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Strengthening the American Dream

Addressing benefits cliffs to empower safety net participants to pursue work and opportunity

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Special thanks to the Utah Department of Workforce Services for sharing insights and analysis on Utah's social safety net programs

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Addressing benefits cliffs to empower safety net participants to pursue work and opportunity

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Introduction

While speaking at a joint Sutherland Institute/American Enterprise Institute event in Salt Lake City in 2023,[1] AEI Senior Fellow Ian Rowe lauded Utah's ongoing efforts to maintain and strengthen upward mobility. He also suggested there is still room to improve.

Drawing from the book *Good to Great*, by Jim Collins, Rowe made this observation about companies that were able to continue moving toward excellence and applied it to Utah:

> "These companies accepted the adjective of good, even if relative to their peers they could be hailed as great. So please don't take the description of good as undervaluing what Utah has already accomplished. Take it as the mindset that there are always higher levels of greatness, and it is within your grasp."[2]

This "good to great" framing is the perfect theme with which to approach a conversation about improving upward mobility for Utahns who utilize government social safety net programs yet yearn for self-reliance through work.

Indeed, when it comes to addressing poverty, Utah is the envy of the nation – and rightfully so.

A December 2023 ranking of all 50 states from the Archbridge Institute identifies Utah as having the best social mobility in the nation.[3] The state's unemployment[4] rates and poverty[5] rates are consistently low.

Leaders in numerous states are asking Congress for the ability to replicate Utah's "one door" model,[6] wherein the Utah Department of Workforce Services provides both temporary assistance and workforce development opportunities through the same state agency. An Alliance for Opportunity coalition letter to Congress cites how Utah's model equips it to recover from economic shocks more quickly:

> "When compared to every other state, Utah was able to limit its job loss and show the quickest job recovery from the impact of the COVID-19 pandemic. Utah leads all other states on the percentage of jobs recovered that were lost at the onset of the pandemic in February 2020. For every one job lost, Utah has gained two."[7]

While there are numerous efforts in Utah to empower government safety net participants to successfully realize upward mobility through work, a full accounting of such interventions and successes exceeds the scope of this paper. However, a few items are worth highlighting as essential context for this report's focus.

Most notable is the state's commitment to continuous improvement in the administration of safety net programs, as evidenced by two essential examples: Utah's years-long intergenerational poverty initiative, and DWS' ongoing refinement and improvement of programmatic efforts to bolster upward mobility.

In 2012 the Utah Legislature passed the Intergenerational Poverty Mitigation Act, which launched a significant statewide effort to research and find solutions to intergenerational poverty – distinct from "situational poverty" in that its chronic nature extends from parents to children across subsequent generations.[8]

The effort continues today with annual reports updating key data metrics that provide a foundation for ongoing policy improvements.[9]

In addition, DWS partners with the Social Research Institute (SRI) at the University of Utah to evaluate and identify potential areas of improvement[10] in programs like the Family Employment Program,[11] which is the state's cash assistance program funded by the federal TANF program (Temporary Assistance for Needy Families),[12] and other work-oriented programs administered by the agency.

Utah's Transitional Cash Assistance (TCA) program is one example of the state's established history of recognizing and seeking to address disincentives to work in the social safety net, as illustrated by a May 2010 SRI evaluation that states: "The Transitional Cash Assistance (TCA) program was designed to reduce the 'cliff effect' and help financially bridge people from welfare-to-work."[13]

Another example is found in DWS' 2016 intergenerational poverty report which cites a policy change that "reduced the child care "cliff effect" to minimize the disincentive to work."[14]

This proactive approach to the continuous improvement of safety net programs positions Utah well to continue as a national leader in finding new ways to improve the prospects of families striving for self-reliance through work.

It is essential that any discussion of refining the social safety net to address benefits cliffs begins from the foundation of Utah's unique advantages and strengths as a place of opportunity. Those strengths are thanks to wise decisions from Utah's policymakers, artful management of large and complicated federally funded programs by state administrators committed to helping struggling Utahns, and the industrious nature and strong civic culture of Utah's people.

It is from this foundation of success and in this spirit of continuous improvement – lauded by national experts like Rowe and exemplified by Utah's policymakers and administrators – that we must address challenges that still create obstacles for some on government assistance programs.

To fully understand this issue, it's instructive to begin with specific stories of safety net participants who have shared their experiences.

Chris Robinson is a single mother of two in Utah who strives to create a better life for her family. When she willingly picked up a little extra work at her job, an extra $20 on a single paycheck led to a roughly $600 decrease in medical benefits from the government assistance program she was participating in. It prompted her to rethink whether working to earn more was worth it.[15]

Marcella Patiño, a fellow Utahn who also raises her three kids on her own, loves working as a nail tech because of the feeling that she is charting her own course to financial independence. She does not want to rely on government social safety net programs either, and she views work and career growth as the way to accomplish that independence. But Marcella has faced similar obstacles. In recent years she stopped taking on additional clients – work that would have increased her salary and advanced her career – because she believed the additional earned income would trigger a disproportionately larger loss of food stamp benefits, a resource she and her children relied on.[16]

Carlotta Marie Jackson is a Georgia resident who was recently offered a job with a Christian broadcast network. The job paid well, but Carlotta worried that it would put her above the eligibility threshold for medical and food benefits she relied on without being enough to make up the difference. So instead, she opted for a teaching job that paid less but wouldn't jeopardize medical benefits that covered treatments and prescription drugs she needed.[17]

These experiences accentuate a problem that impacts far too many of our fellow Americans. There are impoverished families throughout the nation and here in Utah who are discouraged from pursuing upward mobility through work, reacting to what they perceive as perverse incentives woven into the government safety net.

These perverse incentives are known as "benefits cliffs" in public policy circles. According to the Federal Reserve Bank of Atlanta, these cliffs can occur when an increase in household income triggers a sudden and significant loss of government assistance that can actually make the family financially worse off, even after accounting for the additional income – thus creating a "cliff effect" – or it can effectively cancel out the new income, causing the family to "plateau."[18]

Concerns about benefits cliffs and their impact on safety net participants – as articulated by experts at the state and national level – are well documented.

The U.S. Department of Health and Human Services' Office of the Assistant Secretary for Planning and Evaluation defines benefits cliffs as "situations where the benefit reductions [are] equal to or larger than the earnings increase that triggered the benefit reduction."[19] An analysis from that office defines the problem in this way: "Program benefits for needy families typically are designed to decline as earnings increase and families become more self-sufficient. As income increases and benefits decrease, some families are left with fewer resources than before. The risk of being worse-off after an earnings increase is potentially a disincentive to pursue extra work hours or a raise."[20]

The Federal Reserve Bank of Atlanta spearheads perhaps one of the most prominent and established initiatives dedicated to producing research and advancing solutions to benefits cliffs.[21] One such analysis reports, "Some low-income workers, particularly those with children, face a disincentive to pursue a higher paying job through so-called benefits cliffs, which arise when earnings gains are offset by the loss of means-tested public financial supports, such as childcare subsidies. These benefits cliffs can be so severe that low-income workers may be temporarily better off financially by not advancing to take a higher paying job."[22]

A report from the U.S. Chamber of Commerce Foundation approaches the issue through the lens of impacts to the workforce, arguing that "[b]enefits cliffs pose a challenge to employee financial stability and a barrier to career development with many workers choosing to turn down promotions and raises for fear of losing benefits."[23]

These are just a few of the numerous examples of reports and analyses that present evidence of work disincentives experienced by safety net participants.

The evidence suggests that some families experience a disincentive to pursuing or accepting new work opportunities that would otherwise improve their situations. For these families, the very programs designed to help them instead make them feel stuck, with no straightforward path to self-reliance.

New survey data from Sutherland Institute and Lighthouse Research sheds light on the nature, scope and frequency of how this issue affects the economic decision-making of families in Utah.

This report unveils survey findings of Utah adults who are current or recent participants in the government social safety net to answer a crucial question: Are Utahns changing their economic behavior in response to what they understand to be benefits cliffs disincentives?

The results are both stark and encouraging.

Three highlights stand out from this survey data:

- 43% of respondents have at some point taken action that intentionally limited their household income in order to avoid losing government assistance.
- 26% have lost government assistance due to earning too much, subsequently lost or quit their job, then re-enrolled in government programs.
- 62% feel stuck in a low-income job and believe that earning more would trigger a loss in benefits that would make the additional earned income not worth it.

The fact that a majority of Utahns on government assistance have not actually taken economically limiting actions despite widespread perceptions of perverse incentives stands as a testament to three things: (1) the efficacy of the Utah Department of Workforce Services (DWS) in helping struggling Utahns get back on their feet and move toward self-reliance, (2) the overall strength of Utah's economy, and (3) the hard work and determination of Utahns who use the safety net to get back on their feet.

Recognizing Utah's reputation as a place of opportunity that other states would like to emulate, this report also expands its analysis to incorporate perspectives from outside Utah that offer critical insights into how safety net participants' understanding of and experience with benefits cliffs can cause work disincentives throughout the nation. These anecdotes – gleaned from informal focus groups and interviews highlighted throughout this report – articulate a problem that is national in scope.

Given all this, Utah is uniquely positioned to be a national leader in further empowering safety net participants to feel confident pursuing work and opportunity, and to share those successes with leaders at the state and federal level throughout the nation.

The primary objective of this report is to align compelling new survey research, eye-opening visual data, and accounts of personal experiences of people like Chris, Marcella and Carlotta – all to persuade policymakers at the state, local and federal levels to enact urgently needed policy reforms to address the disincentives to work and opportunity that safety net participants experience.

Central to this objective is this guiding principle: While America's social safety net has done tremendous good for millions of Americans – including many Utahns – throughout its existence, the fact that there are unintended consequences that discourage work and opportunity for those on the margins of society is not just economically problematic, it is morally wrong.

Focus of this report

To begin to understand the issues surrounding benefits cliffs, Sutherland Institute partnered with the Georgia Center for Opportunity (GCO), one of the foremost national leaders on the topic. The insights and guidance from GCO have been essential to this process.

The Utah Department of Workforce Services has also been a vital partner, providing data and relevant information about the administration of temporary assistance programs in the state.

Preliminary conversations with partners, experts and policymakers at the local and state level made clear that anecdotal evidence – such as the personal stories referenced above and others like it – are necessary but insufficient components in fully understanding the work disincentives of benefits cliffs.

To that end, the focus of this report is to assess the economic decision-making of Utah's current and recent safety net population, convey that decision-making in a way that is understandable and compelling to policymakers, and lay the foundation for exploring policy solutions.

We begin by identifying three critical questions:

1. Are Utahns who participate in government assistance programs changing their economic behavior in response to benefits cliffs, and if so, what actions are they taking regarding work/earned income?
2. Which government assistance programs are these Utahns most concerned with losing? In other words, which benefits are they trying to preserve?
3. What is the level of awareness of alternatives to government assistance programs in the event of a program participant losing a given benefit?

It is important to note that this report is not an exhaustive review of all government assistance programs and possible areas of reform. Nor is it a detailed analysis of specific eligibility criteria for specific programs and how those eligibility thresholds may nor may not be changed. Such analyses are valuable contributions, and future iterations of work sparked by this report may touch on those areas. But **the primary focus of this report is evaluating the economic decision-making of safety net participants based on their understanding of the programs they use.**

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Later, the report will offer a framework of policy recommendations worthy of additional consideration in Utah, in other states, and at the federal level.

Utah Safety Net Participant Survey Methodology Overview

Sutherland Institute partnered with Lighthouse Research to conduct a statewide mixed mode telephone and online survey of current and former participants of the safety net system in Utah.

For purposes of this report, any time a safety net participant takes an action that adversely affects their economic progression in response to a disincentive related to a loss of benefits, we call that an "**intentional earnings reduction**."

The specific programs identified as constituting the social safety net were: Medicaid, SNAP, HEAT, CHIP, housing, WIC, TANF, child care subsidy, and unemployment insurance.

Utah's unemployment insurance program was included to ensure a large enough sample size to maintain overall statistical significance. However, unemployment insurance participants were only included in the survey if they *also* indicated participation in at least one of the other programs listed. The other programs mentioned in this report are the focus of discussed reforms. Additionally, unemployment insurance is a fundamentally different type of program from other programs traditionally considered part of the social safety net. For these reasons, unemployment insurance was not included in the subsequent analysis in this paper.

Between July 11, 2024, and July 22, 2024, 480 surveys were completed by Utah adults who were either currently participating in one or more of these programs or had participated any time between 2017 and 2024. Responses were broken into three groups: *past participants (2017-22)*, *current/recent participants (2023-24)*, and *overall participants*, which covers all years from 2017 to 2024. This segmentation was driven by the recognition that reported experiences can be affected by the individual respondent's memory; thus we assume the more recent reported experiences are more likely to be fully accurate than those from years prior.

While the survey covers a seven-year period, data largely reflects current attitudes and experiences about safety net programs. More than two-thirds (68%) of total respondents reported participating in one or more of the identified programs in 2024. And of those, 90% were utilizing assistance at the time they responded to the survey.

The survey provides statewide statistically significant data, with an overall confidence level of 95% and a margin of error of +/- 4.42%.

Informal Focus Group Interview Methodology

Sutherland Institute engaged in a series of informal discussions with safety net participants and proximate service providers in two states: Utah and Georgia. Two of the personal anecdotes – from Chris Robinson and Marcella Patiño – were shared during separate episodes of Sutherland's weekly podcast, Defending Ideas. In addition, the Georgia Center for Opportunity arranged for Sutherland to engage in three scheduled virtual meetings via Zoom, with a blend of service providers and safety net participants in the state of Georgia. These conversations took place in August and September 2024. Comments and quotes from the individuals who participated in these conversations are woven throughout this report to illustrate or emphasize key points in the data.

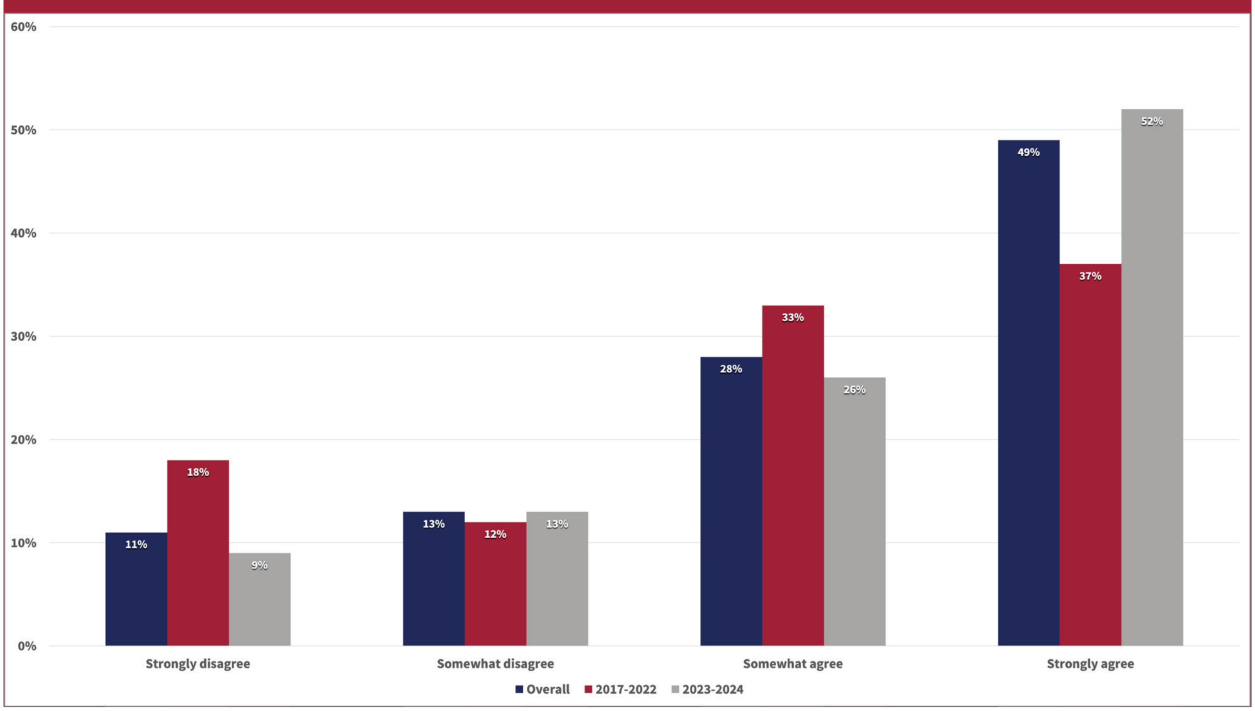
Key findings

General Sentiments

Before addressing findings that answer the three primary research questions that drove this survey, it's helpful to understand the respondents' overall state of mind regarding safety net programs. Respondents were first asked a series of general sentiment questions. A striking finding is that strong majorities of respondents said safety net programs create a disincentive to pursue work or opportunities.

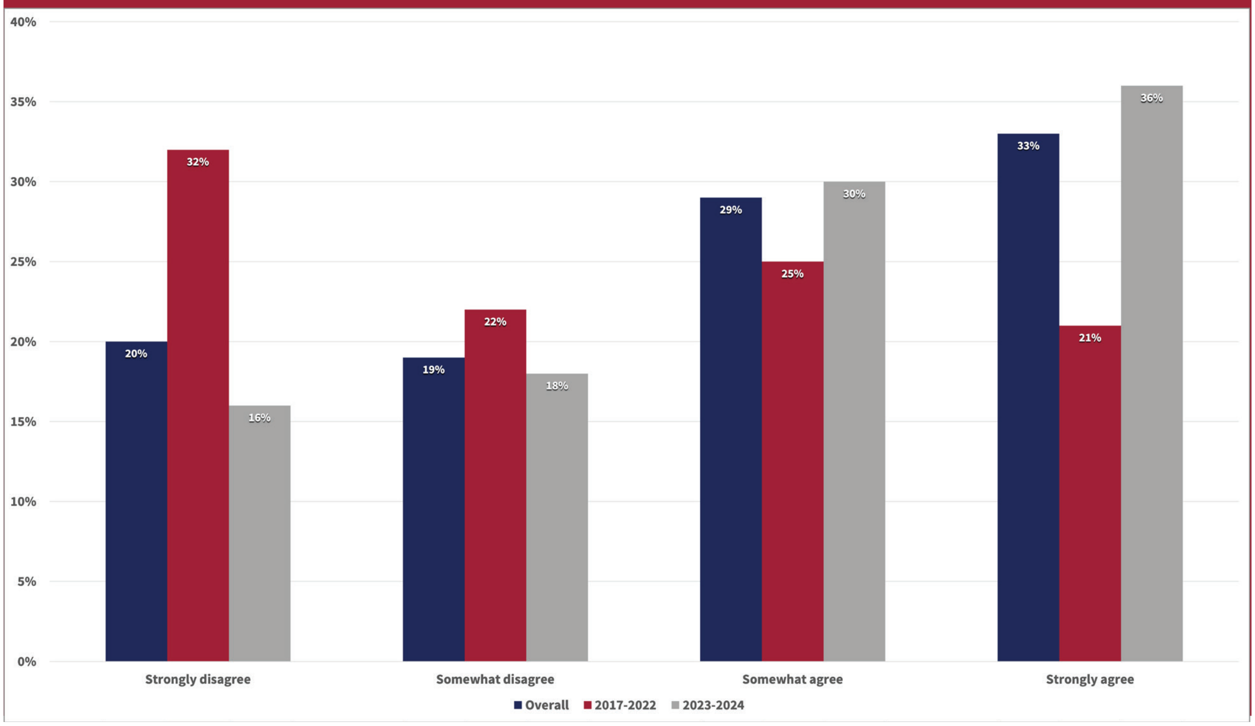
> *"I definitely don't want to be on [benefits] forever."*
>
> *– Marcella Patiño, safety net participant*[24]

Please rate how much you agree or disagree with the folowing statement: "When using government assistance, I [am/was] concerned that earning extra income would result in a loss of benefits that would make me and/or my family overall worse off."



> *"You have those benefits there for you as a safety net to make sure that you're doing what you need to do, and then the desire to be better at your life and not need those anymore. But you also have that stuck in your head, like 'oh I have to take care of my kids first,' and those benefits are more reliable than a job that you might not even get."*
>
> *– Marcella Patiño*[25]

Please rate how much you agree or disagree with the folowing statement: "When using government assistance, I [feel/felt] stuck in a low income job because more income means loss of benefits that would make the higher income not worth it."

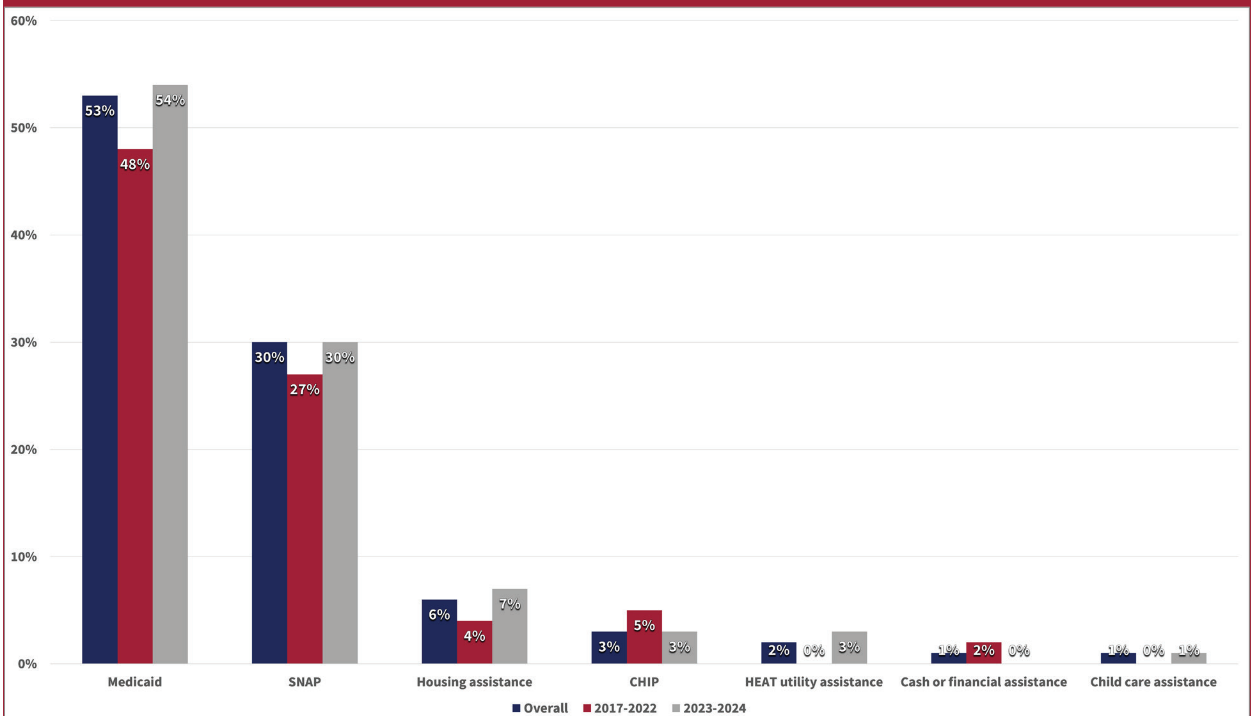


Seventy-seven percent of overall respondents felt concern that earning extra income would result in a loss of benefits that would make their families worse off. Additionally, **62% of respondents reported feeling "stuck" in a low-income job** because of the belief that an increase in income would trigger a benefits loss that wouldn't be worth it.

> *"We have this struggle of celebrating opportunity with this overbearing fear of 'hold on, before you accept that new job or that promotion, how is that going to impact the benefits you're receiving?' And not because anybody wants to or likes to live off of those benefits, but because they know, like in Chris's example, if I make a small increase, in her case it was $20 more in one paycheck, and she lost over $500 dollars monthly in medical benefits. So that does keep you back."*
>
> *– Michelle Crawford, Executive Director, Circles Salt Lake*[26]

When respondents were asked to rank their concern about losing a benefit, Medicaid and SNAP were by far the benefits they were most worried about losing, with a slight majority (53%) of overall participants citing Medicaid.

Which benefit [are/were] you most concerned with losing?



Percentages in the above chart are based on respondents who agree with the statement, "When using government assistance, I [am/was] concerned that earning extra income would result in a loss of benefits that would make me and/or my family overall worse off," and who utilize more than one government assistance program.

> *"Being a nail tech I did make a little bit of more money, and I didn't want to take that extra client or those extra hours because that did take away my food stamps or my Medicaid. So without taking that, that means that I can stay on these benefits for longer and that would be good for my family."*
>
> *– Marcella Patiño*[27]

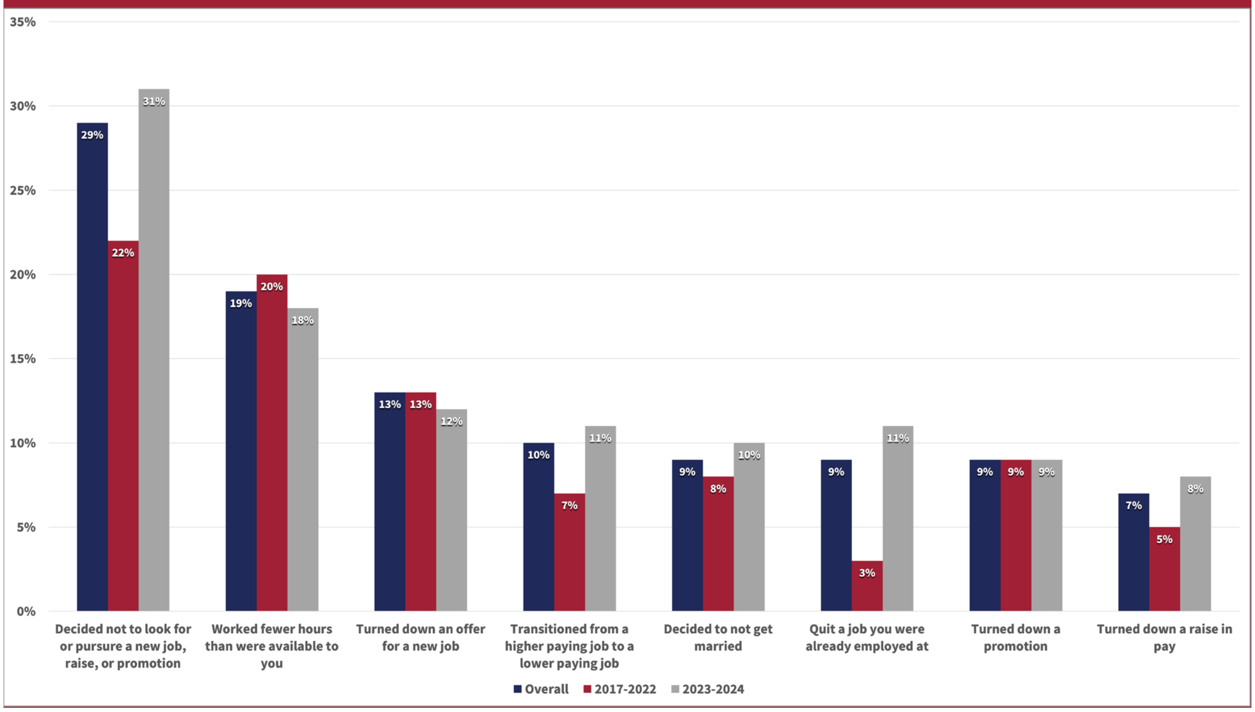
Frequency and Type of Intentional Earnings Reduction

The first research question was whether Utahns are in fact changing their economic behavior – an intentional earnings reduction – due to work disincentives related to benefits cliffs.

Fortunately, the actual reported rate of intentional earnings reduction to avoid the loss of benefits is less common than the general sentiment that benefits cliffs are a disincentive. However, the percentages still show a concerning rate of Utahns limiting their own economic progression to avoid losing benefits.

When asked if they had ever taken specific actions to avoid losing benefits that ended up limiting their earned income/economic progression, **43% of overall respondents said they had done at least one of the following** (see chart below):

Have you done any of the following to avoid losing government benefits or assistance because you believed it would not be worth the loss of benefits, or because it would make you and/or your family worse off overall?



The most common behavior was simply stopping the pursuit of new economic opportunities. Twenty-nine percent of overall participants said they have/had decided not to look for or pursue a new job, raise or promotion because it would make them worse off or simply not be worth it. The second most common action was working fewer hours than were available, cited by 19% of overall participants.

The third most common intentional earnings reduction was turning down an offer for a new job, which 13% of overall participants said they had done.

> *"I had a lot of opportunities. I could have [done] nails at another school, they would give me more money. Or taking on another client or more hours, or working another day. But I didn't take that because I didn't want to lose my benefits. ... If I did that then they would take away my food stamps."*
>
> *– Marcella Patiño*[28]

> *"I believe in the institution of marriage. I have very traditional beliefs and values, and that's something that's very important to me … [but] I can't lose my coverage."*
>
> *"That just would be foolish, it would be like shooting myself in the foot or something like that, getting married."*
>
> *– Georgia resident Carlotta Marie Jackson, after sharing that she decided not to marry her longtime partner due to fear of losing medical benefits*[29]

The fact that the most common behavior was simply declining to pursue economic opportunities like new jobs, promotions or raises tells us something important about the psychological effect of work disincentives on safety net participants.

A structural work disincentive like a benefits cliff can inadvertently "persuade" participants that working harder just isn't worth it. If that is perceived as true, then it is understandable that participants will not wait until a cliff is imminent to constrain their economic aspirations - they will do so whenever they begin to feel or anticipate a "plateau" effect. In other words, they will simply stop trying.

This data clearly shows that a significant portion of Utahns participating in government assistance programs are indeed choosing to intentionally limit their income and economic progression to avoid a sudden loss of benefits.

> *"Then you lose your medical care. You lose this, you know, or your premiums might go up so high. So it just wasn't worth it."*
>
> *– Carlotta Marie Jackson*[30]

> *"We know a friend that we're aware of – she was very proud to get a $2 an hour raise, that's about $330 a month, and that cost her nearly $1,500 a month in benefits. In her case it was child care and food stamps. And it just wasn't worth it."*
>
> *– Josh Nelson, volunteer with Circles Salt Lake*[31]

Programs most commonly cited

The second research question sought to understand which programs safety net participants were most concerned with losing. The responses indicate which specific benefits respondents were seeking to preserve when they engaged in specific intentional earnings reductions.

Again, respondents identified Medicaid and SNAP as the programs they were most concerned about losing. Regardless of which intentional earnings reduction behavior was taken, respondents consistently cited those two programs as the most frequently identified benefit they were limiting their economic progression in order to preserve.

When you (took an action to intentionally reduce earnings), which benefit or government assistance program were you most concerned about losing?

Of the overall respondents who took the economic action on the left, x% of them identified the program on the top as their primary concern.

	SNAP	Medicaid	CHIP	Child care assistance	Housing assistance	HEAT utility assistance	Cash or financial assistance	Other
Turned down a new job	58%	55%	12%	10%	10%	7%	3%	5%
Quit a job	35%	58%	9%	7%	14%	5%	0%	7%
Turned down a promotion	52%	64%	19%	7%	12%	10%	5%	2%
Turned down a raise	55%	67%	15%	9%	9%	15%	6%	0%
Worked fewer hours	60%	57%	11%	8%	12%	8%	3%	3%
Took a lower paying job	49%	66%	13%	4%	11%	4%	0%	6%
Did not pursue a new job, raise, promotion	50%	65%	11%	7%	9%	9%	2%	5%
Decided not to get married	58%	64%	13%	2%	18%	16%	7%	7%

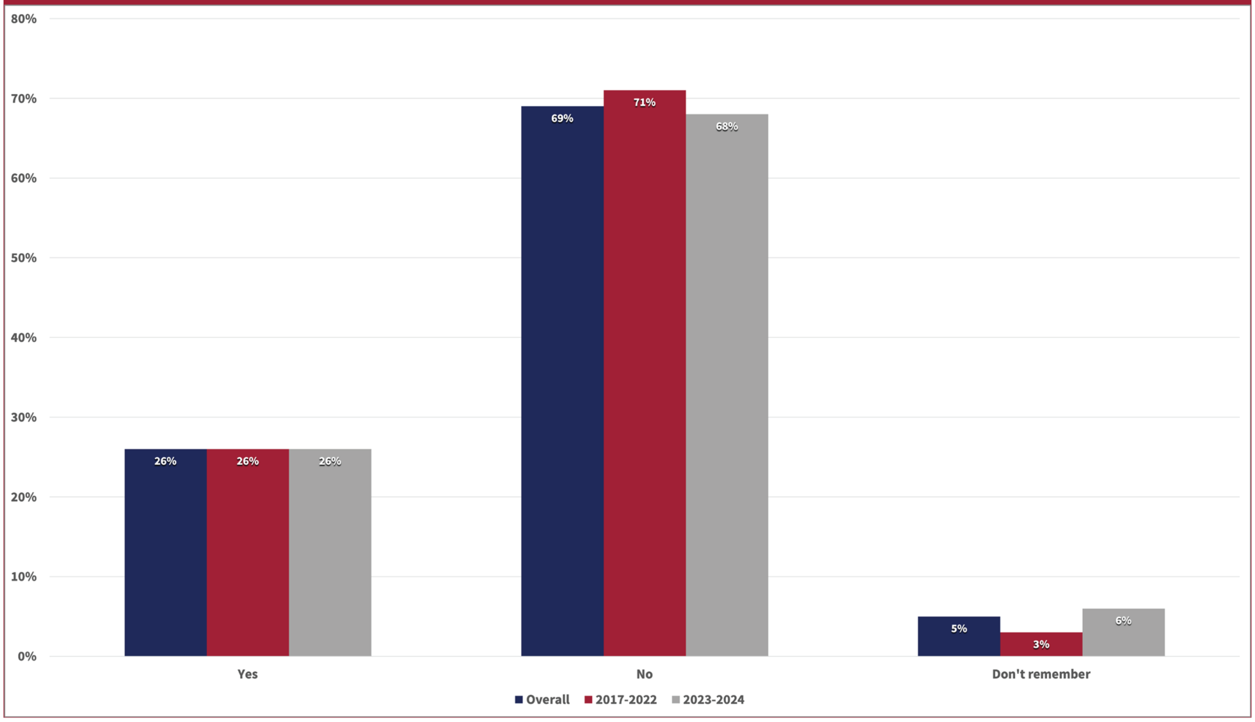
Percentages in the above table are based on respondents who took each of the listed actions to avoid losing government assistance.

> *"When you're on a government insurance once you work or make a certain amount, they want to just cut you off right away, and they shouldn't do that because … every dollar to me in this house is something. Even one penny is something."*
>
> *– Georgia resident Daniela Brown[32]*

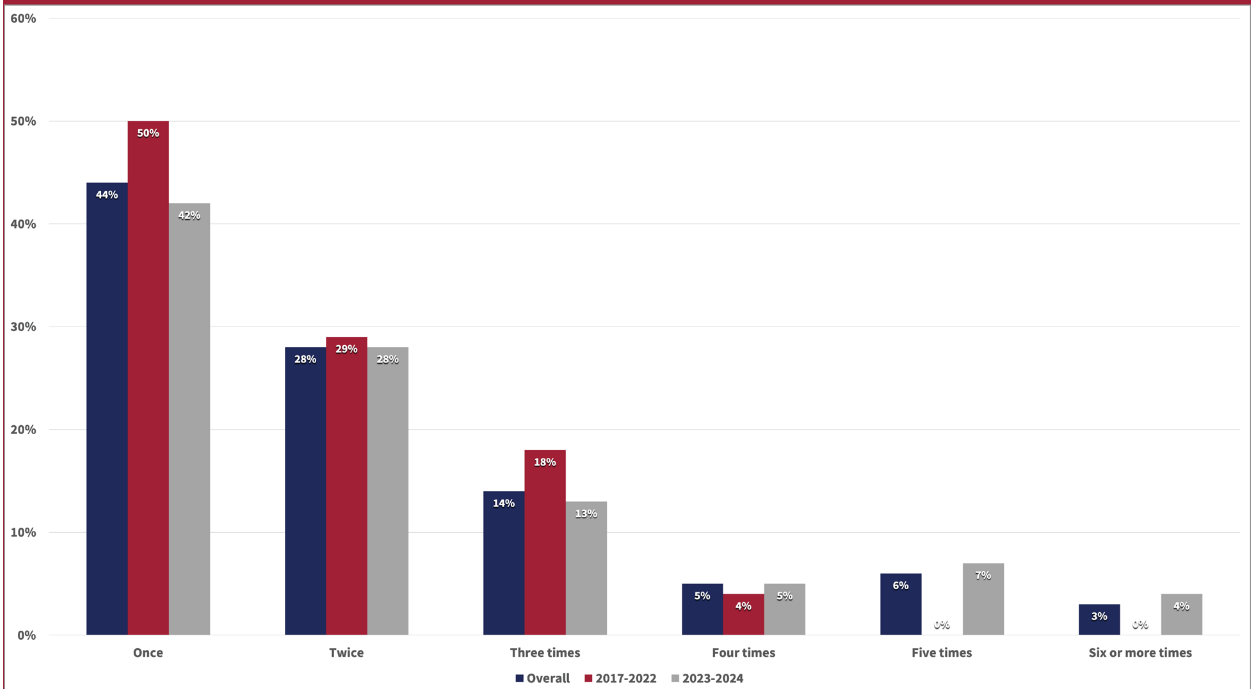
An important consideration when evaluating work disincentives in the social safety net is how often participants revolve back into programs after losing benefits. To use the parlance of the criminal justice system: measuring recidivism in the social safety net.

About one-quarter (26%) of respondents indicated that they had, at one time or another, lost benefits due to earning too much – and then ended up back on government assistance after losing or quitting the job.

In the last seven years, have you ever lost benefits due to earning too much, then lost or quit your job, then returned to using benefits?



How many times has this happened in the last seven years?



Percentages in the above chart are based on respondents who lost benefits, then lost or quit a job in order to reenroll in benefits.

Of those respondents who said they had reenrolled in benefits, 56% said this had happened two times or more in the last seven years.

These data points are particularly relevant to policymakers interested in evaluating the long-term costs associated with significant numbers of safety net participants continuing to recidivate back into government programs repeatedly.

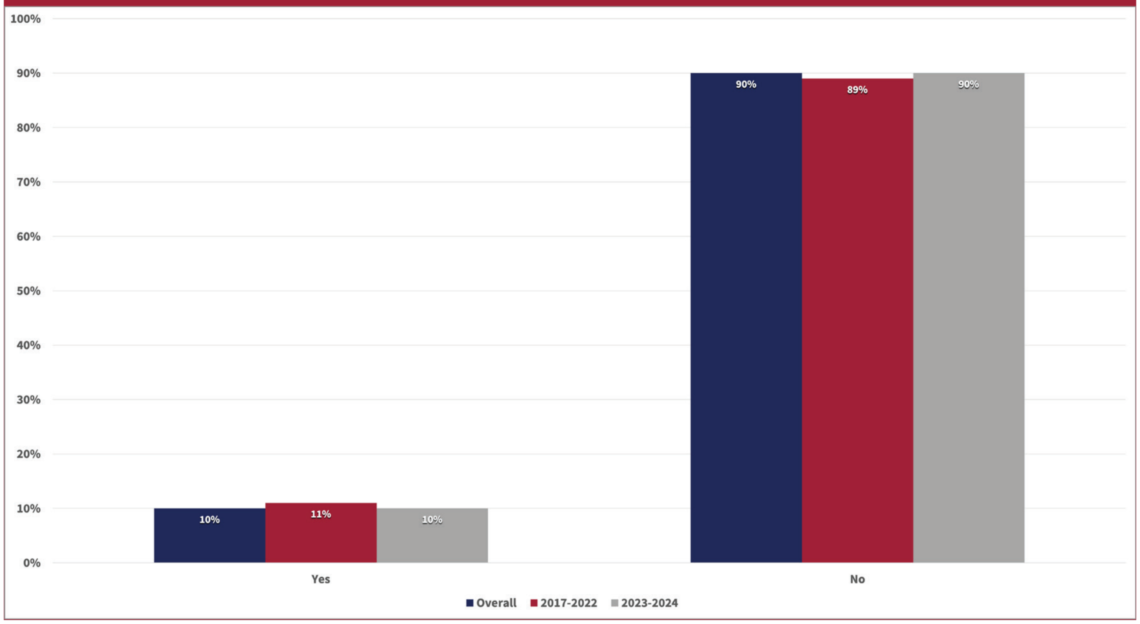
"It makes you feel hopeless, because there's no chance of being able to earn a living wage."

– Carlotta Maria Jackson[33]

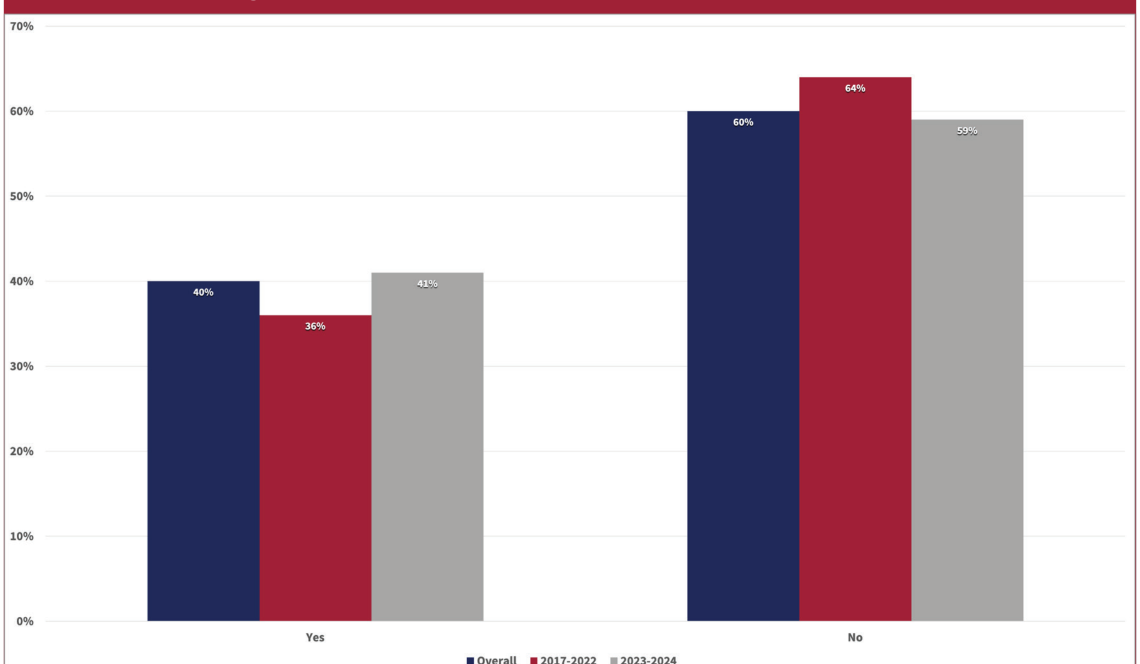
Awareness of alternatives

The third primary research question was whether safety net participants had adequate awareness of alternatives to government assistance in the event of a loss of eligibility due to earning too much. Respondents were asked about their awareness about alternative resources generally, and health insurance specifically.

Are you aware of other programs or subsidies available to those who lose government assistance?



Are you aware of subsidized health insurance on Healthcare.gov that may be available to those concerned with losing medical benefits?

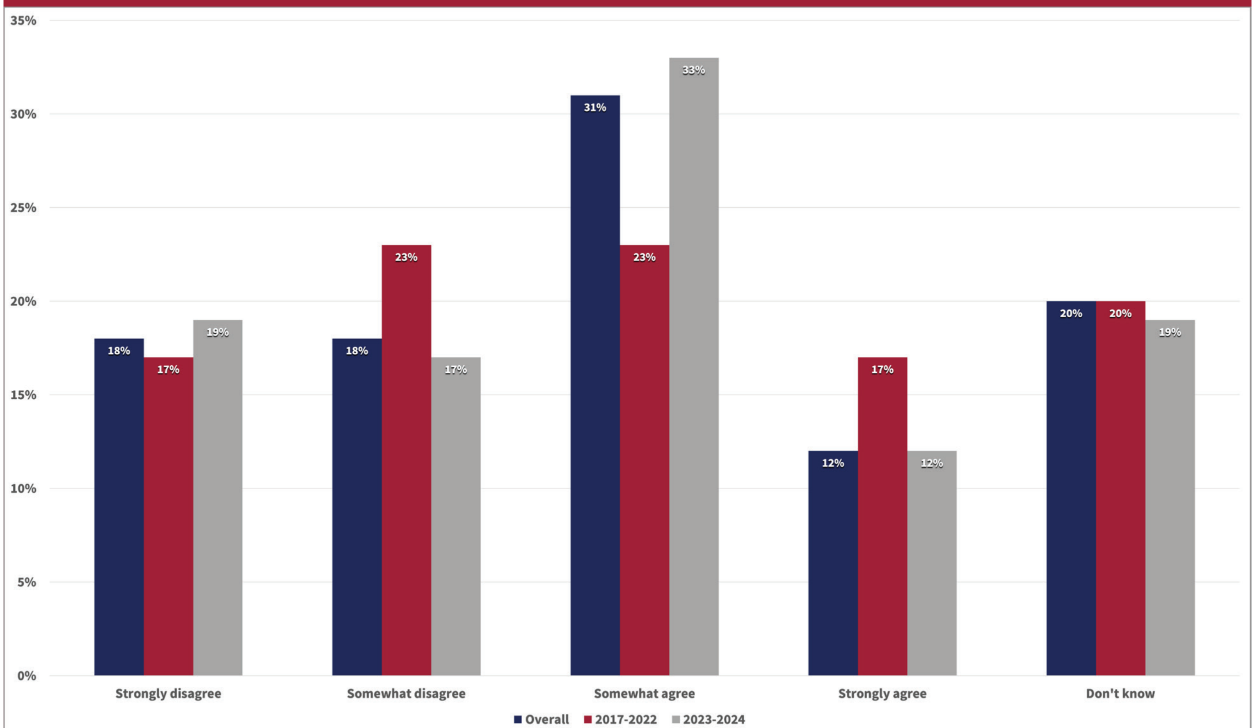


Percentages in the above chart are based on respondents who have enrolled in Medicaid and/or CHIP from 2017 to 2024

A very small minority (10%) indicated they were aware of alternative resources generally, while more respondents – but still a minority at 40% – indicated awareness of their potential eligibility for subsidized health insurance coverage on the federal exchange.

Of those who were aware of subsidized coverage, less than half (44%) believed it was a good replacement for Medicaid.

Please rate how much you agree or disagree with this statement: "Transitioning from Medicaid to subsidized health insurance through Healthcare.gov is easy, affordable, efficient, and is a suitable next step after losing eligibility for Medicaid."



Percentages in the above chart are based on respondents who are aware of subsidized health insurance on Healthcare.gov that may be available to those concerned with losing medical benefits.

Takeaways from Survey Findings

After reviewing the survey results, let's return to the three primary research questions:

1. Are Utahns who participate in government assistance programs changing their economic behavior in response to benefits cliffs, and if so, what actions are they taking regarding work/earned income?
2. Which government assistance programs are these Utahns most concerned with losing? In other words, which benefits are they trying to preserve?
3. What is the level of awareness of alternatives to government assistance programs in the event of a program participant losing a given benefit?

We can now answer these questions in the following ways:

1. Yes, close to half (43%) of respondents have changed their economic behavior by intentionally limiting their earned income to avoid triggering a benefits cliff. Most commonly, this manifests as simply "plateauing," meaning they decide to no longer pursue opportunities for a job, raise or promotion.
2. Medicaid and SNAP are by far the programs most commonly cited by respondents worried about triggering a benefits cliff.
3. Respondents overall have poor awareness of alternatives.

Thankfully, most Utahns who participate in the safety net do not engage in intentional earnings reduction. But for the sizable minority who do, the disincentives they face limit their own economic progression and their ability to provide a better future for their families.

> *"It kind of destroys my spirit of work. Because what if I make a little bit less than what those benefits are giving me? Or what if I only make enough for this month, but next month I don't make enough, but then I don't get those benefits. So it's kind of scary for me to be like 'yes I want to change my income,' but then I have to remember I have kids to take care of."*
>
> *– Marcella Patiño, safety net participant*[34]

> *"These benefits are subsistence level. And yes, Marcella wanted to keep those because she wanted her kids fed and such. But the people I've become associated with at Circles, and particularly with Marcella, she's very driven and she wants much more from her life than a subsistence level living."*
>
> *– Josh Nelson, volunteer with Circles Salt Lake*[35]

Discussion

A question that policymakers may consider after reviewing the survey data is this: To what extent is intentional earnings reduction behavior among safety net participants driven by structural policy barriers that create a material disincentive, as outlined in the various analyses referenced in this paper? A related question is: To what extent are safety net participants making these economic decisions with imprecise or inaccurate information about how work opportunities will actually affect their benefits and household finances? Understanding in greater detail the answers to these questions, and crafting interventions accordingly, is an important part of the approach recommended in this paper.

There may be varying perspectives on the true nature and scope of why significant numbers of safety net participants at times have constrained their economic progression for fear of making their families worse off. Take, for example, the two programs most commonly cited in our survey data: Medicaid and SNAP.

A reasonable argument may suggest that because those who lose Medicaid due to earning too much have access to some form of subsidized health insurance coverage through the federal exchange, applying the language of "benefits cliffs" to the loss of Medicaid is inaccurate. This perspective is certainly understandable, especially given the fact that working adults across the income distribution at times change health insurance providers – often associated with a change in employment.

Additionally, a reasonable argument addressing SNAP may rightly point to the program design as already intended to "taper" to avoid work disincentives. AEI scholars Angela Rachidi and Thomas O'Rourke write: "As with many safety net programs, SNAP benefit amounts phase out as household earnings increase. Households with no income receive the maximum benefit—$766 per month for a family of three—but for each additional dollar that a household earns, SNAP benefits are supposed to decline by 30 cents until they phase out slowly to $0."[36]

However, Rachidi and O'Rourke – referencing a research paper by Georgia Center for Opportunity's Erik Randolph[37] – go on to say that "[i]n practice, however, few SNAP households experience this gradual reduction of benefits. SNAP permits households to take a variety of income deductions and maintains a benefit cutoff when their income exceeds a certain amount. Together, these factors disrupt the gradual phase out, instead imposing a steep benefit cliff."

And the survey data in this paper have identified some challenges relevant to the perspective on the Medicaid cliff effect – that participants have a poor awareness of alternatives, and even those who are aware of subsidized coverage through the federal exchange tend not to see it as a suitable next step.

Nevertheless, there are two key takeaways for policymakers to draw from these examples. First, such varied perspectives on the nature and scope of this problem are valid additions to the public discussion the state and nation need to have about how to improve our safety net and strengthen upward mobility. They are worthy of thoughtful consideration by all.

Second – and most important – the experiential data presented in this paper shows that safety net participants do indeed anticipate material cliffs and are making economic decisions accordingly. And that points to the urgent need for intervention.

Recommendations

The following is a high-level framework of policy interventions worthy of additional consideration and exploration that can begin to orient state policymakers toward solutions that remove disincentives and strengthen upward mobility for families working to escape poverty. Future iterations of this work will expand on such interventions in more detail, but the approach below offers a crucial starting point for state and federal leaders. Public policy at the state and federal level should address or remove any work disincentives safety net participants may experience, with the goal of empowering these families to pursue opportunities that improve their economic prospects at each stage of their journey to self-reliance.

State-Level Navigation and Financial Planning Pilot Program

State leaders should consider the creation of a pilot program that empowers safety net participants to better navigate the transition from government benefits to work as their earned income increases. There are three key principles to which such an intervention should remain anchored for optimal impact. First, participants should gain increased certainty about their families' financial future as they work their way out of poverty. In particular, financial planning tools or resources that show with accuracy and precision how increases in income will affect benefits and household finances will empower families with better information about their upward trajectory. Second, participants should receive enhanced community coaching or mentoring leveraging the strong civic fabric of the local nonprofit community. Coupled with already standard government case management, this additional layer of support strengthens social capital in unique ways to help empower these families to take advantage of opportunities. Third, the pilot program should carefully track and report key metrics and outcomes to illuminate what is most helpful in helping families successfully navigate the transition from government benefits to self-reliance through work.

A strong appeal of this intervention is that it offers a tangible improvement, regardless of which of the perspectives listed in the discussion section policymakers or others are persuaded by.

To the extent that intentional earnings reduction behavior is motivated by an accurate assessment of material cliffs in the social safety net, this pilot program will collect more robust and precise data that further illuminates those structural barriers and how safety net participants experience those barriers – leading to additional positive reforms.

On the other hand, the extent to which intentional earnings reduction behavior takes place with inaccurate or imprecise assessments of what will happen to a family's benefits and finances upon increasing earned income, this intervention will correct and clarify those perceptions, empowering families to feel more confident to pursue and accept economic opportunities.

Pursue Federal Waivers for a State-Level Experimentation

To address any structural barriers that create a material disincentive to work, state leaders should explore legislation that would establish a state-level pilot program that empowers state administrators to create a method of phasing out benefits in a way that always incentivizes work opportunities. Essential to such a pilot is pursuing federal waivers that would grant Utah flexibility to experiment with different eligibility roll-off criteria for a select, small number of safety net participants. The intent of such a program should be to craft a Utah-specific approach that better aligns the incentive structure for Utahns striving to escape poverty – such that their additional earned income through work would not trigger a benefit change that would make them worse off. Such a program should avoid simply expanding the benefits provided by safety net programs and instead focus on the most timely and efficient transition from government support to self-sufficiency.

Improve Awareness of Alternatives

The survey data shows poor awareness of alternatives generally, with a particular focus on awareness of alternatives to Medicaid coverage. Ninety percent of respondents said they were not aware of other general programs or subsidies that could be available to those who lose government assistance, and 60% were not aware of subsidized health coverage available through Healthcare.gov.

To address this, state leaders should explore strategies to improve awareness of resources outside the state-administered government social safety net among its participants. This is particularly important for Medicaid participants whose earned income is on an upward trajectory and approaching eligibility limits. The state navigation and financial planning pilot mentioned above could also incorporate enhanced awareness of alternatives articulated here.

Additionally, greater coordination with nonprofit, civic and religious institutions that offer services and resources to struggling Utahns would elevate these options while strengthening the social fabric of the state.

This also presents an important opportunity for private employers to engage by elevating the profile of non-cash benefits that employers offer for open jobs – such as more robust inclusion of employer-provided health insurance in recruitment efforts.

Explore Empowerment Accounts as Safety Net Alternative

A more aspirational – but no less valuable – approach is to consider a state-level pilot alternative to the traditional safety net system. The paper *Empowerment Accounts: Less Poverty and More Self-Sufficiency*, by Vance Ginn, Julia Crusius and Ilanit Turner for the Texas Public Policy Foundation, articulates such an approach.[38] The basic concept is to streamline the multiple federally funded and state-administered safety net programs into a single, consolidated program with simplified and straightforward eligibility criteria that is easier to navigate and consistently incentivizes work.

The basic concept is this: If policy experts, community leaders, administrators and policymakers were to create a social safety net system from scratch today – with the goal of stabilizing struggling families while helping them move toward work-based self-reliance – it would likely look very different from the large and complex web of federal programs that exist today. This intervention leverages the advantage of state-level innovation to identify a more efficient and effective method of helping families escape poverty and enjoy the blessings of our robust free-market economy. Such an approach is worthy of additional exploration in Utah and other states.

Study Safety Net Recidivism

Given that the survey identified 26% of respondents who had lost benefits due to earning too much and then ended up back on government assistance after losing or quitting the job, a more thorough research effort to understand safety net recidivism would be a valuable contribution to the ongoing reform conversation. Understanding the variables that correlate with families experiencing multiple bidirectional transitions between government benefits, employment, and back again, could lay important groundwork for policy reforms that can help these families stabilize their situations and strengthen their connection with sustained work opportunities.

State Flexibility From the Federal Government

The state of Utah has already demonstrated its competence in the administration of social safety net programs, as articulated in the introduction to this paper. In recognition of that success, coupled with the important principle of federalism and the value of state-level experimentation and innovation, policymakers and administrators at the federal level should look for more opportunities to grant flexibility to states to improve safety net programs. This approach could take the form of putting more federal programs into flexible block grants that states have authority over with broad parameters, approval of state waiver requests for innovative pilot programs, or granting states more authority to address eligibility tapering for various programs.

Conclusion

The policy recommendations contained in this report are by no means exhaustive or complete – but they offer an important starting point from which to pursue continual improvement in public policies designed to incentivize work and opportunities and strengthen upward mobility for families eager to escape poverty.

Utah has long been regarded as a place where the American Dream remains alive and well. Our vibrant economy, prudent policymaking, robust civic culture, stable and healthy families, and strong faith institutions all contribute to Utah's enviable position as arguably the opportunity capital of the nation.

Even our state's unique system of administering temporary government assistance coupled with workforce development opportunities has drawn the attention of policy leaders throughout the nation eager to learn from Utah's success.

The disincentives to work and pursue opportunity experienced by some participants of the social safety net are stifling the American Dream for too many families in Utah and beyond. The survey data presented in this report shows unequivocally that too many Utahns are constraining their economic progression – understandably so – to preserve essential stability for their families. But these Utahns are hungry for earned success through work and don't want to rely on government programs any longer.

Utah is the best situated state in the nation to pursue state-level flexibility and innovation that maintains the successes of the social safety net while addressing work disincentives that hold too many of our fellow citizens back.

Utah's elected officials have the opportunity to lead out on the next frontier of policy reform that strengthens the American Dream for people on the margins of society by removing work disincentives related to benefits cliffs. Fortunately, Utah is well equipped to do so.

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[30] Informal focus group virtual interview, coordinated by Georgia Center for Opportunity, September 13, 2024.

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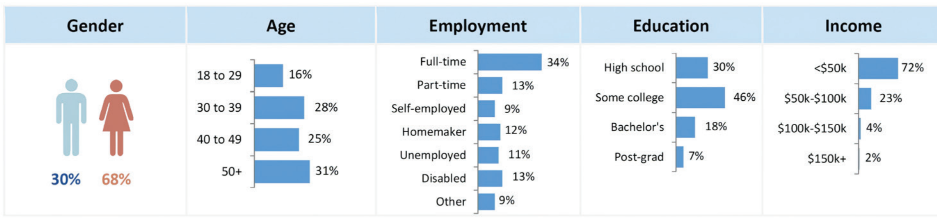
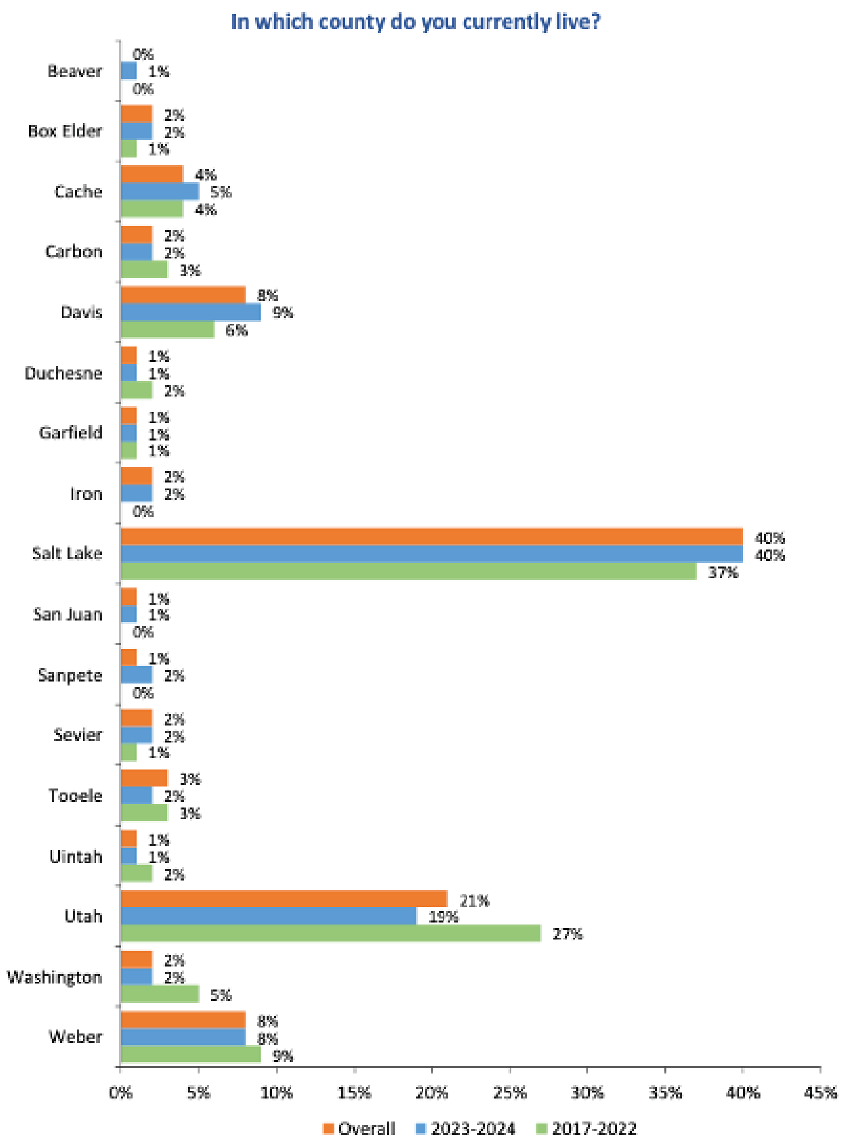
Appendix

The following includes additional charts and data tables of interest, relevant to respondent information or additional findings, that may not have been referenced in the body of the report.

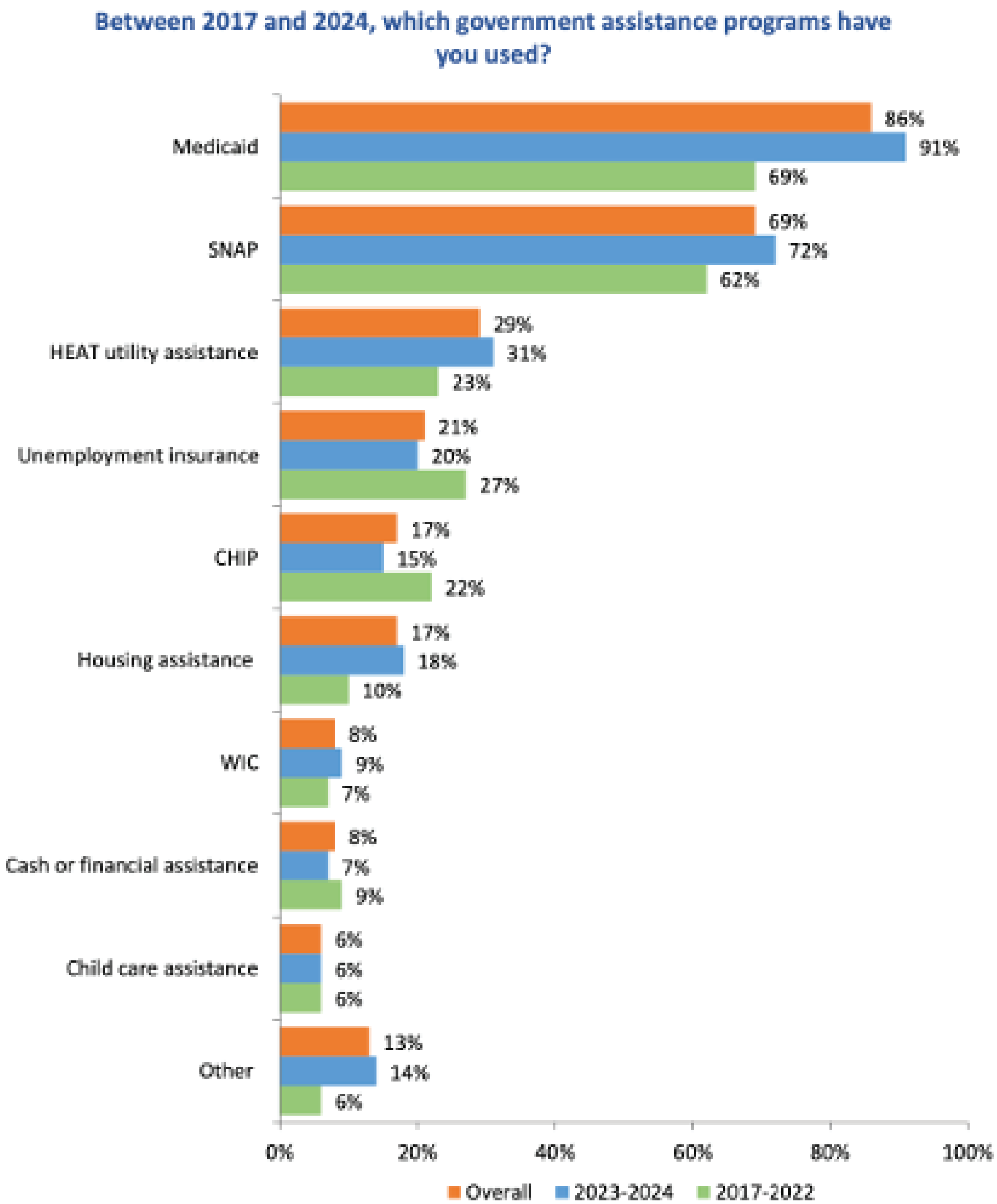
Appendix A



Appendix B



Appendix C


Between 2017 and 2024, which government assistance programs have you used?
Medicaid
86%
91%
69%
SNAP
69%
72%
62%
HEAT utility assistance
29%
31%
23%
Unemployment insurance
21%
20%
27%
CHIP
17%
15%
22%
Housing assistance
17%
18%
10%
WIC
8%
9%
7%
Cash or financial assistance
8%
7%
9%
Child care assistance
6%
6%
6%
Other
13%
14%
6%
0%
20%
40%
60%
80%
100%
Overall
2023-2024
2017-2022

Appendix D

During which years were you or your family enrolled in a government assistance program?

2017	2018	2019	2020	2021	2022	2023	2024
55%	59%	62%	70%	71%	71%	71%	68%

Of these, 90% currently utilize assistance

Appendix E

What year was it that you...?

Overall respondents

	...Turned down a new job	...Quit a job	...Turned down a promotion	...Turned down a raise	...Worked fewer hours	...Took a lower paying job	...Did not pursue a new job, raise, promotion	...Decided not to get married
Prior to 2017	17%	14%	17%	6%	12%	21%	18%	29%
2017	15%	5%	5%	6%	22%	4%	19%	13%
2018	15%	12%	10%	9%	24%	17%	16%	24%
2019	15%	12%	17%	18%	27%	19%	19%	18%
2020	15%	14%	21%	18%	26%	11%	24%	27%
2021	8%	14%	19%	18%	26%	6%	27%	22%
2022	20%	12%	21%	9%	24%	11%	29%	20%
2023	18%	23%	17%	24%	23%	13%	30%	22%
2024	10%	14%	17%	21%	22%	13%	30%	29%

Percentages in the above table are based on respondents who took each of the listed actions to avoid losing government assistance.

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The disincentives to work and pursue opportunity experienced by some participants of the social safety net are stifling the American Dream for too many families in Utah and beyond. Fortunately, Utah is well situated to continue as a national leader in finding solutions to this challenge.

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