WORKBOOST NYC

THE FINANCIAL CLINIC

WORKBOOST POLICY PLATFORM

ABOUT THE FINANCIAL CLINIC

The Financial Clinic's mission is to build working poor people's financial security. The Clinic fulfills its mission through an ecosystem of strategies that includes direct services, capacity building with other nonprofits, and systems-level solutions to create lasting change. The Clinic works toward its vision of a nation where everyone is financially secure by transforming lessons learned on-the-ground into large-scale solutions and social innovations like Change Machine that impact working poor people nationwide.

After 11 years, The Financial Clinic has demonstrated a "gold standard" model for building financial security for low- and moderate-income families. A high-performing organization with a focus on results, the Clinic has put over $60 million back in the pockets of more than 40,000 customers, supported more than 360 organizations in 26 states embed financial security actions into their program models, and successfully launched several policy campaigns in support of working poor families. A landmark national study determines the Clinic's model of financial coaching helps working poor individuals and families move toward financial security.

ACHIEVING LASTING CHANGE WITH THE FINANCIAL SECURITY ECOSYSTEM

Financial insecurity is pervasive and often stymies many nonprofit organizations from effectively serving their communities. Few organizations have the expertise, support, or resources to fully address their customers' financial insecurity. The Clinic has created the financial security ecosystem, a holistic partnership approach that builds financial security for the working poor at scale and accelerates sector-specific missions and outcomes. This complete bundle of the Clinic's best practices and services is designed to seamlessly collaborate with a partner organization's existing services through capacity building, direct services, and lasting change—connected through the use of Change Machine. Borrowing a popular metaphor from the high-tech world, "business ecosystems" leverage the power of connections, collaborations, and continuous evolution to create and capture new value, thus advancing not only our vision and our partners' unique missions, but the anti-poverty field as a whole.

RESEARCH AND POLICY AT THE FINANCIAL CLINIC

The Research and Policy team empowers the Clinic's vision and helps ecosystem partners achieve lasting change by leveraging on-the-ground perspectives and experiences from organizations' frontline staff, as well as the Clinic's financial coaches and capacity building staff, to identify systemic, structural, and institutional barriers that prevent the working poor from building financial security. By working collaboratively with key stakeholders, the Clinic's Research and Policy team raises the profile of these barriers, and works with partners—including advocacy groups, decision-makers, and practitioners—to develop strategies through data and research that work toward eliminating common obstacles for working poor individuals and families.

© Copyright 2017 The Financial Clinic, all rights reserved.

In 2016, the team passed "Refund529," allowing the New York State tax refund to be split for direct contributions into a 529 college savings account—a bill that the Clinic, in partnership with Citizens' Committee for Children of New York and a coalition of eight nonprofits, has been advocating for years. This presents an incredible opportunity for low-income New Yorkers to pave the way for a brighter financial future with annual access to college savings for themselves and their children. The Clinic is dedicated to support the New York Department of Taxation and Finance as it acts to implement and extend this critical opportunity to New York tax filers.

PROSPECTIVE WORKFORCE AGENDA

With the launch of WorkBOOST NYC, the team will be focusing on workforce-related policy issues that address challenges faced by low- and moderate-income job seekers and workforce development participants in New York. What follows is a brief summary of three issues the Clinic anticipates will significantly impact this population in upcoming years. In coalition with WorkBOOST NYC partners, The Financial Clinic's Research and Policy team aims to further discussions that illuminate these challenges, and strengthen the policy and advocacy agenda to eradicate systemic barriers to financial security.

NAVIGATING CHALLENGES OF A MINIMUM WAGE INCREASE

The Financial Clinic supports New York State's mandate[1] to raise the minimum wage to $15 in New York City by 2019, and in other parts of the state over the next few years. A study by the Urban Institute[2] released in 2015, which measured the impacts of raising the minimum wage to $15, found that increasing wages resulted in a staggering 17 percent decrease in the rate of poverty. Additionally, the New York State Department of Labor (DOL) estimates that the increase of the minimum wage will benefit 2.3 million workers in New York—about a quarter of the state's total workforce—and will generate about $15.7 billion in reinvestment to the local economy.[3] The move toward a more sustainable living wage has a profound impact on families. Analysis by the DOL also finds that 80 percent of minimum wage workers are aged 25 and older, and a majority are women—groups that represent primary caregivers, or even sole providers, in their households.

New York's victory in the Fight for $15 is monumental for its strides to remedy the effects of decades of growing income inequality and unadjusted inflation.[4] As income levels increase steadily over the next few years, New York's minimum wage earners stand to gain several degrees of financial mobility, reaffirming the value of wage and salary work and promoting asset opportunity by "raising the floor."[5]

Through its tenure and experience coaching more than 19,000 customers, the Clinic maintains that everyone can save because *savings is an activity, not an amount*. Now, with increased income, minimum wage earners will be better positioned than ever to save for retirement, education, and unexpected emergencies. In practice, seizing this newfound opportunity to save will require planning for drastic shifts in both total income and its sources. For instance, families currently living below the federal poverty level (FPL) can expect considerable changes to their income composition as their new wages begin to outearn public benefits and comprise a greater proportion of their incomes. Budget line items such as groceries or rent that have previously been aided by government programs like SNAP and low-income housing vouchers will shift to the household balance sheet, and in turn, require more nuanced financial management.

For a single parent with two children, the raise to $15 would bring them from below the FPL to about 155 percent of FPL, adding nearly $13,000 to gross annual income. However, they should also anticipate an acute drop in their Earned Income Tax Credit worth over $2,300. What may seem to be a wage increase of $5.30—from the 2017 wage at $9.70 per hour to the 2019 wage at $15 per hour—is actually a wage increase of $3.46 when factoring in the reduction of EITC and SNAP benefits alone.

© Copyright 2017 The Financial Clinic, all rights reserved.

While a minimum wage of this scale is a historic achievement for New Yorkers and sets a great example for states across the country to follow, the Clinic also underscores that there are still many, and perhaps new, challenges that lie ahead as working individuals and families navigate decreased public benefits and tax incentives as a result of wage gains.

Ultimately, the wage increase outweighs the combined loss of public benefits and tax incentives, but we anticipate that reductions in other forms of income or tax credits will make gains slightly more modest than we might otherwise expect, amounting to about $2 to $5 in real terms. Still, minimum wage earners stand to benefit from financial education and coaching to help them anticipate changes in income composition and navigate new economic challenges presented by higher earnings opportunities.

Employees who take advantage of employer-sponsored benefit programs such as retirement accounts and 401(k) plans, health care, transit accounts, and flexible spending accounts could wind up with higher premiums or reduced coverage. Proposals set forth by the new administration in Washington such as the American Health Care Act (AHCA) give reasonable concern for oversight of the labor force and employee protections. If left unchecked, lawful losses to benefits such as health care or other discriminatory workplace practices among non-unionized workers may be on the horizon. We must pay heed to supply-side implications of the minimum wage increase that may prompt employers to offset higher wages with layoffs, fewer hours, or cuts to benefits.

Recommendations

- **Replace or recalculate FPL income guidelines that determine eligibility for benefit programs like SNAP and tax incentives like the Earned Income Credit to more accurately reflect self-sufficiency standards as they differ by state**
- **State-led process that educates minimum wage workers about upcoming changes to their benefits eligibility from an increased minimum wage**
- **Increased resources for financial coaching services to minimum wage workers to help navigate changes to income composition**
- **Strengthen advocacy relationships with regional labor coalitions to protect employee benefits and uphold workplace safeguards**

INSPIRING THE RETURN TO WORK: TACKLING THE BENEFITS CLIFF

The WorkBOOST NYC financial security ecosystem was founded on the concept that by simultaneously uncovering and taking proactive steps to resolve financial insecurity issues, workforce development participants find greater success in job placement, retention, and wages.[6] The Clinic upholds the view that service providers and practitioners should help workers achieve financial security through increased wages and pursuing career mobility whenever possible.[7]

Yet, the pursuit of a new job often poses significant friction costs for low-wage workers, particularly new workforce entrants and reentrants.

The Bureau of Labor Statistics (BLS) reports that 23 percent of wage and salary workers have one year or less tenure with their current employers, and that younger job seekers are even more likely than older workers to be short-tenured.[8] Despite greater success in the labor market among WorkBOOST NYC ecosystem customers, many job seekers still face anxieties about the stability of their new jobs and around responsibly budgeting new income streams, including managing the shift from public assistance to self-sufficiency.

© Copyright 2017 The Financial Clinic, all rights reserved.

A recent research study by NYU Wagner's Financial Access Initiative (FAI) and The Center for Financial Services Innovation (CFSI) tracked the financial lives of 235 low- and moderate-income households for one year for the U.S. Financial Diaries (USFD) project. In their study, Jonathan Morduch of FAI and Rachel Schneider of CFSI found that 87 percent of their varied sample was employed, including 37 percent working two or more jobs.[9] Despite over 83 percent of income coming from employment, households experienced high rates of income volatility. USFD calculated a median coefficient of income variation (CV) of 33 percent among the sample, where 25 percent of households had a CV greater than 48 percent.[10] Financial coaches and workforce development practitioners across the country can attest. Individuals employed as small business owners, construction workers, home health and childcare providers, or otherwise employed seasonally experience income and spending spikes throughout the year, which are temporally mismatched about 60 percent of the time. For households above and below the supplemental poverty measure, income and expenses are hard to predict. An imperfect storm of unsteady weekly hours and frequent income dips compel an increasingly crucial need for public assistance buffers for the working poor. Practitioners have found that these nominal subsidies can profoundly mitigate budgeting stressors and fill in critical gaps that smooth income and expense flows from one month to the next.

The issue of job instability creates an added concern among job seekers who risk losing income-based public assistance when they attain new jobs. For the Seattle Jobs Initiative, David Kaz writes, "Ideally, the public benefits system should be fully complementary to the self-sufficiency goal of workforce development,"[11] but more often than not, the immediate ineligibility triggers make families worse off. The abrupt reduction or loss of benefits as household earnings increase is known as the "benefits cliff." Even for out-of-school youth job seekers, who are statistically unlikely to hold a job for longer than one year, the fear of losing benefits manifests in family pressures that dissuade young adults from attaining jobs in order to maintain steady resources for the household, in particular the Temporary Assistance for Needy Families (TANF) program and the Supplemental Nutrition Assistance Program (SNAP).[12] Public benefits that offer supports for housing, food subsidies, health care, child care, and tax incentives should serve low-income families as they grow their skillsets and retain gainful employment. Rather than serving merely as a "safety net," the public benefits system should facilitate self-sufficiency and inspire the return to work.

The Federal SNAP program, for instance, has an annual enrollment cycle, with a mid-year income check-up to determine the recipient's eligibility for the remainder of their benefits year. In many cases, individuals reentering the workforce disqualify from the continuation of supplemental food assistance, and subsequently encounter income volatility and even job loss. Low-income health insurance programs, such as Medicaid, function similarly. As workforce development program participants find job placement, the jobs they attain may not provide an affordable health insurance plan, and even fewer are able match the comprehensive coverage afforded by Medicaid. As workforce participants begin to teeter off the 138% FPL benefits cliff, most new employees find themselves with decreased health coverage across the spectrum, while simultaneously forced to pay higher premiums amounting to hundreds of dollars each month.

It is important for workforce development participants, their case managers, their financial coaches, and their advocates to grasp the complexities of how earnings gains affect public assistance. For instance, many housing programs in New York City require open public assistance cases as a prerequisite, so planning for large ticket budget items like rent payments and moving costs should also be factored into budgeting for success. In addition to practitioner-based advocacy, the Clinic also advocates for policy changes to SNAP, Medicaid, and Housing programs to allow for a transitional back-to-work "on-ramp" period that supports a mix of wages and benefits to gradually wean off public assistance supports. An exemplar model is the Social Security Unsuccessful Work Attempt policy[13] which maintains temporary assistance to support individuals rejoining the workforce. At the household level, poverty and access to public assistance is fluid with 31.2 percent[14] of program participants participating for less than one year. Targeted policies could make an even greater impact mitigating job hesitation and create a necessary temporary buffer, turning the "safety net" into an on-ramp for families transitioning into the workforce and promoting sustainable, long-term employment prospects. Greater employment mobility enables more dynamic asset-oriented conversations that lay the groundwork to set workforce entrants and reentrants on the path towards greater financial security.

© Copyright 2017 The Financial Clinic, all rights reserved.

Recommendations

- **Instate one 6-month grace period for SNAP beneficiaries and their dependents to continue receiving food and nutrition assistance after the income limit is surpassed**
- **Extend health coverage for Medicaid and New York State Essential Plan recipients and their dependents for one year if participants do not receive health coverage from their new employers**

BRIDGING THE DIGITAL DIVIDE: INCREASING ACCESS AND BUILDING PROFICIENCY

Technology can be an empowering tool toward gaining financial security and success in the workforce. Technological literacy and online proficiency improve job searching, thereby shortening unemployment periods; not to mention, they are increasingly desirable professional skillsets. Financial technology, or "fintech," tools can also boost job retention by supporting budgeting and financial account management, relieving scarce mental bandwidth[15] from financial stressors and instead toward career success, or other life-fulfilling pastimes.

In a 2015 survey[16] by Pew Research Center, 84 percent of recent job seekers, those having looked for a job in the last two years, claim to have used the internet when applying for jobs. This is no surprise as companies and organizations nationwide are reducing recruiting costs by switching to online job databases and utilizing social media networks to reach the most qualified applicants. Resource constrained organizations, in particular small to medium-sized employers, are especially likely to have an entirely web-based hiring practice as they lack the time and resources to reflect in depth about how they might do things differently.[17] Meanwhile, low-income, low-tech and rural job seekers fall further behind. For rural Americans, access to broadband internet is lacking, simply because the services have not yet reached their homes—the 2016 Broadband Progress Report[18] by the Federal Communications Commission states that 39 percent, or 23 million, of rural Americans lack access to internet in comparison to 4 percent of urban Americans. Even in urban areas where the services exist, home broadband internet access costs between $25 to $145 per household,[19] which is no small expense for out-of-work families. In a recent Clinic survey of financial coaching customers,[20] only half of all respondents had their own computer and 73 percent had home internet. Most workforce development participants face additional barriers that further preclude them from affording internet over more essential budget items, such as unstable housing and other compounding financial burdens. Compared to applicants who are able to submit dozens of job applications online with relative ease, technologically impaired job seekers are at a huge disadvantage. Although numerous workforce development agencies and public libraries offer on-site computer access, persistent and competitive job searching remains hampered by strict time limitations or transportation costs.[21]

Beyond the issue of technological access is necessary computer programs or software, and the proficiency to use them. This causes low-skilled job seekers to be left out of numerous evolving job markets, and they lack sufficient resources to catch up. According to the same Pew Research Center survey, "28% of Americans who are currently not employed indicate that it would not be easy to create a professional resume if they needed to do so (compared with 14% of those who currently have a job); 22% would have a hard time filling out an online job application (compared with 10% of those who are currently employed)."

The proficiency gap creates a steep and intimidating learning curve for many workforce development participants.

Alex Holt, Director of Programs at Madison Strategies Group and WorkBOOST NYC Ambassador, contends that "often, participants in workforce development programs and financial coaching customers are challenged or intimidated when it comes to applying for a position online. Beyond applications, the ongoing process of checking and responding to emails can be a challenge. Access to a computer is not always guaranteed, especially if participants

© Copyright 2017 The Financial Clinic, all rights reserved.

are living in shelters or transitional housing. Although we have open computer lab hours at our offices throughout the week, New Yorkers have to use their limited metrocard fares to get to us, if they have it all. We have noticed that many participants are using their smartphone to conduct their job search as it's often more convenient and cost-effective, but it can be limiting. While this expands accessibility, effective job searching on a mobile device requires a data plan that is up-to-date and not to mention, more advanced digital literacy skills to optimize search engine results, and be able to format resumes and cover letters on your smartphone! Despite these challenges, it is amazing that we come across many determined individuals overcoming these hurdles."

Even with a device and access, many are unfamiliar with job search apps to submit resumes or managing multiple online job hunting accounts, or do not feel comfortable downloading and managing their mobile banking apps to actively maintain their finances. In the aforementioned survey, the Clinic found that 15 percent of respondents who had both a financial account and a capable device responded that financial apps were too difficult to use, hindering their use of apps including their financial institution's mobile banking app, payment and money transfer apps, budgeting and money management apps, automated savings apps, and investment apps. Most programs in the WorkBOOST NYC ecosystem include technological components in their curriculum, from helping participants set up professional email addresses to word processing classes. However, workforce development organizations and financial coaching programs in general may face resource constraints to offer more advanced or integrated technological services.

Recommendations

- **Allocate more resources to public libraries, such as the New York Public Library System, to garner an extension in computer hours available to workforce development participants or job seekers beyond the current 45 minute time limitation**
- **Increase visibility and access to technology classes at the public library**
- **Expansion of technological curricula in workforce development programs to the extended suite of basic office programs and software, and increased programmatic support and integration of technology in workforce programs to bolster participant enthusiasm and confidence in technological specialty skills**
- **Integration of financial technology into training for financial coaches and access to tools for practitioners and customers**

WorkBOOST NYC is made possible by a grant from JPMorgan Chase & Co. The grant is part of JPMorgan Chase's efforts to enable community partners to help individuals and families save money, build credit and improve economic opportunities in communities around the world. The Clinic is grateful to the Altman Foundation, the Ira DeCamp Foundation, Robin Hood Foundation, and Tiger Foundation for their support of WorkBOOST NYC's second year.

© Copyright 2017 The Financial Clinic, all rights reserved.

ENDNOTES

[1] "Governor Cuomo signs $15 Wage Plan and 12 Week Paid Family Leave Policy into Law." Governor's Press Office. April 4, 2016.

[2] Giannarelli, Linda, Laura Wheaton and Joyce Morton. "How Much Could Policy Changes Reduce Poverty in New York City?" Urban Institute, 2015.

[3] Minimum Wage Report by the New York State Department of Labor Office of Research and Statistics. Analysis: Raising New York's Minimum Wage to $15. February 2016.

[4] The 1970 minimum wage adjusted for the rate of inflation through 2021, and for regional cost of living differences, is estimated at $16.05 in New York City and $14.41 for the rest of the state, according to the NYS Division of the Budget.

[5] Mae Watson Grote. "Raising the Floor"—Helping the Working Poor Back into the American Dream." June 1, 2016.

[6] Rebecca Smith, Mae Watson Grote and Karina Ron demonstrated that "low-wage workers whose career coaches incorporated financial coaching into their service delivery worked 67 percent more hours and increased their earnings by 27 percent." Scaling Financial Development - Improving Outcomes and Influencing Impact. February 2011.

[7] Maureen Conway and Steven L. Dawson. Build Ladders and Raise the Floor: Workforce Strategies Supporting Mobility and Stability for Low-Income Workers. April 2014.

[8] News Release from The Bureau of Labor Statistics. Employee Tenure 2016. September 22, 2016.

[9] Jonathan Morduch and Rachel Schneider. The Financial Diaries: How American Families Cope in a World of Uncertainty. April 2017.

[10] As defined by USFD, the coefficient of variation (CV) is the standard deviation of monthly income for a household, divided by that household's average monthly income.

[11] David Kaz. Understanding "Benefits Cliffs": Implications for Helping Washingtonians Advance To Self-Sufficiency Through Workforce Strategies. March 2015.

[12] According to the BLS, 74 percent of 16- to 19-year-olds held job tenure for less than 12 months. These numbers are observed with much of New York's out-of-school youth workforce. Ibid.

[13] Paul O'Leary, Gina A. Livermore, and David C. Stapleton. Employment of Individuals in the Social Security Disability Programs. Social Security Bulletin, Vol. 71, No. 3, 2011

[14] United States Census Bureau. Time Spent in Government Programs. May 2015.

[15] Amy Novotney. The Psychology of Scarcity: Princeton Psychologist Eldar Shafir Explores How Deprivation Wreaks Havoc on Cognition and Decision-making. February 2014, Vol 45, No. 2.

[16] Aaron Smith. The Internet and Job Seeking. Pew Research Center. November 2016.

[17] JobsFirst NYC. Innovations in the Field: Young Adult Sectoral Employment Project. September 2014

[18] Federal Communications Commission. 2016 Broadband Progress Report. January 2016.

[19] Costhelper Electronics. How Much Does Internet Access Cost. Accessed March 13, 2017. http://electronics.costhelper.com/internet-access.html

[20] The Financial Clinic, Financial Technology Usage Survey. March. 2017

[21] New York Public Library . Reserving a Computer. Access March 16, 2017. https://www.nypl.org/help/computers-internet-and-wireless-access/reserving-computer

© Copyright 2017 The Financial Clinic, all rights reserved.