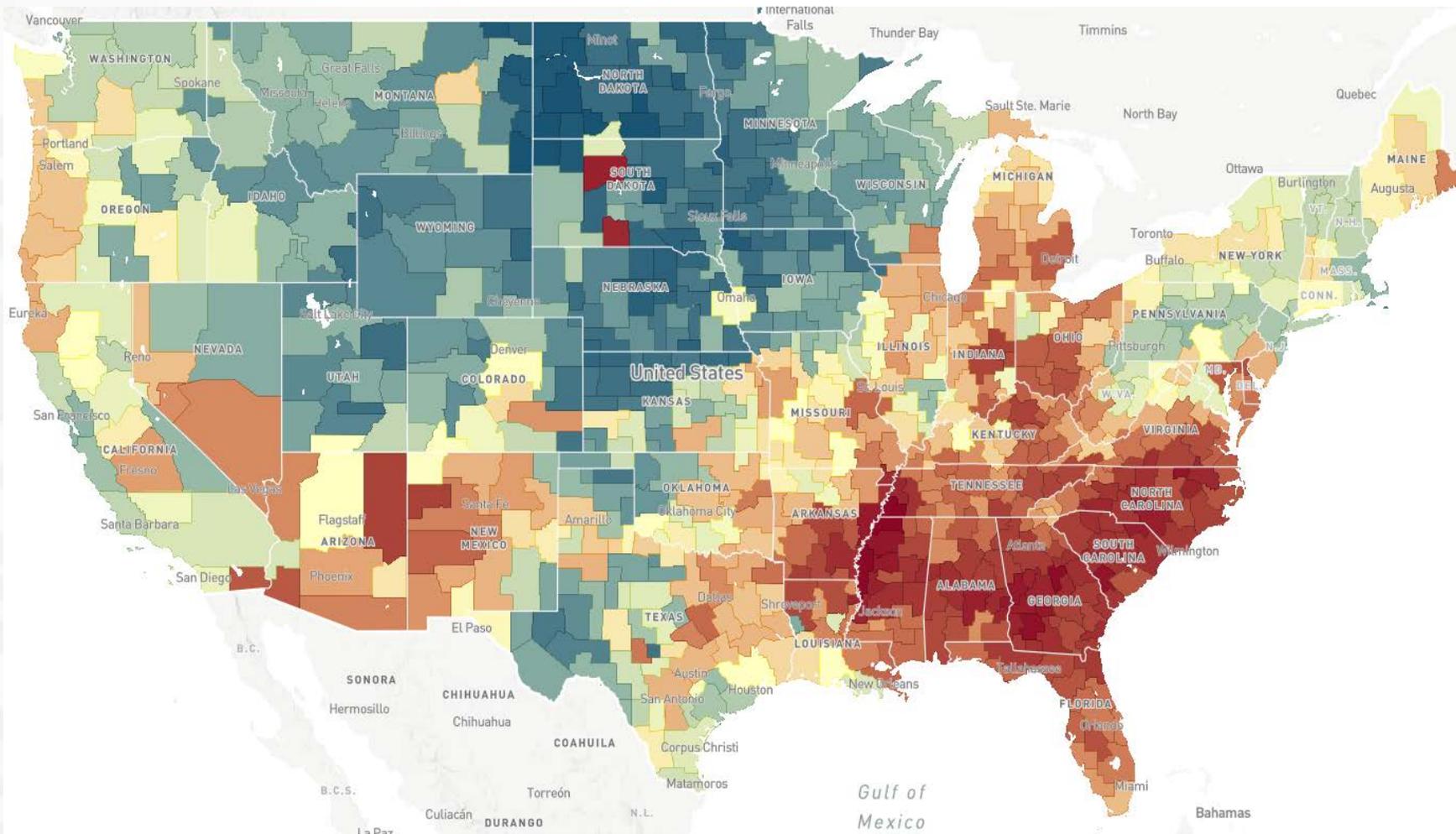
*Function*  
Promoting Financial  
System Stability

*Function*  
Supervising and  
Regulating Financial  
Institutions and  
Activities

*Function*  
Fostering Payment  
and Settlement System  
Safety and Efficiency

*Function*  
Promoting Consumer  
Protection and  
Community  
Development

# In the Atlanta Fed's zone, we have an (unfortunate) comparative advantage in thinking about impediments to economic mobility.



**Blue: Good.**

**Red: Bad.**

# Opportunity occupations: Pay better than median wage, require less than a bachelor's degree

ORLANDO-KISSIMMEE-SANFORD, FL

## TOP 10 OPPORTUNITY OCCUPATIONS IN 2017

- 1 REGISTERED NURSES**  
Annual Median Wage: **\$62,600**  
Opportunity Employment: **12,900**
- 2 HEAVY AND TRACTOR-TRAILER TRUCK DRIVERS**  
Annual Median Wage: **\$40,100**  
Opportunity Employment: **10,700**
- 3 SUPERVISORS OF RETAIL SALES WORKERS**  
Annual Median Wage: **\$40,800**  
Opportunity Employment: **8,800**
- 4 SUPERVISORS OF OFFICE AND ADMINISTRATIVE SUPPORT WORKERS**  
Annual Median Wage: **\$49,900**  
Opportunity Employment: **6,900**
- 5 SALES REPRESENTATIVES, WHOLESALE AND MANUFACTURING**  
Annual Median Wage: **\$47,800**  
Opportunity Employment: **6,400**
- 6 CARPENTERS**  
Annual Median Wage: **\$40,100**  
Opportunity Employment: **5,700**
- 7 SALES REPRESENTATIVES, SERVICES**  
Annual Median Wage: **\$46,600**  
Opportunity Employment: **5,200**
- 8 ELECTRICIANS**  
Annual Median Wage: **\$41,000**  
Opportunity Employment: **5,200**
- 9 SUPERVISORS OF CONSTRUCTION TRADES AND EXTRACTION WORKERS**  
Annual Median Wage: **\$56,000**  
Opportunity Employment: **5,200**
- 10 LICENSED PRACTICAL AND LICENSED VOCATIONAL NURSES**  
Annual Median Wage: **\$43,800**  
Opportunity Employment: **5,100**



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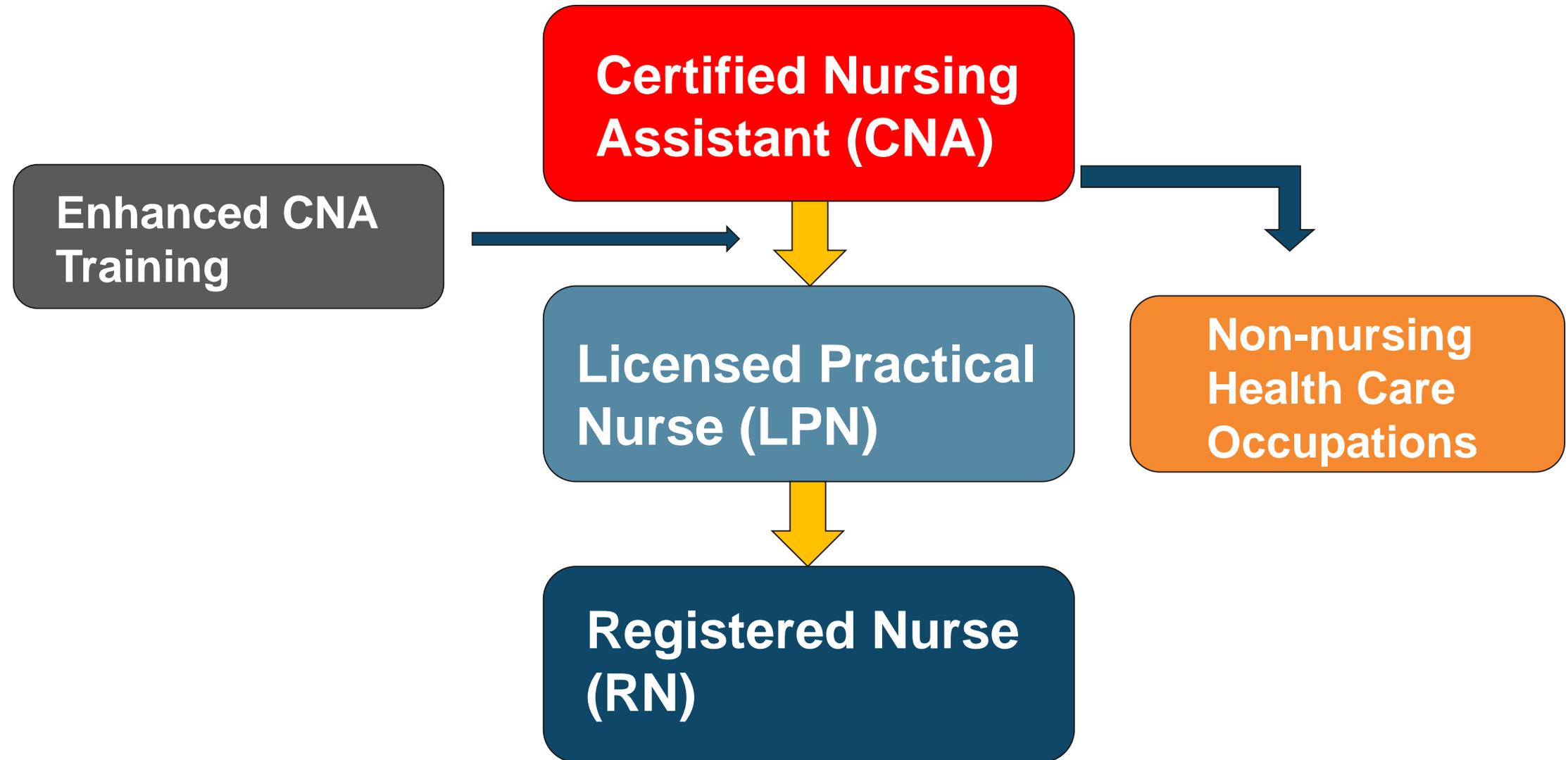


Sources: Authors' calculations using data from BLS Occupational Employment Statistics (May 2017), Burning Glass Technologies (2015-2017), BEA Regional Price Parities (2016), and American Community Survey Five-Year Public Use Microdata Sample (2012-2016). Values are rounded to the nearest 100. Occupations are ranked on unrounded opportunity employment values.

For more information, read "Opportunity Occupations Revisited: Exploring Employment for Sub-Baccalaureate Workers Across Metro Areas and Over Time," by Kyle Fee, Keith Wardrip, and Lisa Nelson and published by the Federal Reserve Banks of Cleveland and Philadelphia, 2019 (available at [www.philadelphiafed.org/community-development/publications/special-reports](http://www.philadelphiafed.org/community-development/publications/special-reports)). The views expressed here are those of the authors and do not necessarily represent the views of the Federal Reserve Banks of Philadelphia, Cleveland, Atlanta, or the Federal Reserve System.

Source: "Opportunity Occupations Revisited: Exploring Employment for Sub-Baccalaureate Workers cross Metro Areas and Over Time," available at <https://www.clevelandfed.org/newsroom-and-events/publications/a-look-behind-the-numbers/albfn-opportunity-occupations.aspx> .

# The CNA: An entry point to a health care career pathway

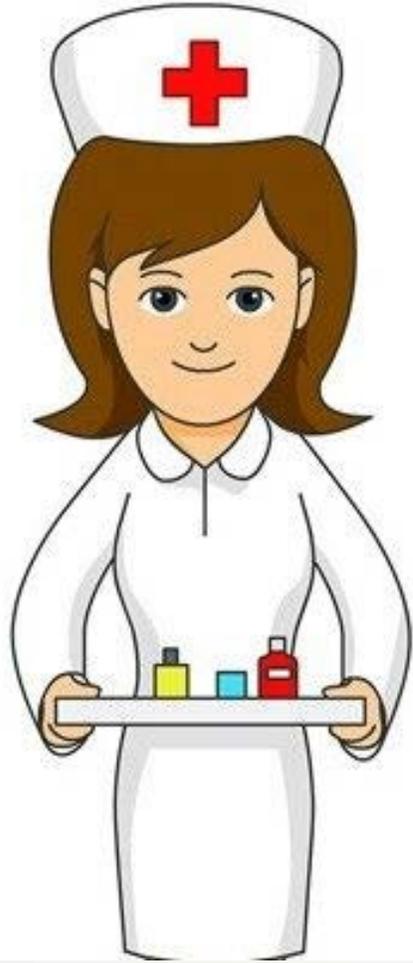


The pathway is there but not enough people are on it.

In an evaluation of the Health Profession Opportunity Grant Program 2.0, **just over 4 1/2% who completed entry-level health care training continued on to mid- or higher-level training.\***

\* Pamela Loprest and Nathan Sick, *Health Profession Opportunity Grants 2.0: Year Three Annual Report (2017-18)*, April 2019.  
[https://www.acf.hhs.gov/sites/default/files/opre/hpog2\\_third\\_annual\\_report\\_042519\\_508.pdf](https://www.acf.hhs.gov/sites/default/files/opre/hpog2_third_annual_report_042519_508.pdf).

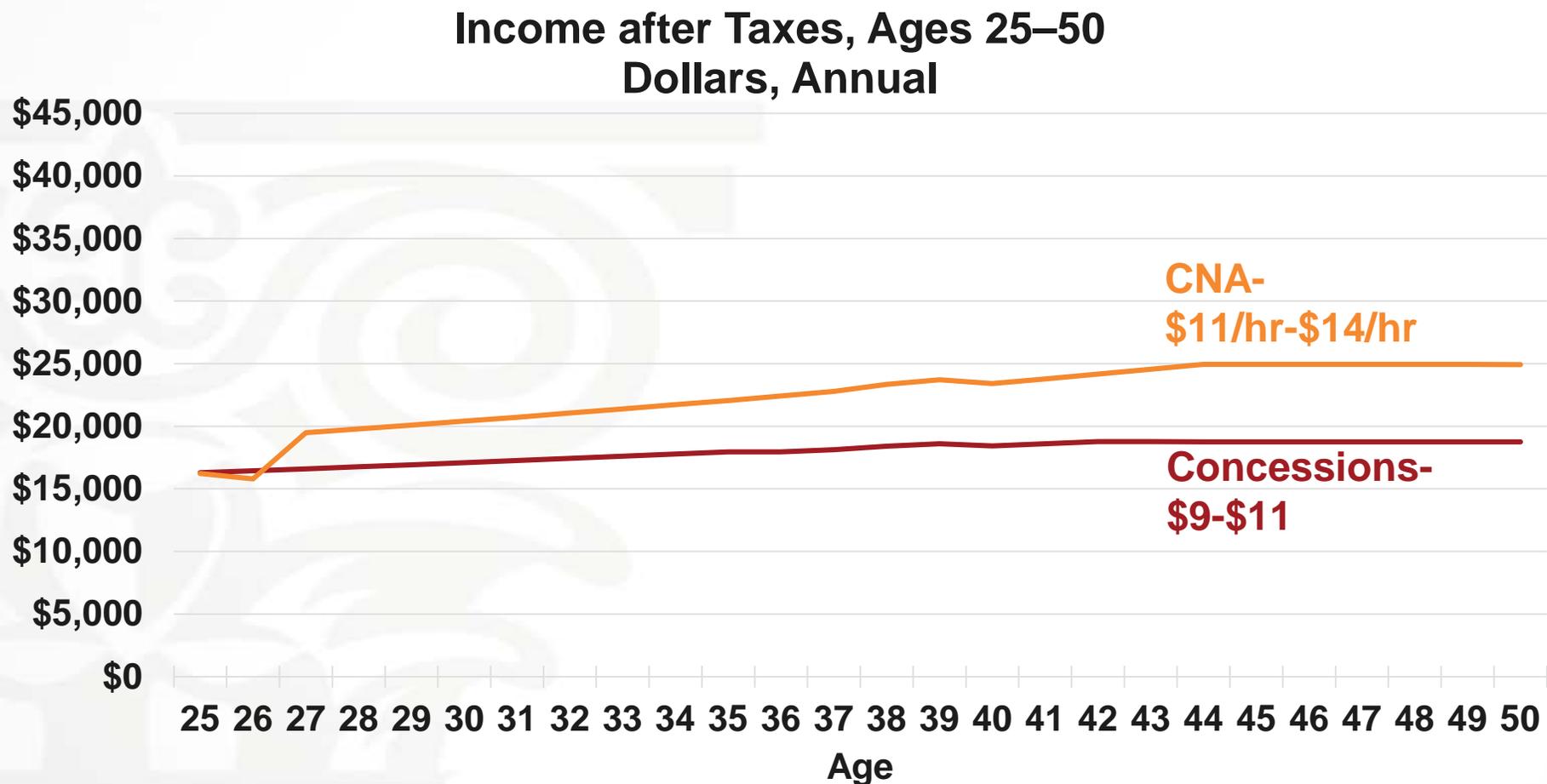
## Meet Leia, our hypothetical single parent.



**Leia is a 25-year-old single mother of two children, ages 4 and 6, living and working (at a movie theater concession stand) in Orlando, Florida.**

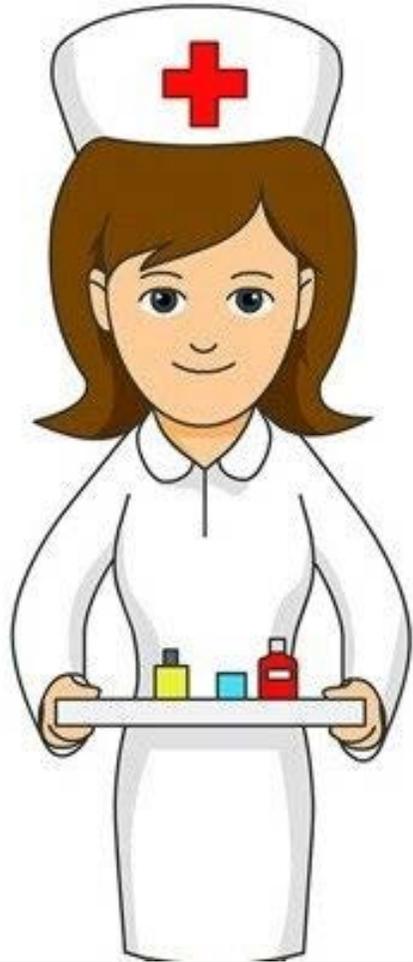
**Leia is just entering a two-month program to become a certified nursing assistant (CNA).**

Though the CNA generates an improvement in lifetime earnings, it is not a big advance over minimum wage.



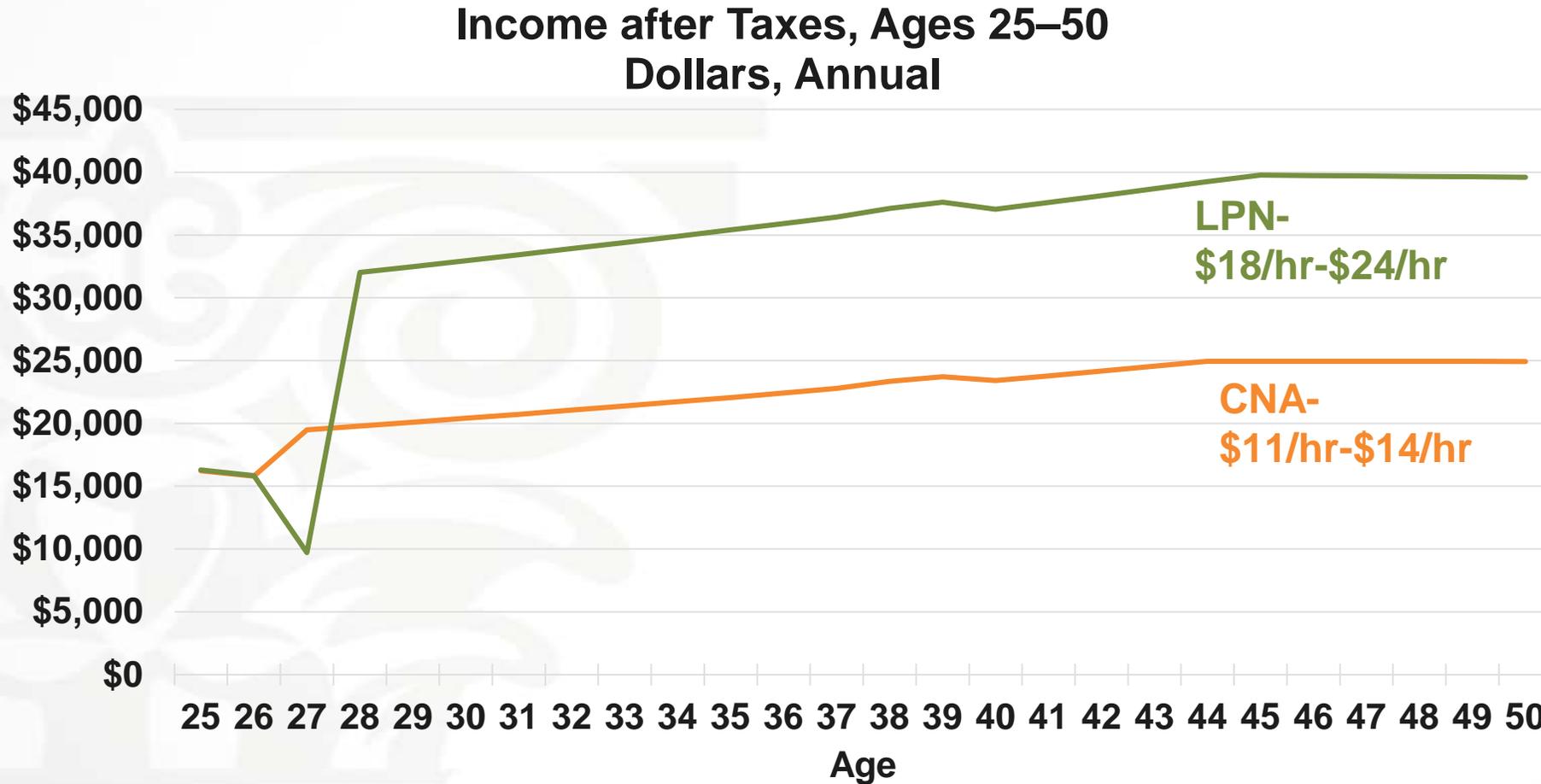
After taxes paid, discounted lifetime earnings are **17%** higher on the **CNA path**.

## Leia's question.



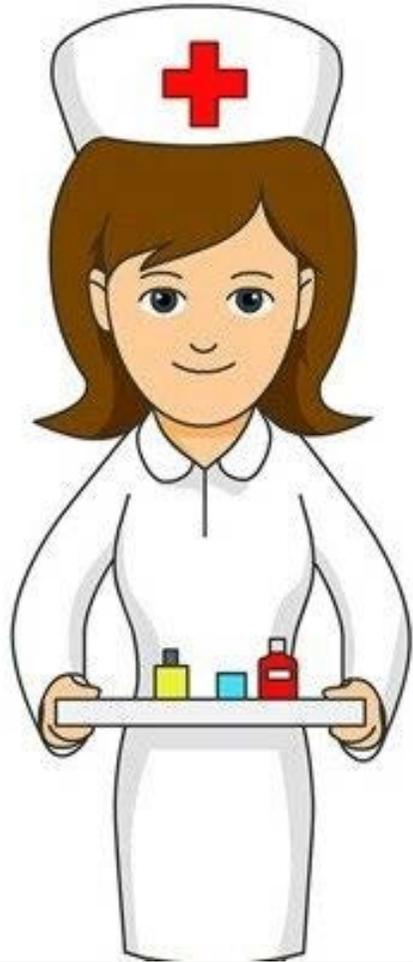
**Should she continue down the pathway to become a licensed practical nurse?**

Looking at straight after-tax income, the answer is “yes”; the LPN looks like a good choice.



After taxes paid, discounted lifetime earnings are **33%** higher on the **LPN path.**

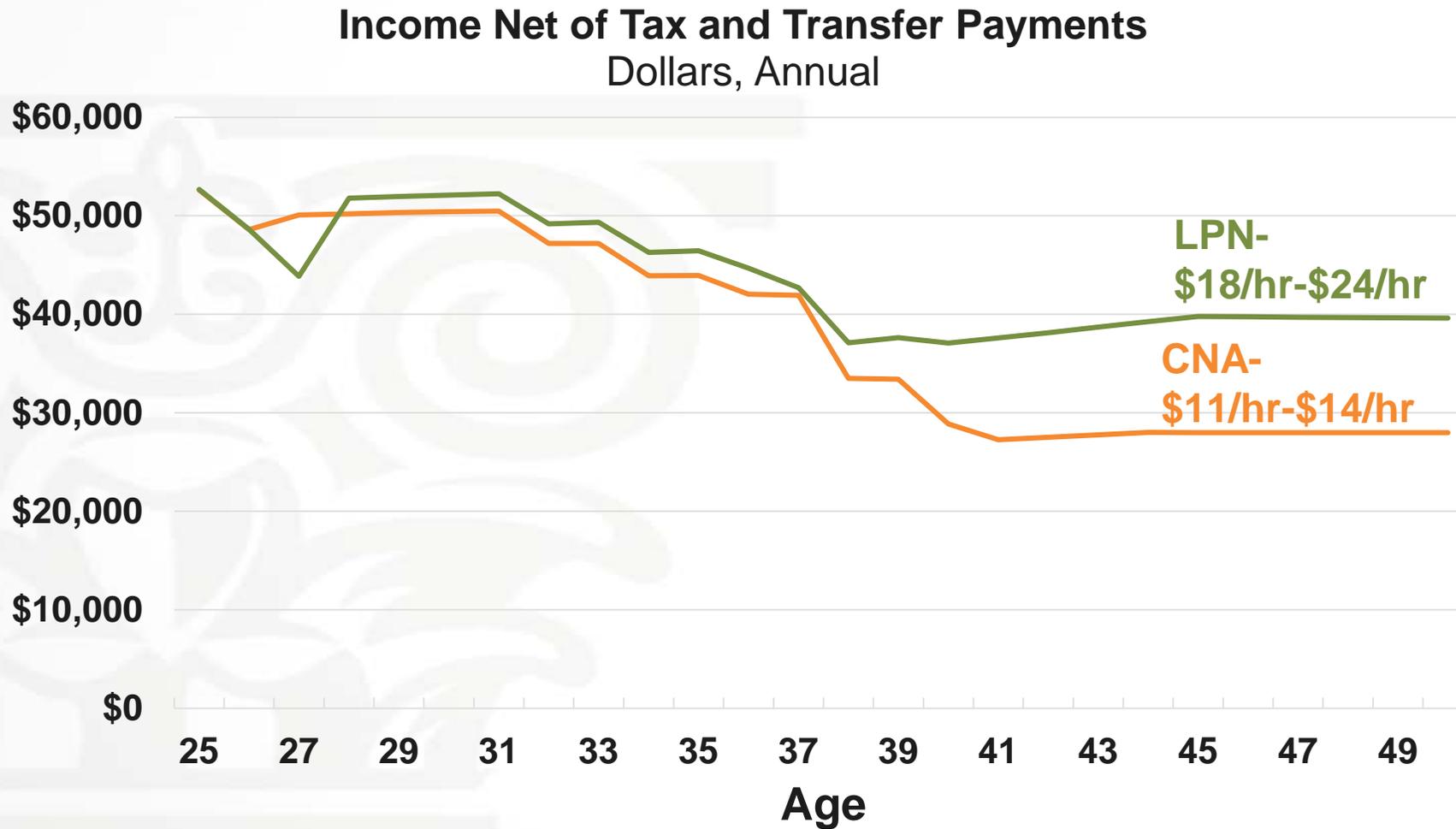
# One important piece of missing information.



**Leia is assisted by a variety of public support programs:**

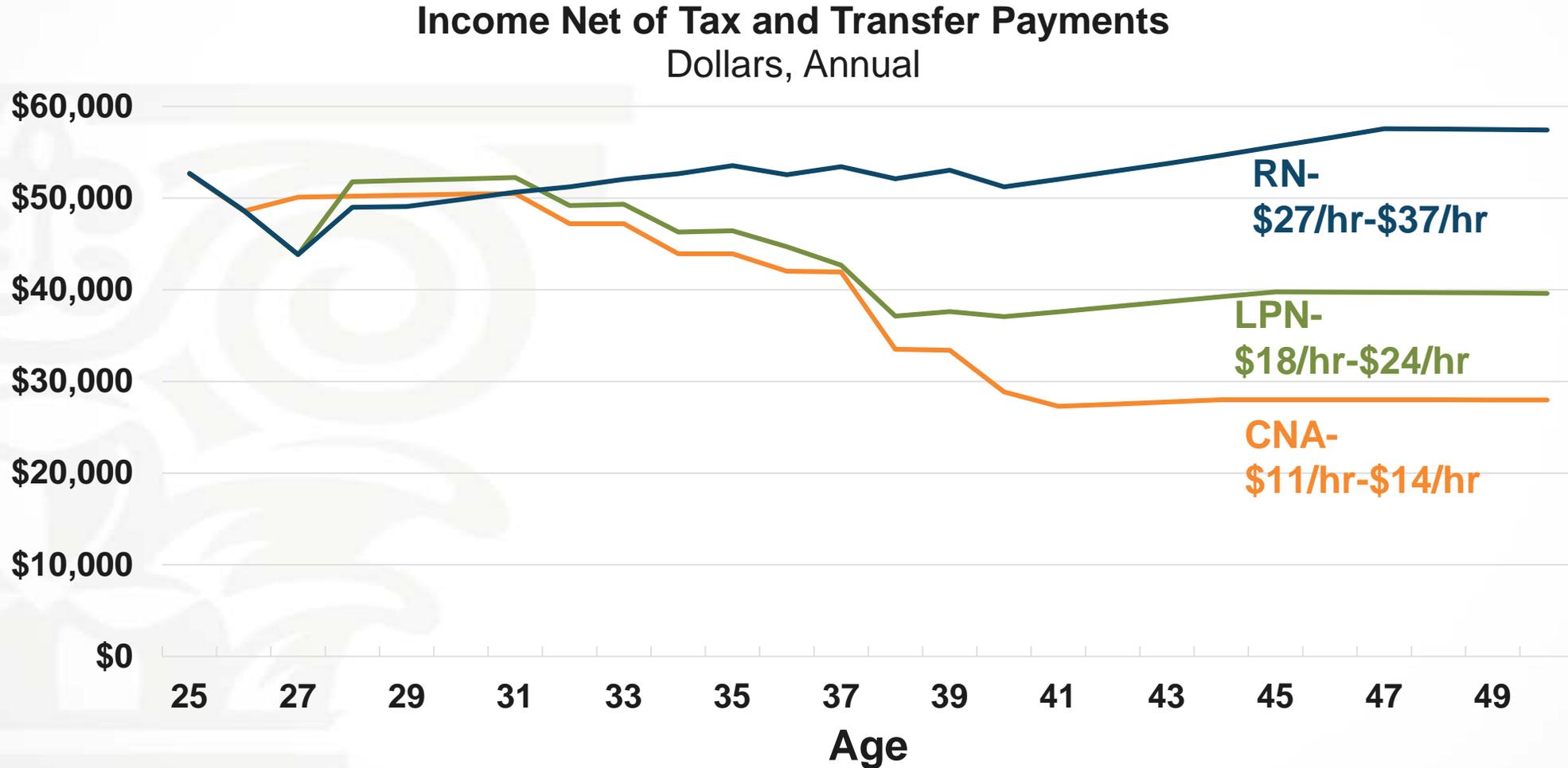
**Food Stamps, Medicaid for her children, Section 8 housing vouchers, child care assistance, and the Earned Income Tax Credit.**

# After transfer payments, the picture looks very different.



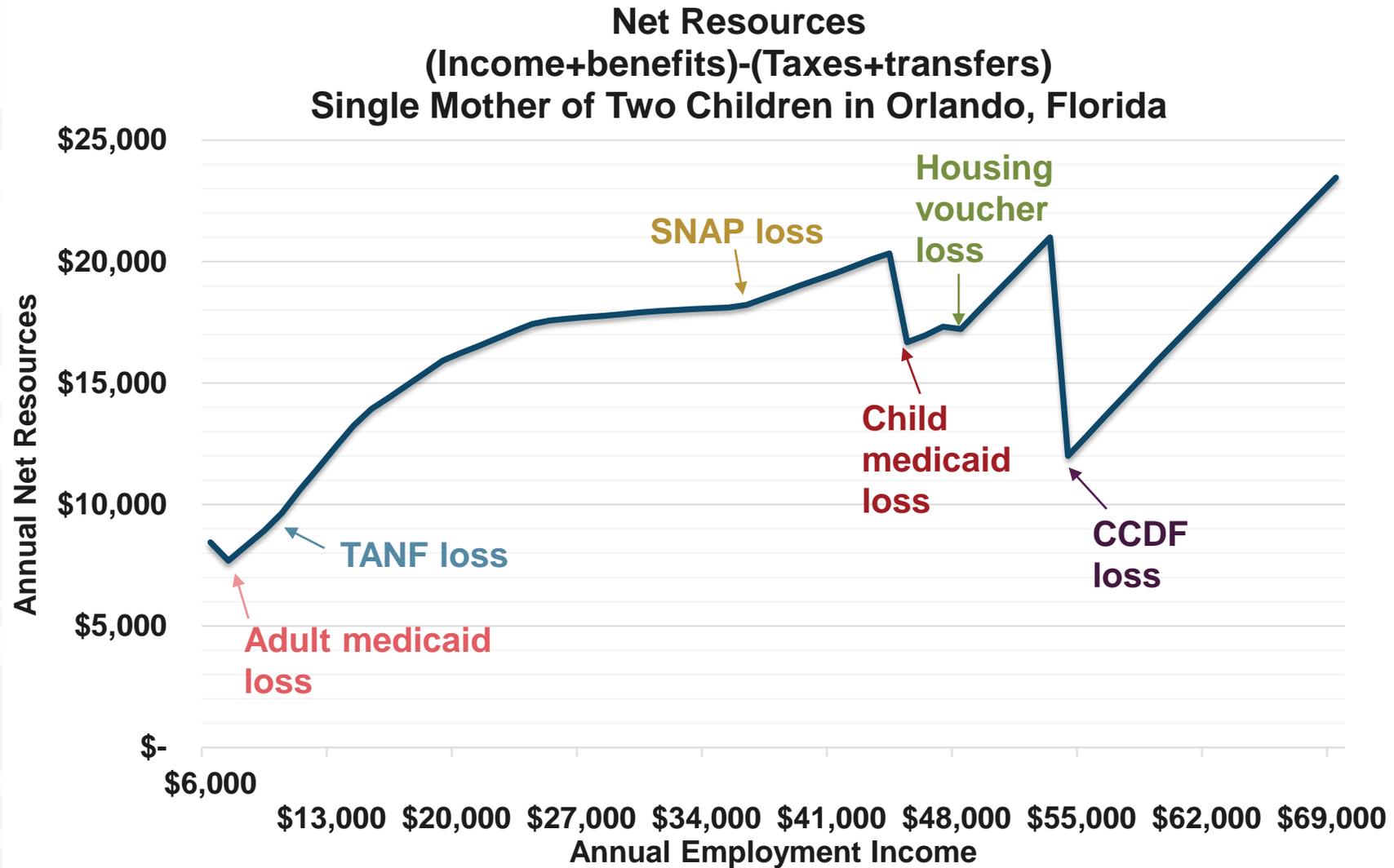
After transfer payments, discounted lifetime income is just **11%** higher for the **LPN** versus **CNA** path — and it takes some time to break even.

# Even for advanced training, the short-run value proposition is poor even though the long-run proposition is significant.

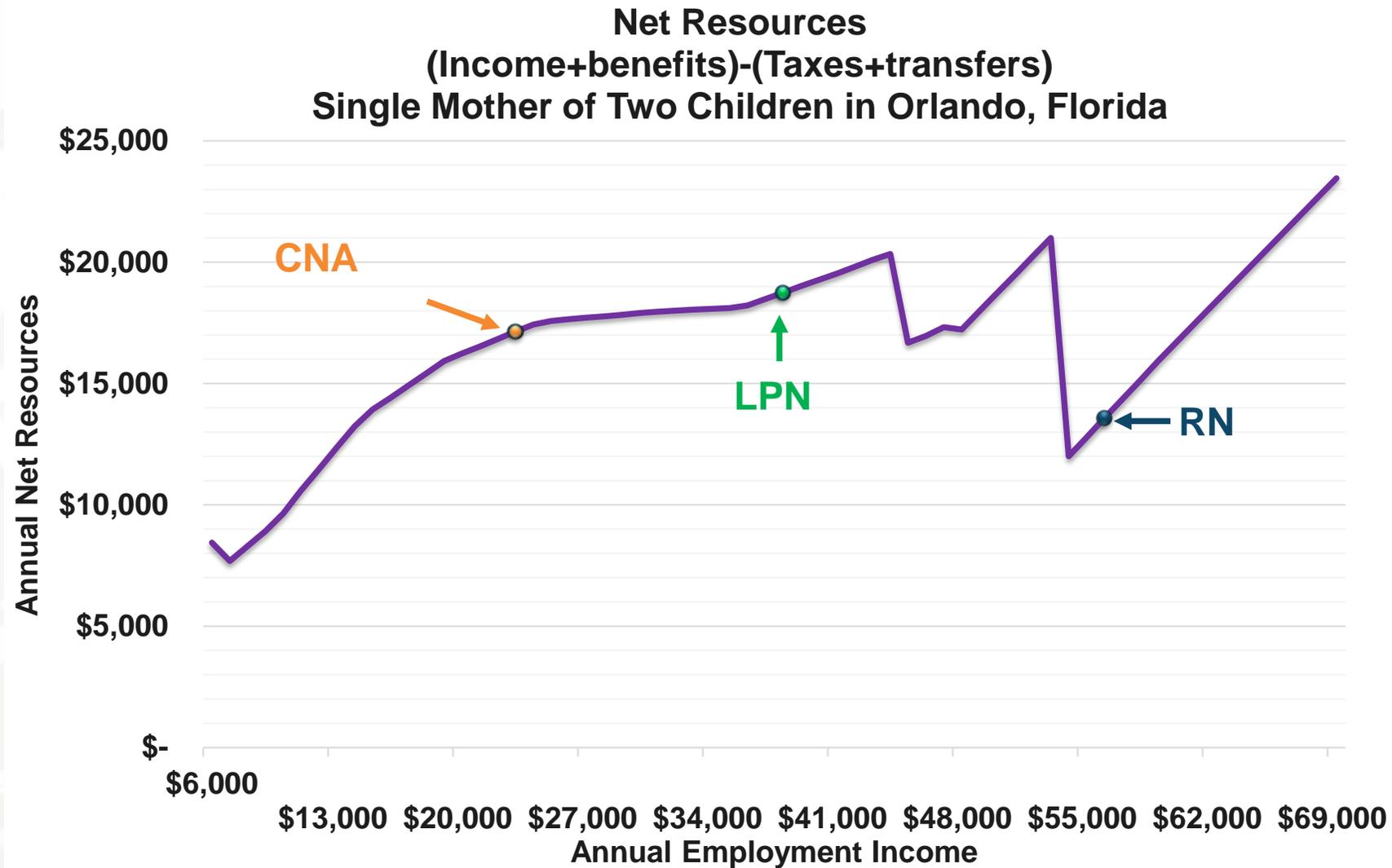


Source: The Fiscal Analyzer (see <https://kotlikoff.net/wp-content/uploads/2019/03/Online-appendix-6-5-19-.pdf>)

# What's going on? The benefit cliffs.

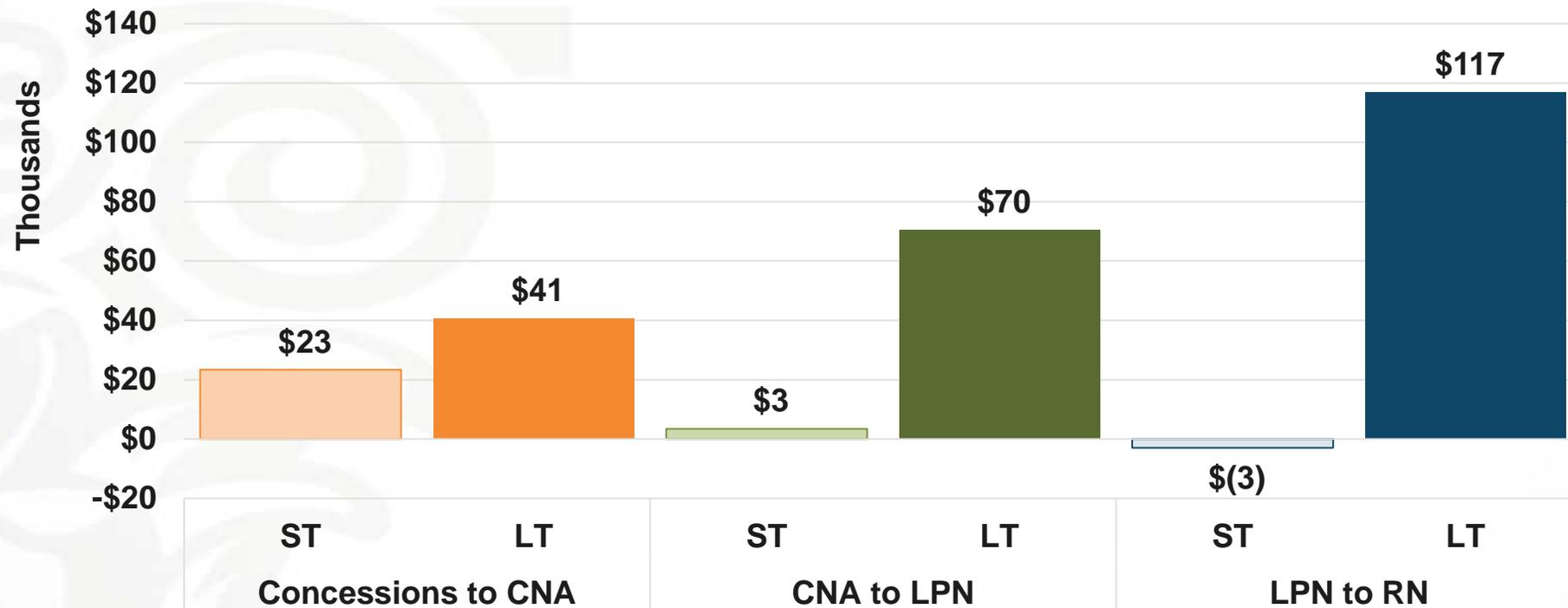


# What's going on? The benefit cliffs.



# Is there an incentive for Leia to move up the career ladder? Long-term, yes. Short-term, less so.

**Net Benefit of Skill Acquisition to Leia: Short-Term Versus Long-Term**  
Net Present Value, Thousands \$

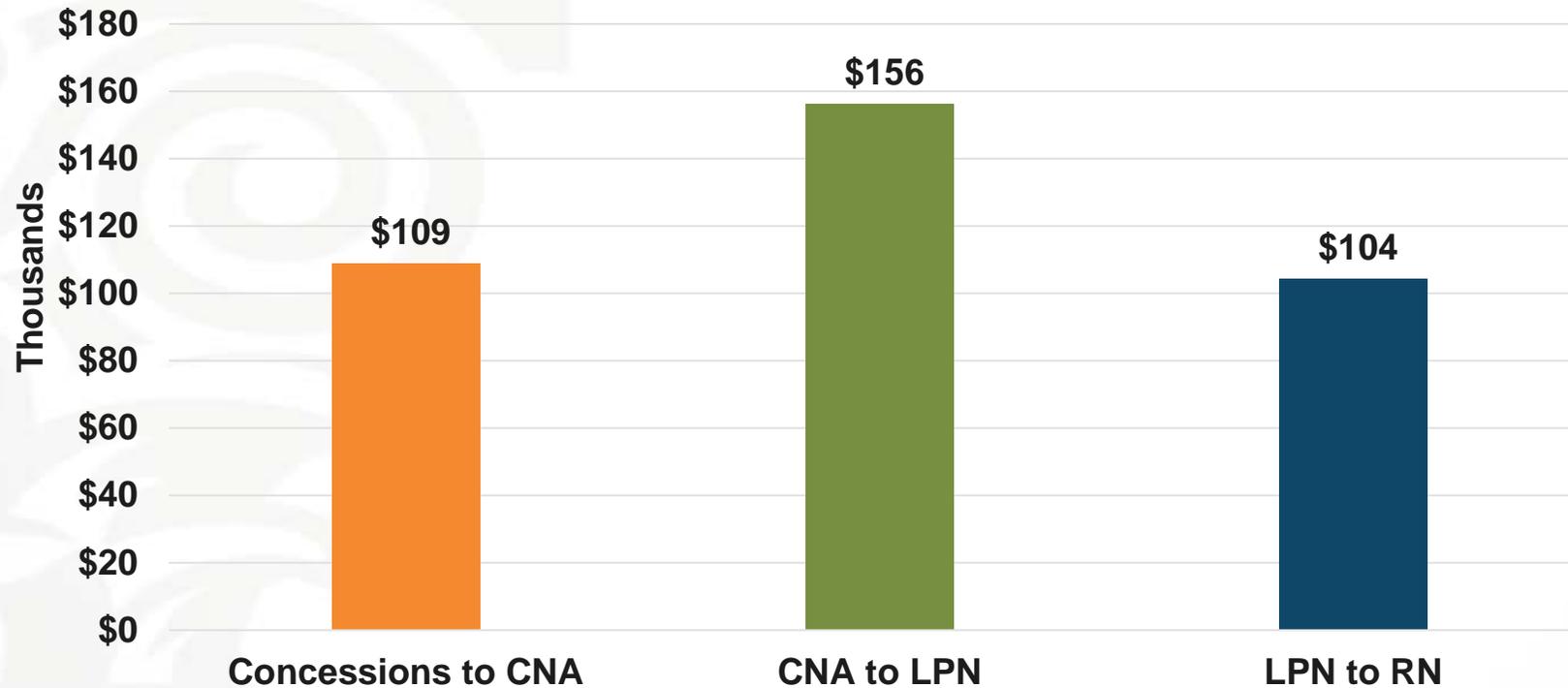


**Note: Short-term includes ages 25-33 (while her kids need daycare). Long-term is over the lifetime.**

Source: The Fiscal Analyzer (see <https://kotlikoff.net/wp-content/uploads/2019/03/Online-appendix-6-5-19-.pdf>)

# The benefits to the government if Leah progresses along the career pathway are substantial.

**Net Public Savings from Skill Acquisition, Orlando**  
Net Present Value, Thousands \$



Source: The Fiscal Analyzer (see <https://kotlikoff.net/wp-content/uploads/2019/03/Online-appendix-6-5-19-.pdf>)



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