



Helping Business Thrive and Families Prosper

Widen roads to self-sufficiency by closing the Cliff Effect

With New Hampshire's economy booming and unemployment rate at record lows, many businesses are having a hard time filling their workforce needs, despite employers' willingness to pay higher wages and benefits. In addition to low unemployment, New Hampshire also faces aging demographics and slow population growth. Given the demographic realities, predictions are the state's employers will run out of people to hire and economic growth will grind to a halt in 2019.ⁱ

Businesses, in trying to meet today's workforce needs and ensure continued economic growth tomorrow, are looking toward untapped labor pools such as the 'hard-to-employ', the chronically underemployed, and those in recovery. However, individuals may fall into one of these labor pools because they face a broad range of barriers to employment, including the loss of full or partial state support. When an individual gets a new job, their family loses eligibility for full or partial state supports (food, child care, health insurance, financial assistance, housing, etc.) that they rely on to feed their families, pay rent and make ends meet.

When wages alone don't equally make up for the loss of benefits, it is called the "**Cliff Effect**." Families fear falling hard, as if off a cliff, while on the path to a job/career and upward mobility. They sometimes decline a desired job or advancement to assure the safety net remains. Ignoring the impact of the cliff effect negatively impacts the state's workforce shortage, hurting both the state's future economic growth and the hopes of fully working families. Unless policymakers, employers, and other stakeholders work collectively to give families a ladder up and to close the Cliff Effect, New Hampshire's economic engine will fail to achieve its full potential while short changing the next generation of workforce.

Leading the States

New Hampshire has the opportunity to solve benefits cliffs and expand opportunities for workers and families. By re-engineering our public system of benefits to put individuals and their families first, while strengthening resources and local access to supports, we give them the chance to thrive and to make choices that help them succeed at work and at home. All while addressing and supporting the employer need for an expanded labor pool.

When children see their parents advance in a career, it forecasts their future expectations of themselves and their own families. Parents, in order to work successfully, need to know their children are safe and are in nurturing environments. Families need connection to the vital community supports to be able to enter and succeed in the workforce.

Providing quality early childhood education today will help ensure that the next generation of workers are better prepared to meet the demands of tomorrow's workplace. The state and businesses need workers contributing their talent to build a stronger and more prosperous New Hampshire.

New Hampshire Data

New Hampshire's economic activity has risen by 3 percent in each of the last two years. The unemployment rate for New Hampshire in February 2019 was 2.4 percent, unchanged from the January rate and tied with

three other states for the lowest unemployment rate in the country. Over 15,000 new jobs were added in 2018 and one-third were in manufacturing and construction. While 2018 was a boom year for the state overall, economists warn of the impact of the workforce shortage on the State's economic growth.

New Hampshire's industries that are hiring at a faster rate than the rest of the region are healthcare, manufacturing, finance and insurance, transportation and warehousing. Because of the low unemployment rate, the labor shortages in these industries could cost the state in lost growth and economic expansion.

Just released five-year estimates from the U.S. Census Bureau's annual American Community Survey (2013 to 2017) show persistent disparity among New Hampshire's counties and populations. Concentrations of poverty generally increased as distance increased from the more urban, southeastern portions of the state. The number of grandparents responsible for grandchildren under age 18 increased between the 2008 to 2012, and in the 2013 to 2017 period, with about 7,700 grand families in more recent estimates. Many of these grand families, may now seek public benefits. Receiving public benefits may be new to some of these families as they find themselves in caretaker roles in which they did not plan. In the event of a wage increase, they too can experience a reduction of the public benefits they receive for the children in their care.

The Gains of Action, the Cost of Inaction

Government policy often creates barriers that may keep families from climbing up and out of unemployment and self-sufficiency. How do we eliminate the hurdles that make work too costly for the family attempting to lift themselves out of poverty? This is a riddle we need to solve.

The system can be changed to turn a double loss – to employers and families – to a triple win – for the state in savings on benefits, for families in increased wages, and for employers in an available productive workforce.

With minimal state investment, we can understand how wages and benefits interact with and affect high-impact policy changes that would mitigate the cliffs. We can provide workers and businesses with tools to make smart decisions on jobs, wages, and advancement. In partnership with the federal government, business, parents, and the legislature, we can improve policies to open opportunity for workers to move ahead, and for businesses to gain the workers they need.

Financial stability helps people reach their full potential and ensures families are able to mitigate life's challenges, from the day-to-day to the life-altering. Solving the cliff effect will make our families more resilient, and more prosperous.ⁱⁱ New Hampshire is primed to solve the benefits cliff problem because of policy and investments underway and planned. The state can build upon existing initiatives in process: the recent federal awards in affordable housing vouchers and planning for quality preschool; the State Opioid Response grant; increasing quality initiatives at the Family Resource Centers; and the new 10-Year Mental Health Plan, to name a few – all of which intersect with the benefits cliffs, making the state's focus on the cliffs critically important.

Mitigating the cliff effect resonates with New Hampshire's core values

- ❖ Assure economic strength for families & business
- ❖ Bolster job choice and success for parents
- ❖ Incentivize work
- ❖ Promote efficiencies in state systems
- ❖ Help parents work and children thrive through rapid, local access to supports
- ❖ Meet and fill the worker shortage
- ❖ Anchor sustainable employment

New Hampshire's Department of Health and Human Services (DHHS) is the only state agency in the nation to receive federal funding focused on testing new models for family strengthening and prevention supports by creating locally designed, seamless delivery systems. The "Community Collaborations to Strengthen and Preserve Families" grant is a five-year, \$2.75 million award, and will allow state and local partners to focus on using evidence-based practices to build parental capacities and self-sufficiency in young families to safely care for their children. In addition, the state's leading edge work in partnering with industry on recovery friendly workplaces offers additional impetus for solving the benefits cliffs challenge because it will support those striving to succeed in their recovery and at work.

Investments in childcare and early childhood education are good for children and good for business. A study of working parents with children under three estimates that the annual economic burden of inadequate child care costs \$3,350 per working parent, and costs businesses \$1,150 per working parent. The cumulative costs of inadequate childcare to U.S. employers is estimated to be \$12.7 billion annually (Belfield, 2018). Lack of adequate child care contributes to absenteeism at work and lowers productivity when the parent's focus is on family needs rather than tasks at work. In the 2017 RAND study, statewide data showed the need for early childhood supports, especially for at-risk children. This study documented the short- and longer-term benefits from early childhood programs, home visiting programs, and high-quality preschool programs. The state can expect a positive return of between \$2 and \$6 on every dollar invested in quality programs. Based on the reviews of previous evidence based models including Headstart and the Nurse-Family Partnership (NFP) program, the programs evaluated for this positive return on investment focused on preschool program and home visiting models.ⁱⁱⁱ

Other at-risk populations may be of the greatest need to mitigate the cliff effect. Granite Advantage members, who for the first time will have to meet a community engagement or work requirement to maintain their Medicaid benefits, would be more likely to achieve the desired outcome of employment with supports during their 75-day "on-ramp" period.

A recent article from the Urban Institute indicated "policies to increase income and savings or reduce the cost of basic household needs among parents with incomes below 200 percent of the Federal Poverty Level will likely have the greatest effect on alleviating hardship among families with children." The article went on to say "More than two-thirds of low-income parents-and nearly three quarters of low-income parents of young children report that their families had difficulty paying for food, shelter, or medical care in 2017."^{iv}

Those who are victims of domestic violence, particularly those with children, encounter additional financial hardships if not able to establish their own economic security as they find themselves forced to stay in dangerous situations. New Hampshire is poised to expand resources focused on supporting and preparing survivors of domestic violence to ensure they have optimal opportunity to enter/re-enter the workforce, strengthen their financial security, and secure the well-being of their children and families.

The average cost of a family receiving Temporary Assistance for Needy Families (TANF) financial assistance is \$8,745 annually. Workers receiving unemployment insurance is \$4,205 per worker. These situations tend to repeat, generation after generation. Changing the balance of wages and public supports to ensure families are making steady advances as they 'ramp off' into economic independence can prevent the next generations from long term use of public programs. Work supports such as expanding childcare/early childhood education and recovery-friendly workplaces could support families and allow business to thrive.

Actionable Steps

Immediately, there are steps to move New Hampshire forward that will require out of the box strategies and systems innovation; steps that will create “on-ramps” to work for families and gradual “off-ramps” from benefits by establishing policies to decrease the cliff effects, increase family economic stability, and address our worker shortage.

First – we must answer a set of key questions which include:

- What are the specific cliffs in New Hampshire, community by community and how can we create off ramps to these cliffs?
- How can we work with the federal government in a partnership, to change federal policies that impact New Hampshire cliffs?
- What tools do parents and state/community workers need to understand how the cliff effect impacts workers’ aspirations and decisions for families?
- How can we combine family economic goals and work ambitions with the worker shortage in an intentional, targeted manner?
- How can business and government together reduce our worker shortage?
- How should government, business, philanthropy and local communities come together to create rapid, responsive, and easily accessible supports so children have safe, stable and nurturing environments in which to thrive, while their parents work?
- How can we remove government barriers to sustainable employment and family resiliency?
- What populations are in deepest need of a rapid benefits cliff solution?

New Hampshire is poised and ready to answer these questions and move rapidly to building the tools it needs – redesigning the system to put families’ economic prosperity first – positioning our economy to continue to thrive. Along with other New England states, the federal government, the National Conference of State Legislatures, community organizations, businesses, philanthropic organizations, and parents, we have been learning about the cliff effect. A national initiative, *the Whole Family Approach to Jobs*, is a partnership designed to help participating state leaders develop program, policy and system solutions that support parents in achieving greater employment gains and economic stability. New Hampshire has been utilizing this initiative to bring information and resources to our state.

We’ve convened an initial “Cliff Effect Team” made up of partners from state government, including the Office of Governor Christopher T. Sununu, the NH Department of Education (DOE), the DHHS, NH Employment Security’s (NHES) Economic and Labor Market Information (ELMI) Bureau; educational stakeholders, including the Community College System of NH; businesses; community providers; and parents. Within this team, efforts are already underway to review models from other states/counties on how they are addressing the cliff effect in their jurisdictions, and consider what approaches are best for the Granite State.

To fully unravel disincentives and barriers to employment, a number of actions would better inform New Hampshire leaders to develop policies and practice to better ‘off ramp’ our families from public benefits into employment while supporting businesses. As the existing New Hampshire Chapter of Whole Families Initiative Cliff Effect Team has made headway, greater attention and commitment is necessary to fully understand all the economic influences. Potential timelines and action items are as follows:

Action Items

- Using the key questions above, and with the support of Governor Sununu, DHHS in partnership with New Hampshire Employment Security's (NHES) Economic & Market Labor Information Bureau (ELMI) and through a proposal process, we will be leveraging current resources and expertise and **embarking on an analysis to understand the economic, demographic and policy factors affecting the cliff effect**. This analysis will help us fully understand the wage and benefits dynamics, identify policy changes with maximum potential impact for workers, and identify changes for impactful economic growth for all areas of our state. In order to support workers in successfully transitioning to work and support their career goals, an analysis of how federal and state benefits for families interact with the local economy is critical. Additionally, a community-by-community analysis to identify the needs unique to each community and an action plan to solve the benefits cliff at the local level. A second step will focus on examining and conducting an impact analysis on those policies that are most promising in solving the cliff effect.
- **Convene Federal, State, business, human service leaders and families**. Bring together families, with federal, regional and state leaders to discuss the challenges related to the benefits cliff and labor shortages. Participants may include Governor Sununu; Commissioners or designees of state agencies such as DHHS, DOE, NHES, and NH Department of Business and Economic Affairs; legislators; business leaders; federal HHS staff; and other leaders in community agencies within New England. The focus of the convening will be to proactively identify potential solutions, and formulate and propose policies to implement those solutions towards closing the benefits cliff in New Hampshire. These leaders and families can inform the discussion and analysis, and potentially influence the policy changes for New Hampshire in partnership with the national Whole Families Approach to Jobs initiative.
- **Develop, plan and implement a Benefits Cliff Calculator**. Upon completion of the economic analysis and model, DHHS and partners will use resources at hand to design and pilot the Calculator in selected communities. Families and employers often do not have the information they need to understand how benefits change as workers transition into jobs, receive wage increases and promotions. Providing a web-based benefits calculator, modeled on ones already being used in other states and adapted to fit New Hampshire's needs, will equip workers with understanding how a range of benefits can best support them in their road to economic independence. It will also help employers understand how wages and wage increases interact with the public system, together providing workers with the ability to plan forward and contribute to the New Hampshire economy.
- **Continue to create system capacity, management and accountability** to support employment pathways to prosperity. In 2018, the Bureau of Employment Supports (BES) was created within the DHHS Division of Economic and Housing Stability. This Bureau leads employment support partnerships and efforts statewide to enable individuals and families to attain and retain successful employment. To support successful design and implementation of the Benefits Cliff Calculator, a number of potential initiatives have been identified by BES and their partners including NHES and employers. These include: various supports, such as the income disregard as outlined in Governor Sununu's budget in HB 2, addressing transportation barriers, job retention and incentive pay for working families, and resources when unexpected barriers jeopardize continued employment. The

Governor's budget supports initial efforts to create system capacity, and future needs will be assessed and targeted as we learn more.

Work on addressing the cliff effect has begun and will continue into the next biennium budget. With further economic and policy analysis, we will be able to identify first hand which policies are negatively affecting employers and working families alike. We will be better informed to alter policies that are unintentionally derailing our workforce and build the tools and resources necessary to simultaneously widen the roads to self-sufficiency and promote business success.

ⁱ Bird, Greg. [*NH Economic Outlook 2018*](#). New Hampshire Center for Public Policy Studies, Nov. 29, 2017.

ⁱⁱ Harder, Kerry and Tappan, Christine (Aug. 2016). "APHSAs 'Locals' Charting a New Pathway to Prosperity and Well-Being." *Policy and Practice*. American Public Human Services Association. Retrieved from <https://www.questia.com/magazine/1G1-462507700/aphsa-locals-charting-a-new-pathway-to-prosperity>

ⁱⁱⁱ Karoly, Lynn A. [*Investing in the Early Years*](#). RAND Corporation, November 2017.

^{iv} Karpman, Michael; Gonzalez, Duke; Zukerman, Stephen; and Adams, Gina. [*What Explains the Widespread Material Hardship among Low-Income Families with Children?*](#) Urban Institute, Dec. 2018.