Stepping away from the 'cliff'

North Dakota looking to help lower-wage employees work more hours without facing steep drop in government benefits

by North Dakota Rep. Thomas Beadle (tbeadle@nd.gov)

As I participated this summer in a CSG Midwest meeting hundreds of miles from North Dakota, talk among my fellow legislators from the region and business leaders turned to a workforce issue that hits very close to home.

Is the potential loss of government benefits — whether it be child care assistance, cash payments, aid for home heating, food stamps or tax credits — keeping some lower-wage employees from picking up more work and hours?

At the meeting, the then-president and CEO of Culver's restaurant mentioned the issue as an aside during his presentation to the Midwestern Legislative Conference committees on agriculture and economic development. (CSG Midwest provides staff support to the MLC and its policy committees.)

Employees at some of Culver's stores, he said, want to work more hours, but are unable to take extra shifts because it could cost them many of their benefits. If something could be done about it, he added, it would help employers like Culver's in a very big way.

In my own state, this is enough of a problem that members of the North Dakota Hospitality Association asked me to introduce a study bill (HCR 3049) to shine some light on the issue. That bill passed last year, and as a result, our joint interim Health Services Committee has been exploring the relationship between employment and public assistance.

Part-timers could ease worker shortage

For the last decade, North Dakota has had some of the lowest unemployment rates in the country, and some of our employers have had to search every nook and cranny in an attempt to solve their workforce shortages.

One solution —for individual businesses and the state as a whole — is to convert some of our "part time" workforce to "full time."

There are many reasons why someone can't or doesn't want to make the leap from part-time to full-time employment, and nobody should be judged for that. However, we've also heard of situations where employers offer extra work and employees want the extra hours — but losing significant government benefits stands in the way.

State-level data on participation in Temporary Assistance for Needy Families and Supplemental Nutrition Assistance programs

State	TANF (average monthly # of recipients in 2016)	SNAP (# of recipients in July 2016)
Illinois	36,662	1,924,612
Indiana	16,308	714,806
Iowa	26,249	377,379
Kansas	11,818	247,976
Michigan	42,891	1,445,487
Minnesota	44,864	476,536
Nebraska	10,808	176,130
North Dakota	2,696	54,330
Ohio	108,177	1,566,937
South Dakota	6,017	95,654
Wisconsin	42,639	713,065

Sources: U.S. Administration for Children and Families and U.S. Department of Agriculture Food and Nutrition Service

The solution might seem to be to simply ask employers to guarantee enough additional compensation so that it at least equals the benefits being foregone. But when you are basing your business on the ability to provide customers with a $2.50 hamburger or $40-per-night hotel room, there isn't always enough of a margin to guarantee that the entire benefits gap gets covered.

It is in the state's interest, then, to turn the potential benefits "cliff" for individuals into more of a "slide" — to ease the transition from public assistance to self-sustaining full employment.

Many programs provide assistance to individuals based on their income levels.

The Supplemental Nutrition Assistance Program, the Temporary Assistance for Needy Families Program, child care assistance and some tax credits do not necessarily restrict work. However, when a participant's pay rises above a program's income threshold, participants may see a severe reduction in benefits or get cut off completely.

The 'cliff': More hours, less net pay

States have the flexibility to address the "cliff effect," and over the last few years, we have made strides in addressing this issue in North Dakota. Our Department of Health Services, for example, has done a great job in implementing a sliding-fee schedule for a number of government programs to help workers make the transition. This has allowed individuals to boost their incomes and work more hours while still receiving some assistance in purchasing food, having their homes heated or getting child care.

Additionally, the department offers a transition-assistance program ($200 per month for up to six months) in the event that a family becomes ineligible for TANF due to a modest increase in earnings.

Despite these positive steps, though, North Dakota Hospitality Association members have pointed out to us (and as I was reminded again at the MLC Annual Meeting in Milwaukee) that more work needs to be done. We all need to see what we can do to make this situation better for our employers, better for our employees, and better for our state support systems over the long term.

Rep. Thomas Beadle, a Republican from Fargo, was first elected to the North Dakota House of Representatives in 2010.

Options for states to prevent the 'benefits cliff'

- **Put a number on "financial self-sufficiency"** — By determining how much income an individual or family must have in order to meet its basic needs, a state has a better idea of when public assistance should be provided, curtailed or eliminated.
- **Raise income limits** — With this type of policy change, a state allows individuals to work and earn more while remaining eligible for various public assistance programs, from child care and home heating, to food stamps and Temporary Assistance for Needy Families. For example, Illinois recently raised the "gross income limit" for its Supplemental Nutrition Assistance Program (food stamps) from 130 percent to 165 percent of the federal poverty level.
- **Phase out benefits** — When a state uses a sliding scale to phase out eligibility for various public assistance programs, individuals or families don't lose all of their benefits due to modest increases in their income levels.
- **Provide more "work supports" and streamline the process for families to access them** — Work supports include assistance with housing, transportation, health care and child care. And through the use of new technologies and better coordination among different agencies, a state can make it easier for low-income families to access these work supports.
- **Provide earned-income tax credits to low- and moderate-income workers** — These credits provide working families with more money to meet their basic needs. Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska and Wisconsin have refundable earned income tax credits. Ohio's is nonrefundable.

Sources: North Dakota Legislative Assembly (with research assistance from National Conference of State Legislatures), Center for Law and Social Policy, and Center on Budget Policy and Priorities

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