Testimony of Marija Bingulac regarding S 79 and H 2807– An Act Relative To Public Assistance For Working Families and the Creation of A Pilot Program to Address The Impacts of Cliff Effects

October 24, 2017

The Honorable Kay Khan, House Chair
The Honorable Aaron Vega, House Vice Chair
The Honorable Joan B. Lovely, Senate Vice Chair

Dear Chair Khan, Vice Chair Vega, Vice Chair Lovely, and Members of the committee:

Thank you for allowing me the opportunity to share my expertise on cliff effects with you this afternoon. My name is Marija Bingulac. I am a researcher at the Center for Social Policy and the Senior Project Manager of the On Solid Ground Coalition—a cross-sector group of 40+ partners committed to a research-based, family centered approach to increasing housing stability and economic mobility of families in Massachusetts. For over a decade, the Center for Social Policy has been a pioneer in "cliff effects" research including the development of a simulator that tracks the degree to which families gain or lose resources as earnings increase.

What are Cliff Effects?

Cliff effects refer to a reduction or total loss of key subsidies for food, housing, childcare, and other essential benefits that occurs when someone increases work hours or seeks a better paying job. As earnings go up, the allocation of public supports decreases at a higher rate, in a way that is extremely difficult to compensate for with the increased earnings alone. In spite of working and/or earning more, the "cliff effects" can leave a family worse off financially than prior to the earnings increase.

How Cliff Effects Happened?

Cliff effects are product of a complex safety net system that was built on an inadequate calculation of what it means to be poor. In 1963, Mollie Orshansky developed the first poverty threshold. The calculation only included the cost of food in 1963 dollars multiplied by a factor of three, excluding necessities like cost of housing, childcare, or transportation. Orshansky cautioned against using this measure and called for more research to capture someone's ability to pay for basic needs. Despite the caution, the federal government adopted the original calculation as the official measure of poverty and only adjusted it for inflation through the years.

As public assistance programs were created, each adopted its own version of the poverty line, largely in an attempt to mitigate the imprecise nature of the poverty threshold. As a result, the eligibility and asset rules and administration of the programs differ. This makes the system difficult to navigate and results in a complex and unpredictable interaction between programs, especially when earnings levels change.

Why do Cliff Effects Matter?

Cliff effects disrupt the lives of families who are already facing financial hardship. Most often, they affect working families with young children, especially single-parent families who receive more than one support and who are the most likely family type to be low-income. Even with the mix of income and supports that they receive, these families are experiencing a difficult time making ends meet, with the astronomical cost of housing and childcare.

Cliff effects also challenge the conventional wisdom of what are thought of as “good” jobs. For example, a single-mother of two children in the Boston area who might get the opportunity to be promoted to an assistant store manager and earn a higher salary of $14 per hour will experience cliff effects that will make her worse off than she was when she was earning the minimum wage. Indeed, that family will face a steady decline in net resources through a $22 per hour job and will be unable to meet their basic needs until she starts earning $29 per hour.

Obtaining a job that pays $29 per hour is no easy feat. It requires investment in education or workforce training programs while also requiring the family to be able to pay for basic necessities like housing and childcare at the same time. As such, cliff effects perpetuate the embedded inequities in Massachusetts that disproportionately affect communities of color, single-parent households, and women. Cliff effects also create a vacuum in the labor market as employers are unable to fill jobs because qualified workers might be too scared to take advantage of the opportunities.

Our research resoundingly shows that cliff effects are a growing concern due to the rising costs of living, especially housing, coupled with stagnating wages, because they make it nearly impossible for thousands of low-income working families to make ends meet without supports from public benefits.

Thank you for your time and your leadership,

Marija Bingulac, Ph.D.