

THE BUFFALO NEWS

Rod Watson: Albany should smooth out 'benefits cliff' before more workers go over

Rod Watson

May 24, 2023



Smoothing out the "benefits cliff" that causes some low-income people to lose aid and fall further behind by taking a job could help ease the labor shortage affecting some Buffalo Niagara sectors.

Derek Gee/Buffalo News

Rod Watson

If the moral imperative of making work pay doesn't prompt compensation adequate for a decent life – and clearly it often doesn't – maybe the impact on the economy of penalizing workers for bettering themselves will change some minds.

That's the idea behind state legislation being pushed by business groups and others to address the "benefits cliff" that is contributing to the region's hiring woes.

The fact that Buffalo Niagara's all-important tourism industry is still struggling to rebound from the pandemic – with jobs in that sector still down 9% – is attributable in part to a labor shortage made worse by the fact that some potential employees would fall behind economically by taking a job or a promotion.

How could getting a job or earning more money be a bad thing?

Because many benefit programs that aid the working poor dramatically slash that help as soon as the employee begins getting a bigger paycheck. In fact, cuts to benefits like food stamps, child care subsidies and housing aid often outpace the pay hike, to the point that the worker actually ends up losing ground economically.

“The increase in wages is not enough to make up for the financial value of these lost benefits,” especially if the cuts occur all at once, said Grant Loomis, VP of government affairs and economic development at the Buffalo Niagara Partnership.

That makes it counterproductive for some workers to take jobs or promotions.

“It's hurting our overall goals,” said Loomis, referring to employers' desire to attract and promote workers and employees' desire to advance up the economic ladder.

That makes it a “lose-lose” situation that makes no sense – which probably will not come as a shock to anyone who follows government. But this Catch-22 is one that could easily be addressed if we really want to promote work.

The Partnership, the New York State Business Council and others are backing a bill that already passed the Senate once but never made it through the Assembly. It would, for six months, exempt from benefit calculations any income earned as result of participating in approved job training or certification programs.

In a memo supporting the bill, the Partnership calls it “a good first step.” Loomis said it would help “turn the benefits cliff into a slope” that smooths the transition for affected workers.

Officials at the New York City-based anti-poverty organization FPWA agree that the bill would be a good initial step, while emphasizing that much more also needs to be done.

In its 2021 report, “Pushed to the Precipice: How Benefits Cliffs and Financial Gaps Undermine the Safety Net for New Yorkers,” FPWA found that unlike many states, New York has addressed the benefits cliffs in some aid programs. However, it said “a significant childcare cliff remains” and that other problems – such as unrealistic eligibility thresholds or long waiting lists – also contribute to holding down the working poor.

For instance, the eligibility threshold for assistance in Erie County is only about 1/7 of what a family of three actually needs to live on, based on a “self-sufficiency wage” calculated in conjunction with the Center for Women's Welfare at the University of Washington, said Joe Jones, director of policy, advocacy and research for FPWA, which was founded in 1922 as the Federation of Protestant Welfare Agencies.

“This is a great first step,” Jones said of the benefits cliff proposal. “Much more remains to be done.”

For one thing, the six-month window contained in the Senate bill may not be enough and a longer “off ramp” might be needed for some workers, he said. But he added that the bill is an important marker at a time when some national politicians have been talking about imposing even more stringent work requirements on low-income people.

That mean-spiritedness – while protecting tax cuts for the wealthy – brings to mind what FPWA’s 2021 report called “the racism, xenophobia, and economic and class biases – implicit and explicit – that underpin our benefits system” and resurrects the looming question of “Who really deserves benefits?”

Getting past such stereotypes is part of the challenge of helping the working poor help themselves by dealing with issues like the benefits cliff.

Even while waiting for Albany to provide that help – and Loomis is hopeful it will before the current sessions ends – local efforts already are underway. He said the Partnership is working with the Erie County Department of Social Services on a pilot program in which a small number of employers identify workers who are ripe for promotions and the county uses extra sales tax revenue to “backfill” any benefits lost as those employees climb the income ladder.

“So we’re attempting to come at it from different ways,” Loomis said.

While taxpayers may have to pay a little bit more up front for such efforts, the long-term payoff would be well worth it in terms of promoting work while eventually reaping more income tax revenue as workers advance and employers get to fill vacancies and produce more.

It can be a “win-win” – but only if workers conclude they won’t lose out by doing something economically punitive because of rules and regulations that punish initiative rather than reward it.

In calculating such moves, workers will make rational decisions about what’s best financially for themselves and their families.

We need a benefits system that is equally rational.

By Rod Watson

Urban Affairs Editor/Columnist

I write a weekly column, most often about socioeconomic and political issues affecting people of color and the disadvantaged in Western New York.
