

**THE BENEFITS “CLIFF EFFECT” AND
ECONOMIC SUSTAINABILITY IN NEW JERSEY**

**Testimony for Public Hearing
New Jersey State Legislature
Assembly Women and Children Committee
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Thank you, Chairwoman Lampitt, and members of the committee for inviting me to speak to today. As the research director at Rutgers’ Center for Women and Work, I would like to bring to your attention our research findings on the phenomenon often called the “Cliff Effect.”

The “Cliff Effect” describes the phenomenon of the sudden drop off in ‘work support’ benefits (e.g., earned income tax credits, Medicaid, and child care assistance) that help to cover the cost of basic necessities. As earnings increase, families begin to lose these benefits, even though they have yet to reach economically sustainable earnings. This phenomenon is particularly important to understand because working poor families are often forced to turn down a pay-raise or a promotion in order to keep their work supports.

The “Cliff Effect” is not a problem unique to New Jersey, however there are factors unique to New Jersey that make the impact particularly dramatic. New Jersey’s high cost of living make self-sufficiency less attainable than in other states. For a low-income single mother of two, there is a sudden drop off in benefits as the hourly income reaches \$22.11 or \$44k annually. If we compare these numbers to self-sufficiency data supplied by a scholarly database, it shows that in order for this same household to stay out of deficit the same mother in this scenario would need to make \$28.07 an hour. Eligibility for programs like SNAP and TANF depend on the Federal Poverty Line and not the amount of money a household needs to be self-sufficient.

I want to emphasize the impact of this phenomenon on the women of New Jersey. Female headed households and single parent households are at greatest risk of the “Cliff Effect” because they rely heavily on subsidized childcare. In order to provide the best opportunities for New Jersey’s working poor families to improve their economic prospects and move out of poverty into economically sustainable jobs, policy makers must structure work support eligibility standards and levels in order to keep workers and their families out of danger and the “Cliff Effect.” New Jersey should change the eligibility requirements for low-income families in

NJ so they can access supportive programs until they can provide for their household. NJ should use the self-sufficiency standard not the Federal Poverty Line (FPL) and programs should not abandon families until they reach the self-sufficiency standard.

On behalf of the Center for Women and Work I thank the committee for inviting me to share our research findings. I applaud this committee for taking the time to prioritize the needs of women and families in New Jersey policy.