

AT THE RICHMOND FED

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Benefits Cliffs

In 1977, Congress tasked the Fed with the dual mandate of promoting price stability and maximum employment, the latter of which the Federal Open Market Committee has described as “a broad-based and inclusive goal.” Tiffany Hollin-Wright, the Richmond Fed’s community development manager for Virginia and West Virginia, views the community development team’s work as being part of this bigger goal. “What we want to do is find out what the barriers are for maximum employment and determine how to increase labor market participation,” she says. “Our high-priority objectives at the Richmond Fed are related to economic inclusion.”

With this aim in mind, the community development team has been working to educate policymakers and workers in the Fifth District about benefits cliffs. Benefits cliffs occur when an increase in income for low-income individuals and families actually makes them worse off, because their earnings rise by enough to render them ineligible for the public benefits that they were previously receiving, but not by enough to afford them what the benefits would have otherwise provided. For many low-income workers, benefits cliffs can pit long-term career progression and earnings against short-term needs and can impede upward economic mobility.

The community development department’s work on this issue began in spring 2020, when Hollin-Wright received an inquiry from the Richmond-based Robins Foundation, a nonprofit that seeks to break generational cycles of poverty. In response, she began a collaboration among the Richmond Fed, the Atlanta Fed, the Robins Foundation, and the City of Richmond’s Office of Community Wealth Building.

Erika Bell, the Richmond Fed’s community development manager for North Carolina and South Carolina, sees the resulting effort as “creating a framework around benefits cliffs and how individuals and families can overcome them.” One part of this framework, says Bell, is the Career Ladder Identifier and Financial Forecaster (CLIFF) online offerings, which were created by the Atlanta Fed to model a person’s net financial resources, including earned income and public assistance. The aim of these tools is to increase the public’s knowledge about benefits cliffs, to allow workforce providers, philanthropists, and policymakers to better understand how to lessen the severity of these cliffs, and to help workers be better informed as to which careers are the best pathways to financial security.

The CLIFF suite of products consists of a state-customized CLIFF dashboard for policy simulation and a CLIFF Planner

for professional career advisers to devise five-year financial and career plans for their clients, as well as training for career advisers on how to use the planner. There is also a CLIFF Guaranteed Income dashboard, which the Richmond Fed and the Atlanta Fed have used together with the Robins Foundation and the City of Richmond Office of Community Wealth Building to simulate the effect of unconditional cash payments on the economic stability of low-income families who experience loss of public benefits.

On top of supporting policymakers and career advisers, the community development team’s initiatives that leverage CLIFF dashboards and tools have the potential to reach thousands of workers via intermediaries and state agencies. The Richmond Fed and the Atlanta Fed have established a partnership with the U.S. Department of Health and Human Services Administration for Children and Families to heighten awareness of the benefits cliffs dynamic and to share opportunities for states to customize the CLIFF dashboard based on local costs of living as well as public benefits policies.

Both Reserve Banks have also implemented memoranda of understanding with various organizations that support workers, including the Virginia Goodwill Network, the City of Richmond Office of Community Wealth Building, Virginia Local Initiatives Support Corp., United Way of Central Maryland, Goodwill Industries of the Southern Piedmont, and ReWork Richmond.

These organizations will use the CLIFF framework to inform their workforce programs and practices in addition to policies that smooth benefits cliffs and help stabilize families.

The community development team hopes that by 2022, the public will be able to access CLIFF tools on state and agency websites. Until then, the team wants employers to be aware of benefits cliffs dynamics and the CLIFF products so that they know how best to help their workers attain better economic outcomes. “This is a tool that can support our workforce ecosystems to identify and mitigate barriers to worker retention in high-demand career pathways,” emphasizes Hollin-Wright.

For the Richmond Fed, says Hollin-Wright, “This benefits cliff work is not just a one and done, but an opportunity to inform policy and practices in the short term that promote economic inclusion and beneficial occupational transitions to higher wages in the long term.” **EF**

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