

Barriers to Economic Mobility for Low-Income Working Families with Young Children

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Community & Economic Development (CED) at the Atlanta Fed

MISSION

Support 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.

To access our papers, data tools, and other resources visit our website at:

frbatlanta.org/community-development



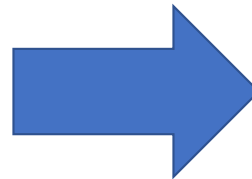
Advancing Careers for Low-Income Families

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

Tools and resources to support a variety of activities.

 **Federal Reserve Bank of Atlanta**
Policy Rules Database



Partnerships

**Community,
State, and
Federal Policy
Solutions**

**Career and
Financial
Coaching
Solutions**

**Employer
Solutions**

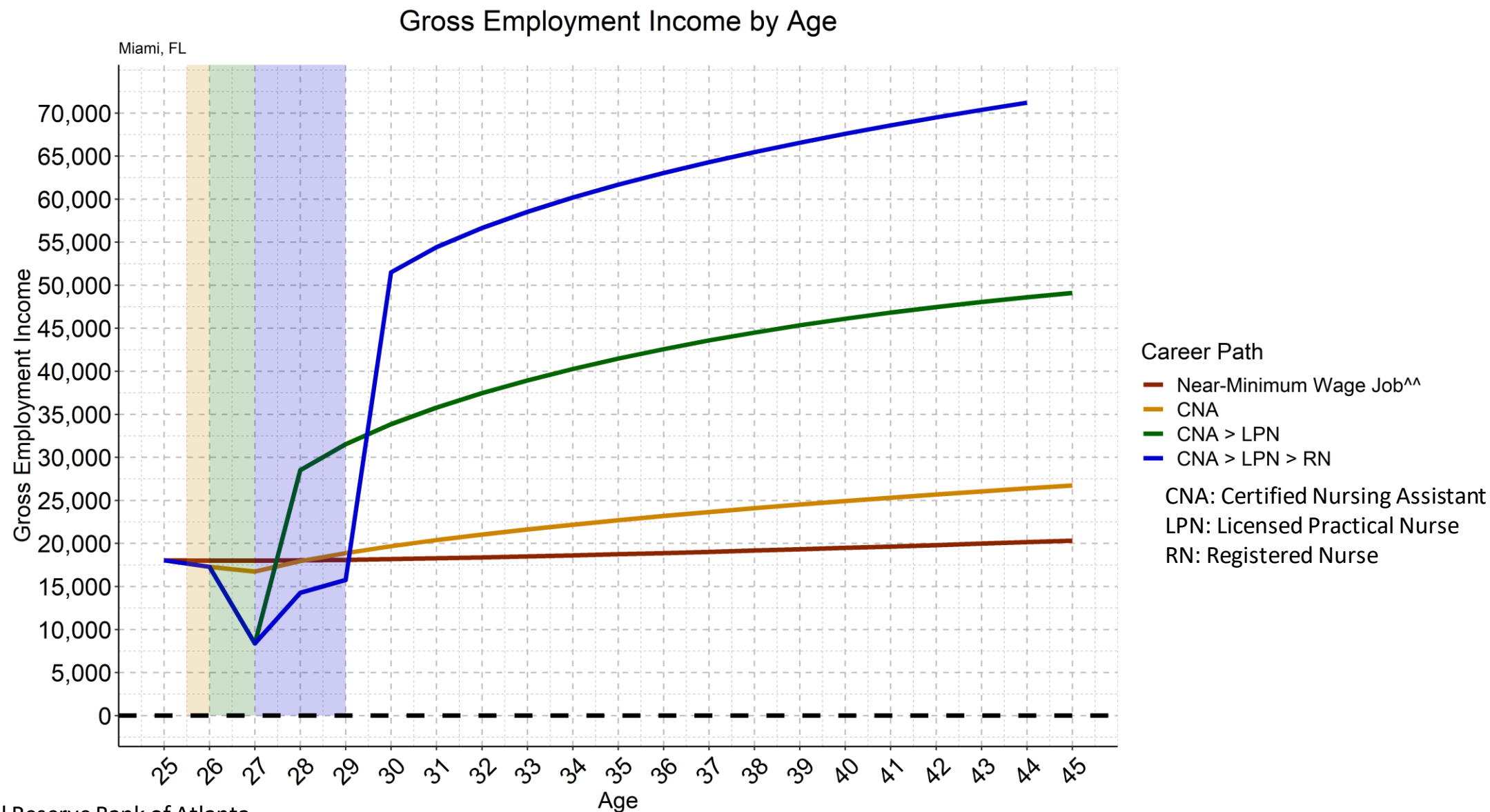
**Guaranteed
Income
Pilots**

Research

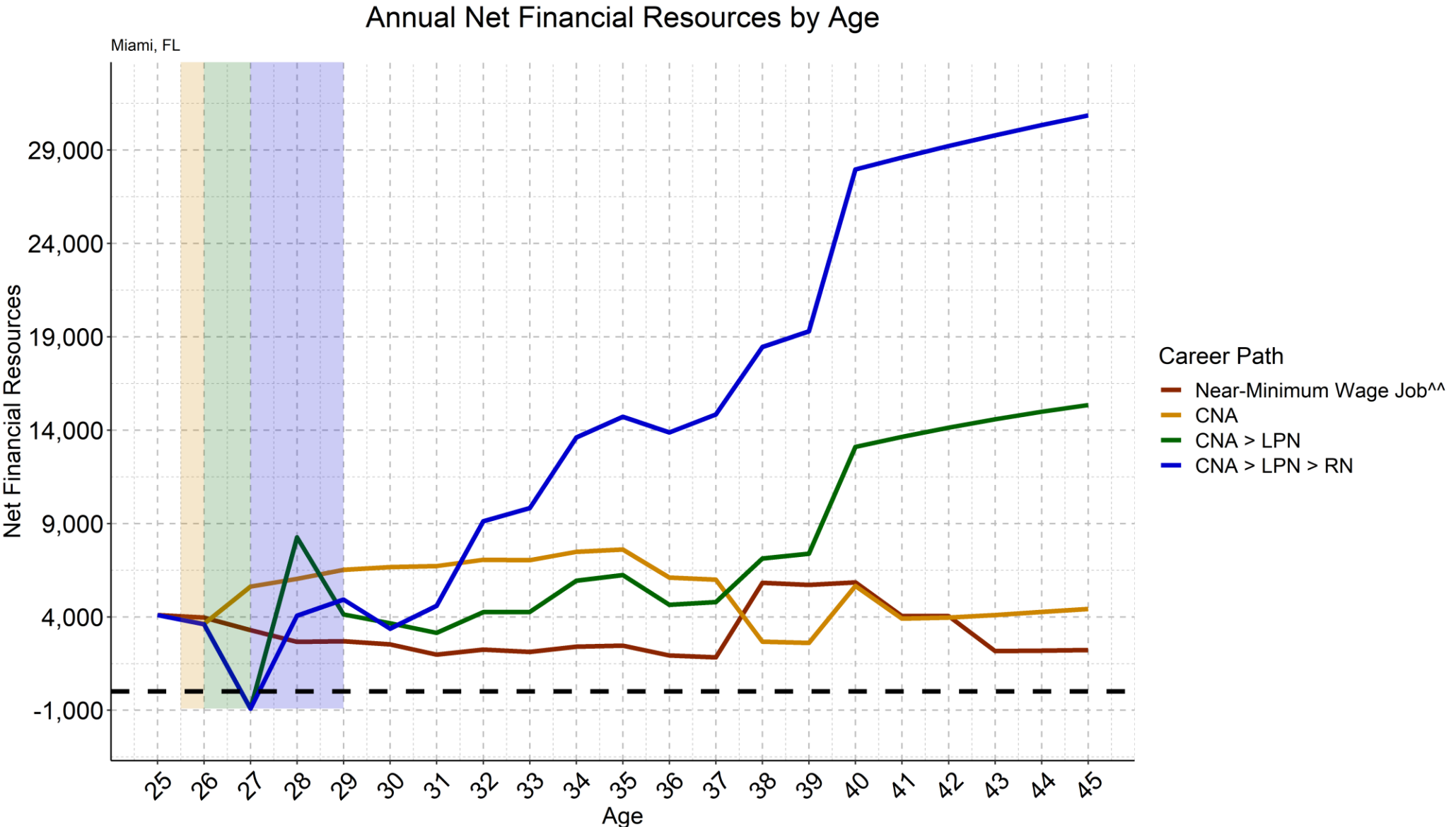
Benefits Cliffs

- Many public programs support low-income families with food, housing, child care, and other services.
- These programs have income eligibility requirements.
- Work-related earnings gains are offset by the loss of public programs with income eligibility requirements.
- Low-income workers may be better off financially by not taking a job with either higher pay or more available hours due to the loss of public program benefits.

Career pathways, showing just employment earnings



Incorporating benefits cliffs into the career pathway picture



Sources: The Fiscal Analyzer ([Kotlikoff 2019](#)); Federal Reserve Bank of Atlanta

The CLIFF Dashboard

Select City

Birmingham, AL

Select Industry

Information Technology

Select Career Path

Computer User Support Specialist (CSS)

Select Family Type

Single adult with one child

Select Public Assistance Package

RTC + TANF + Food + Housing + Childcare + Healthcare

Definitions:

RTC: Refundable Tax Credits, including the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC)

TANF: Temporary Assistance for Needy Families (TANF)

Food: Supplemental Nutrition Assistance Program (SNAP)

Housing: Section 8 Housing Voucher

Childcare: Child Care Development Fund Subsidies (CCDF)

Healthcare: Medicaid, Children's Health Insurance Program (CHIP), Medicare, or Affordable Care Act (ACA) subsidy

Introduction

Income and Self-Sufficiency

Net Resources

For Policymakers

Eligibility by Program

20:22

Quality job training for an in-demand career can increase the amount of money you earn and raise your standard of living. Higher income from your new career can put you on a path towards self-sufficiency - the ability to pay all your bills without having to rely on public assistance.

Making an informed choice can be difficult if you are enrolled in public assistance programs. As you earn more money, you may lose some of these programs, but those changes can be difficult to predict. This dashboard can be used to better understand these changes.

This dashboard gives you more information about which in-demand careers are likely to help you overcome a loss of public assistance and leave you in a better position financially. The dashboard also shows how long it will take to achieve self-sufficiency on a chosen career path.

To Get Started:

Use the left-side navigation pane to select a family type most similar to your own and to identify careers of interest to you in various industries.

The tabs above show how much a typical worker in the chosen career can expect to earn locally, pay in taxes, and how much the worker's family can expect to receive in public assistance over time.**

You can customize the results further by selecting different public assistance packages using the dropdown menus in the left-side navigation pane.



** The CLIFF tool is not intended to provide career or financial advice. The calculations provided by this site are summaries to be used for educational and informational purposes only. Do not rely on them as a determination of public assistance. Determination of eligibility and amount of public assistance is made solely by the applicable provider(s). It is possible that persons may be eligible for additional public assistance not covered by this site.

What can be done?

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
- Identify target populations for services
- Public program intake processes and program requirements

What Can Be
Done about the
Child Care
Benefits Cliff? A
Case Study in
Florida



Child Care Affordability and Benefits Cliffs

- Using 2018 American Community Survey data and the University of Washington Self-Sufficiency Standard, we estimate that only 44% of U.S. families with children under the age of 13 can afford the full price of child care without having to sacrifice other basic needs such as housing, food, healthcare, and transportation
- Child care is one of the highest household budget items and therefore presents one of the steepest benefits cliffs
- Benefits cliffs do not hit evenly across communities – factors include wages and cost of living
- Two problems
 - Affordability: 3 percent of Florida's population live in counties where a family with two adults and two young children can afford the full cost of childcare at 85% of SMI without sacrificing other basic needs.
 - Benefits Cliff: for a family of 4, can be as high as \$16,000 in high-cost counties

Florida: A Case Study

Family type

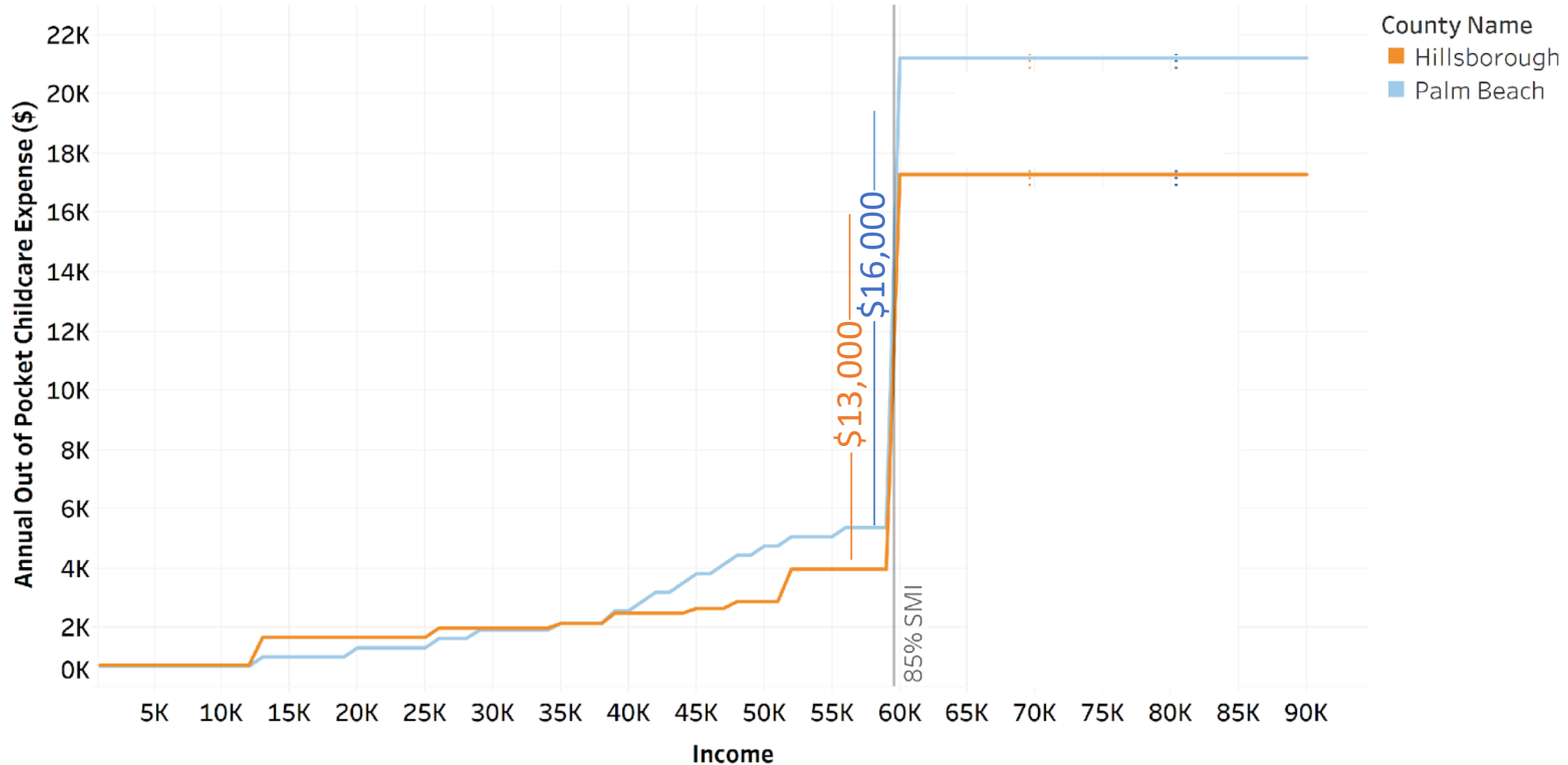
- 2 Adult + 2 Children (age 2 and 3)

Two counties

- Hillsborough County >> Tampa, FL
- Palm Beach County >> Includes multiple cities north of Fort Lauderdale (West Palm, Boca Raton, etc)

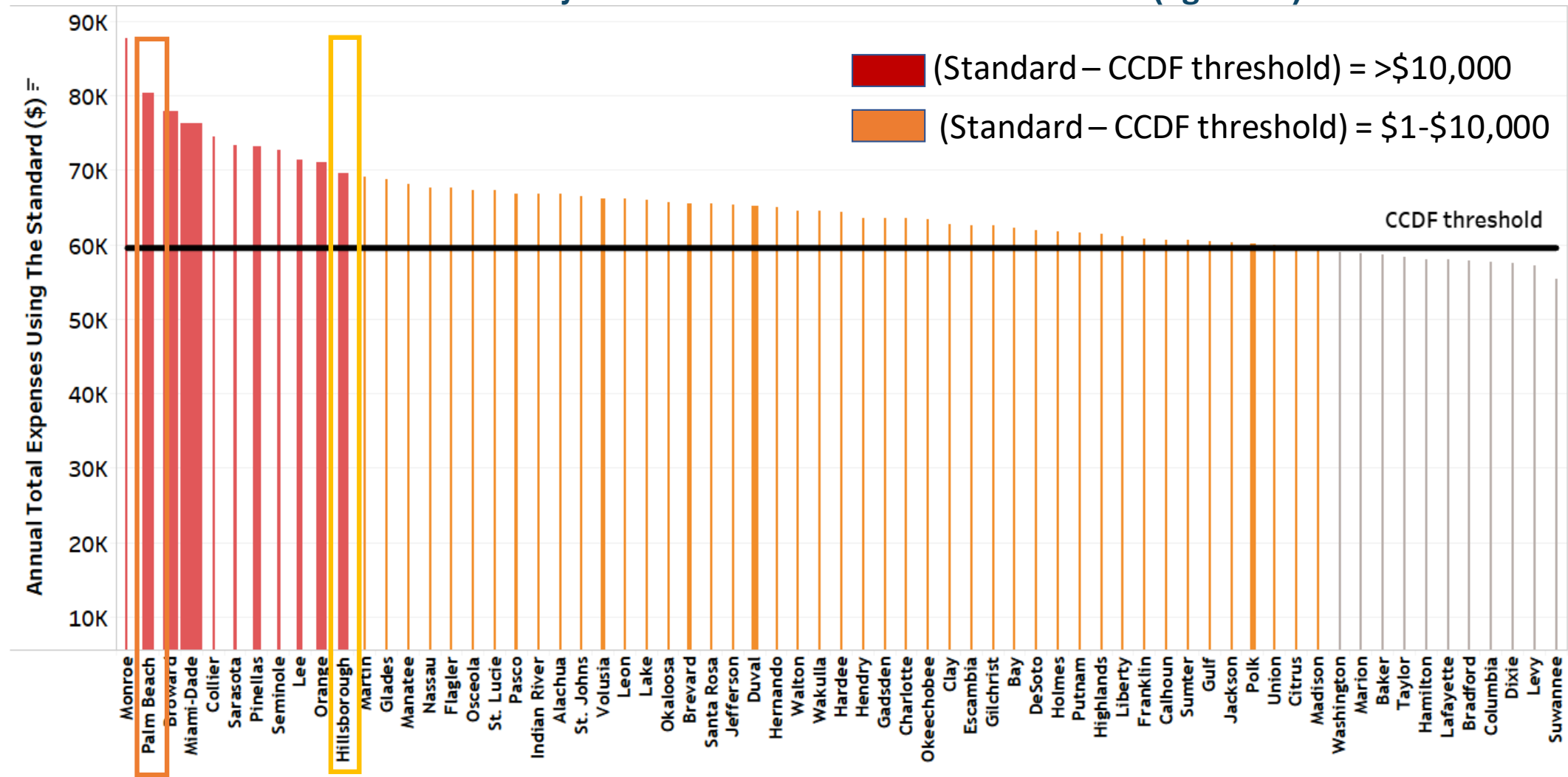
The Design of CCDF: Problem #1 CLIFF Effects

Existing CCDF Copay Schedule in Hillsborough and Palm Beach Counties: 2 adults + 2 children (age 2 & 3)



The Design of CCDF: Problem #2 Cost of Living Varies by County

Figure 3: CCDF Threshold and the Standard by Florida Counties: 2 adults and 2 children (age 2 &3)



Policy Experiment Methodology

Conduct two policy experiments

- Alternative 1) Extend the CCDF copayment schedule
 - addresses the affordability issue
- Alternative 2) Extend + Adjust the CCDF copayment schedule
 - addresses affordability + benefits cliff
- Compare Alternatives 1 & 2 to current policy
 - Cost To families
 - Cost To the government

Cost of Living Data

- The Self-Sufficiency Standard (University of Washington)
 - childcare, food, health care, rent, transportation, utilities, taxes, and miscellaneous

CCDF eligibility and copayment rules

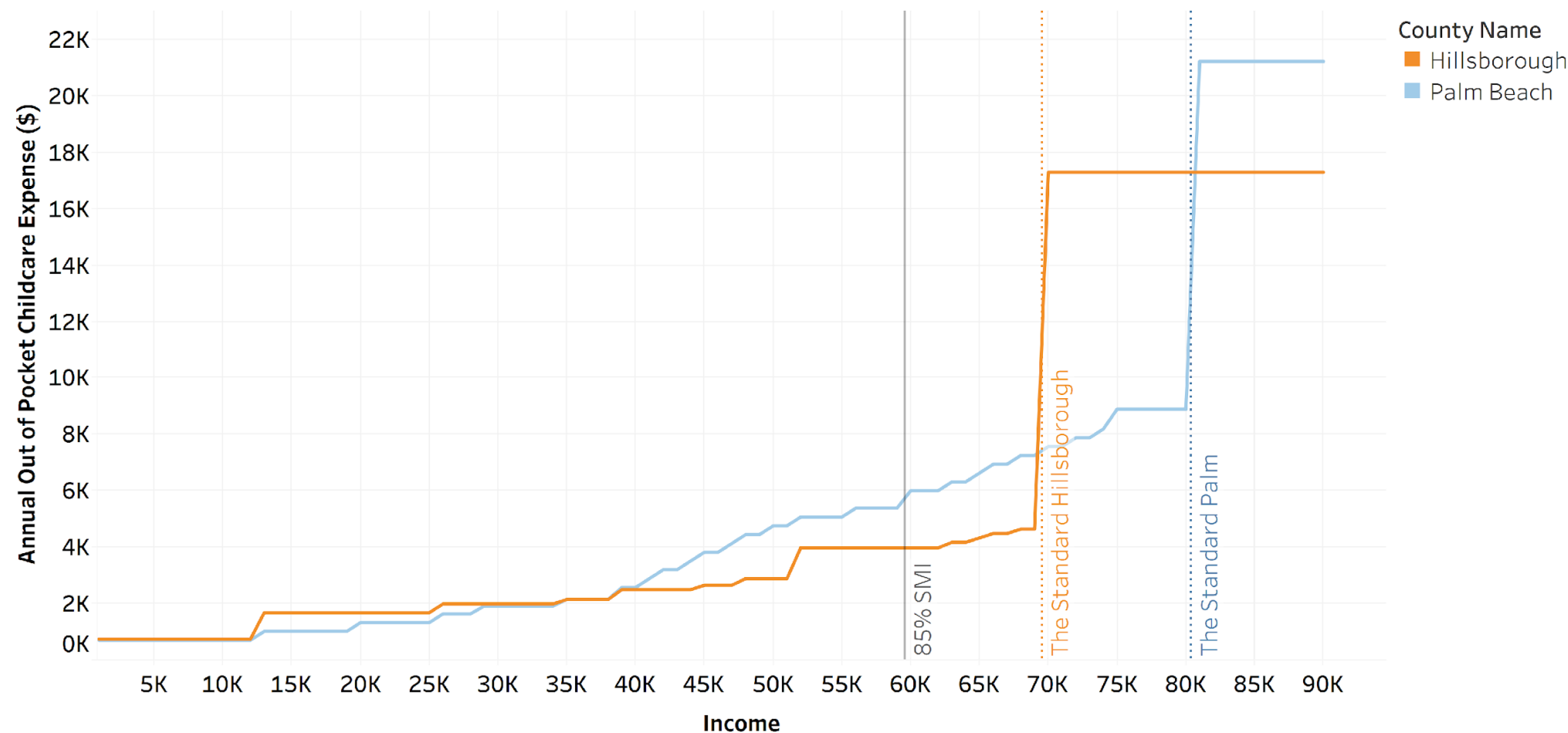
- The Policy Rules Database (Ilin & Terry, 2021)

Population Data

- Administrative Data: Number of families on CCDF by income level
- American Community Survey: Demographic (e.g. number of children, age of children)

Alternative #1: Extended Copay Schedule

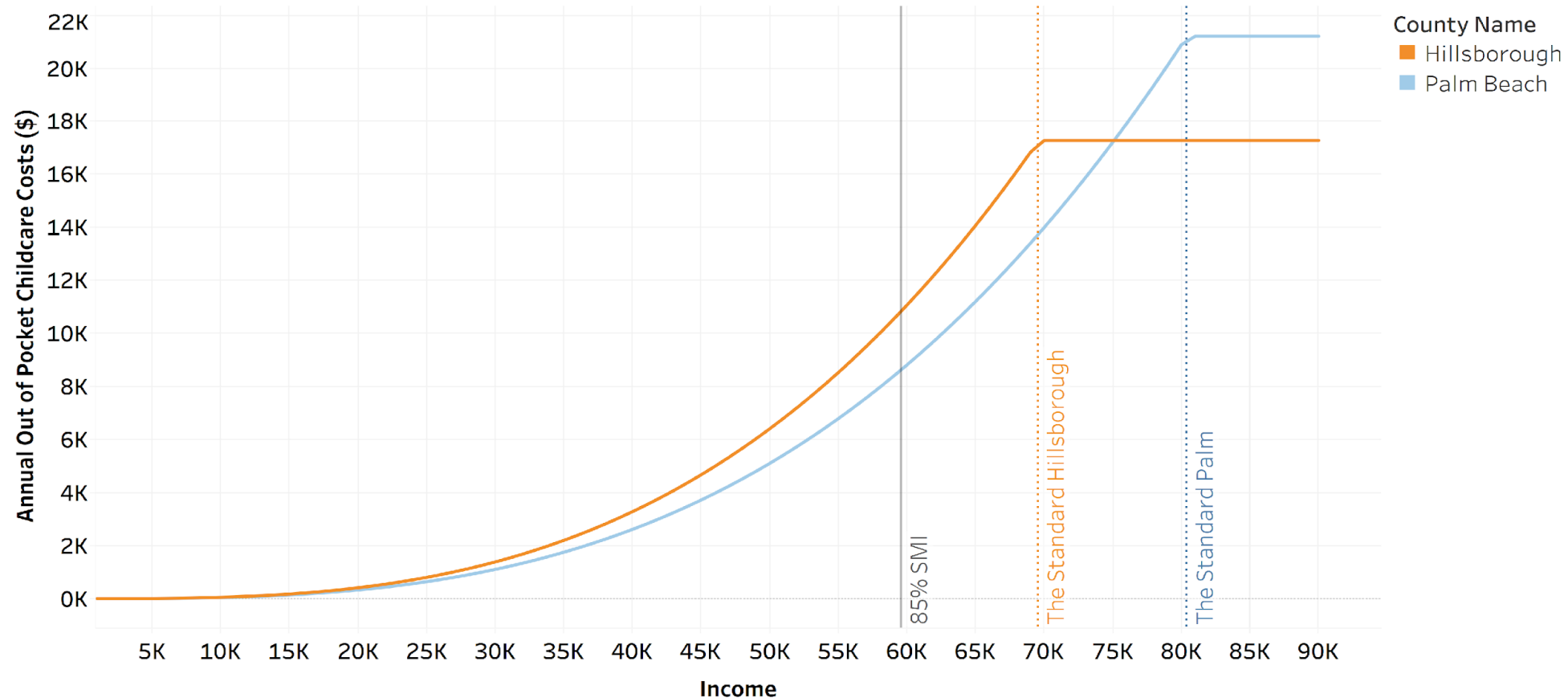
Hillsborough and Palm Beach Counties: 2 adults + 2 children (age 2 &3)



Alternative #2: Alternative Copay Schedule

$$\text{For any family } (f) \text{ and county } (c): \text{copay}_{fc} = \left(\frac{\text{Income}}{\text{The Standard}_{fc}} \right)^3 \times \text{Total Childcare Costs}_{fc}$$

Hillsborough and Palm Beach Counties: 2 adults + 2 children (age 2 & 3)



Income Bracket	Description	Number of Families Receiving CCDF *	Average Annual Costs to Families			Total Annual Direct Government Costs		
			Current Copay	Extended Copay	Alternative Copay (k=3)	Current Copay	Extended Copay	Alternative Copay (k=3)
1	0 to 50% of FPL	20,690	401	401	17	161,943,536	161,943,536	169,544,581
2	50% to 75%	9,902	584	584	93	69,914,777	69,914,777	74,899,142
3	75% to 100%	13,482	768	768	252	85,549,814	85,549,814	92,270,179
4	100% to 116.67%	9,629	947	947	396	55,331,359	55,331,359	60,540,802
5	116.67% to 133.34%	8,861	1,155	1,155	629	46,589,501	46,589,501	50,971,399
6	133.34% to 150%	7,495	1,329	1,329	982	38,844,602	38,844,602	41,483,415
7	150% to 155.83%	2,065	1,509	1,509	1,188	9,364,602	9,364,602	9,992,556
8	155.83% to 161.66%	1,843	1,513	1,513	1,181	7,190,507	7,190,507	7,819,229
9	161.66% to 167.49%	1,630	1,910	1,910	1,535	7,090,185	7,090,185	7,732,616
10	167.49% to 173.32%	1,375	2,045	2,045	1,694	5,924,145	5,924,145	6,447,189
11	173.32% to 179.15%	1,174	2,168	2,168	1,834	4,484,670	4,484,670	4,929,439
12	179.15% to 185%	1,228	2,728	2,728	2,194	5,149,942	5,149,942	5,744,796
13	185% to 192.5%	1,164	2,326	2,326	2,101	3,638,720	3,638,720	3,988,385
14	192.5% to 200%	1,166	2,769	2,769	2,538	3,973,795	3,973,795	4,304,754
15	200% to 215%	1,319	2,927	2,927	3,000	3,874,765	3,874,765	3,930,828
16	215% to 230%	935	2,841	2,841	3,298	2,431,341	2,431,341	2,215,610
17	230% to 85% SMI	1,544	3,281	3,281	4,138	4,364,372	4,364,372	3,309,378
18	85% SMI to the Standard	Current copay: 0 Ext/Alt Copay: 1,544-3,798	NA	5,190	6,596	NA	4,428,885 to 10,548,705	2,493,596 to 5,948,755
Total		85,502				515,660,634	Range: 520,089,519 to 526,209,339	Range: 552,617,892 to 556,073,051

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Implications for Policy and Practice

This analysis documents the financial challenges associated with benefits cliffs for LMI families working to achieve economic self-sufficiency and has multiple potential long-term implications for changing policies and practice:

- Community - copayment schedules and local resource investment strategies
- State - policies and state resource investment strategies
- Federal - policies and federal investment strategies

Additionally, there are potential short-term considerations related to economic recovery and resilience:

- Stimulus funding
- Ability to potentially serve families above 85% SMI (essential workers)

Fed Reserve System Community and Economic Development Early Care and Education Workgroup

- Members from 10 Reserve Banks meet regularly to share observations of the pandemic impact on child care and emerging best practices and policy solutions
- Cost and Affordability of High-Quality Early Care and Education Project
 - Considerations related to cost of quality, affordability, and racial equity
 - Quantitative data analysis and Human Centered Design (parent and provider)
 - Framework for estimating the quality components of ECE provider costs
 - Framework for showing the constraints that LMI families face in paying for high-quality ECE and how these constraints vary among different races and ethnicity and across different geographies
- [Recent brief on Considerations for Deploying ARPA Funds](#)

Thank you!

- For regular updates on all Community & Economic Development resources email AtlFedComDev@atl.frb.org and type SUBSCRIBE in the subject line.
- For weekly updates on all the news from the Atlanta Fed text FRBA to 33777.
- Follow us on 
- You can reach me at brittany.birken@atl.frb.org.