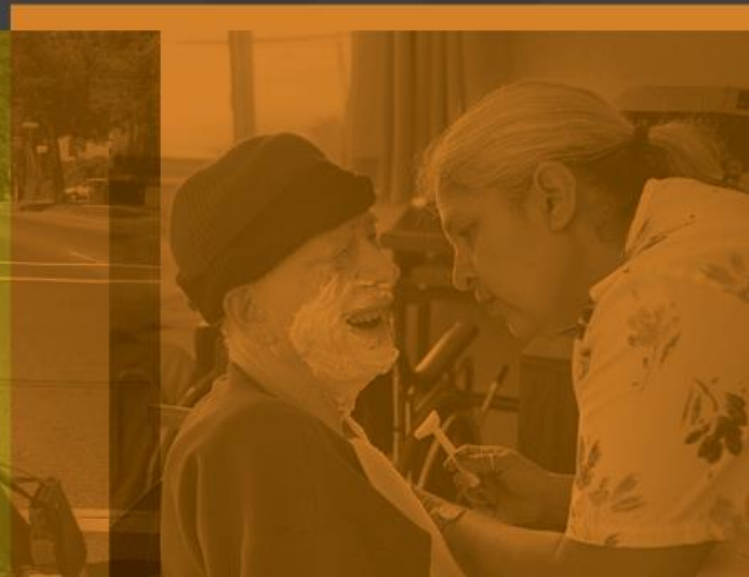


# Benefit Cliffs and Benefit Plateaus: Do Higher Wages Result in Higher Incomes for New York City's Home Care Aides?

Allison Cook, New York Policy Manager



**Across the country, minimum wage laws are raising wages for low-income workers, including home care workers.**

The average wage for a home care worker is **\$10 an hour.**

A person's **total income** is a combination of their wages *and* benefits.

**However, a higher wage also affects one's eligibility for public benefits—**

However, a higher wage also affects one's eligibility for public benefits—and that doesn't always translate to a higher income.

**Which brought up a research question:**

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**Do higher wages = higher incomes for New York City's home care aides?**



**To answer this question, PHI studied how the recent minimum wage increase in New York City impacts a home care aide's benefit eligibility and income.**



# What PHI learned

**Low-income workers can access an  
array of public benefits in New York City.**

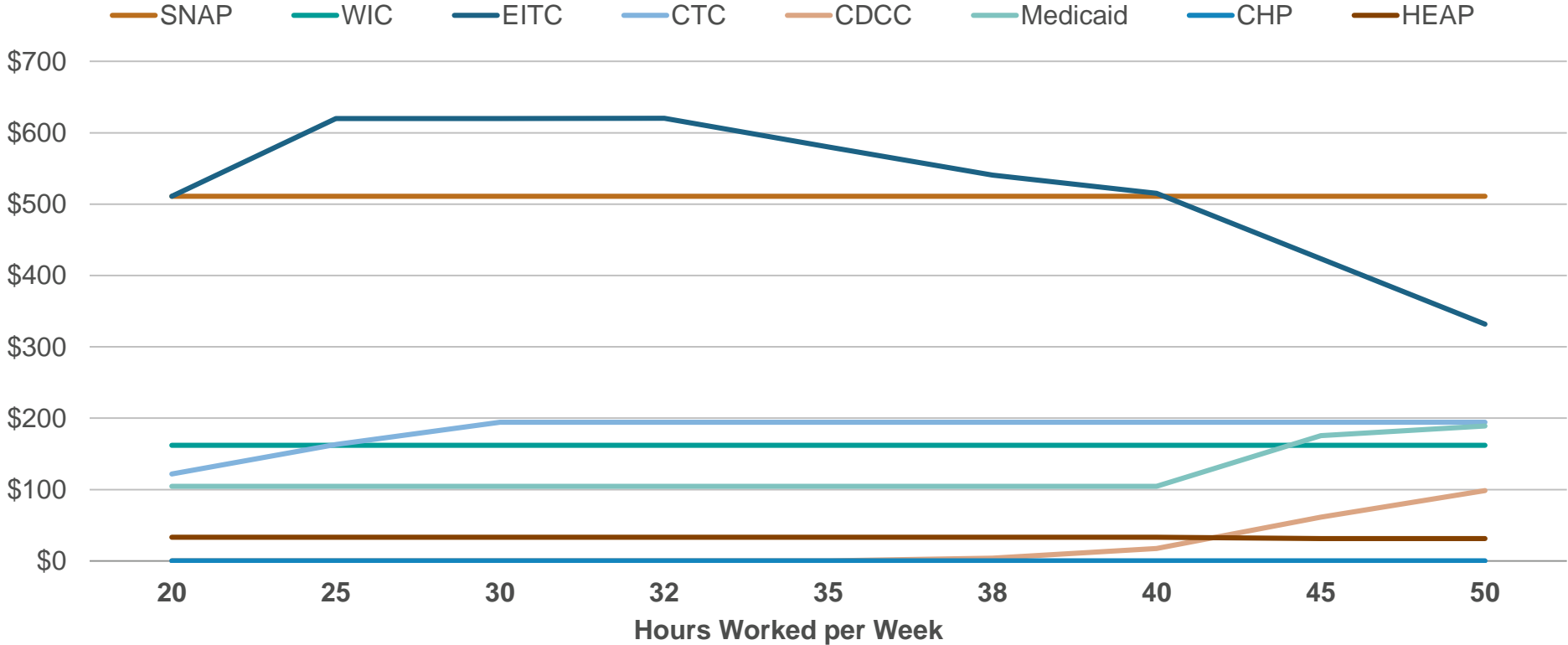
**However, eligibility for these benefits depends on a worker's wage *and* how many hours they work.**

## **Some people don't enroll in benefits because they:**

- **Don't know about them**
- **Find them too confusing to enroll in or use**
- **Encounter long wait lists**

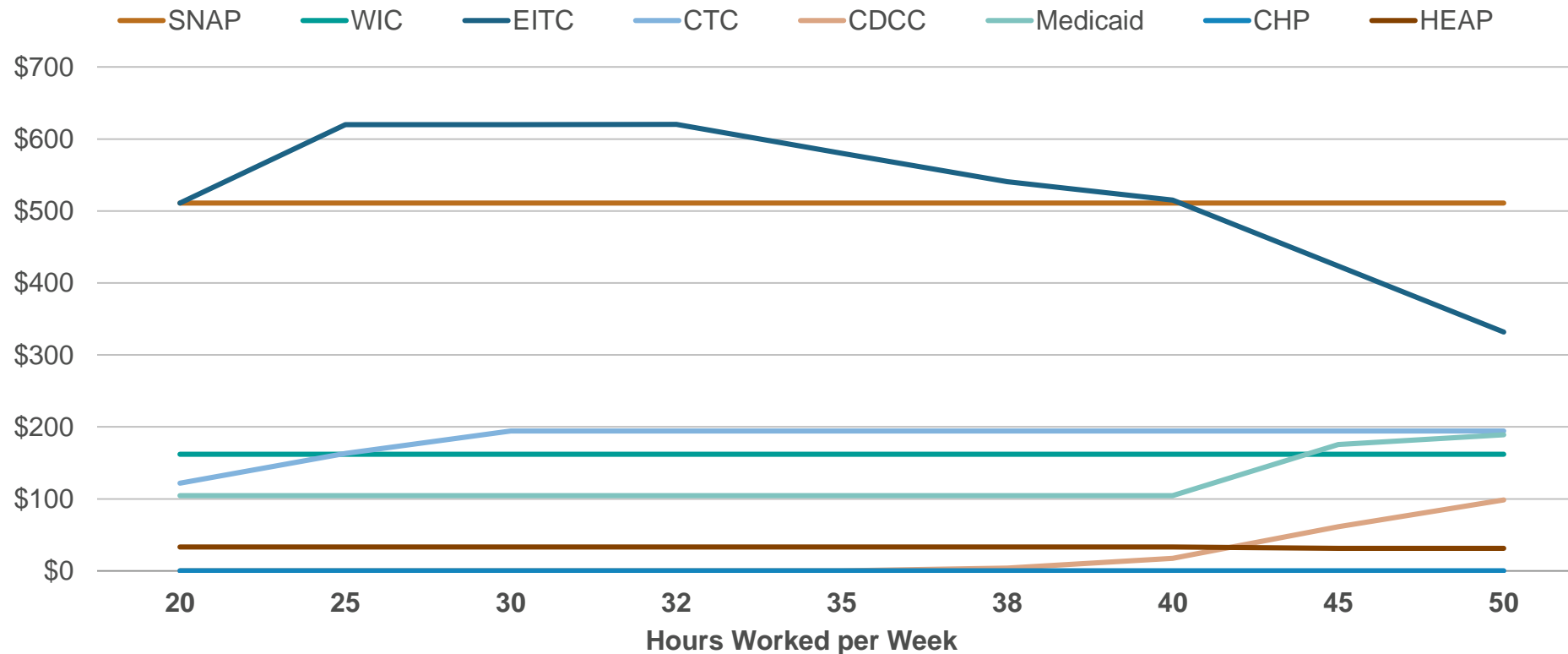
**Let's look at an example from our new study.**

# These are the benefits a single home care aide with two young children could receive when she earns \$11 per hour.



Note: Supports modeled include Child & Dependent Care Credit (CDCC), Child Health Plus (CHP), Child Tax Credit (CTC), Earned Income Tax Credit (EITC), Home Energy Assistance Program (HEAP), Medicaid/Essential Plan (Medicaid), Supplemental Nutrition Assistance Program (SNAP), and Women, Infants, & Children food support (WIC). Uses 2016 eligibility criteria.

# In most cases, her benefits stay the same or increase the more hours she works.

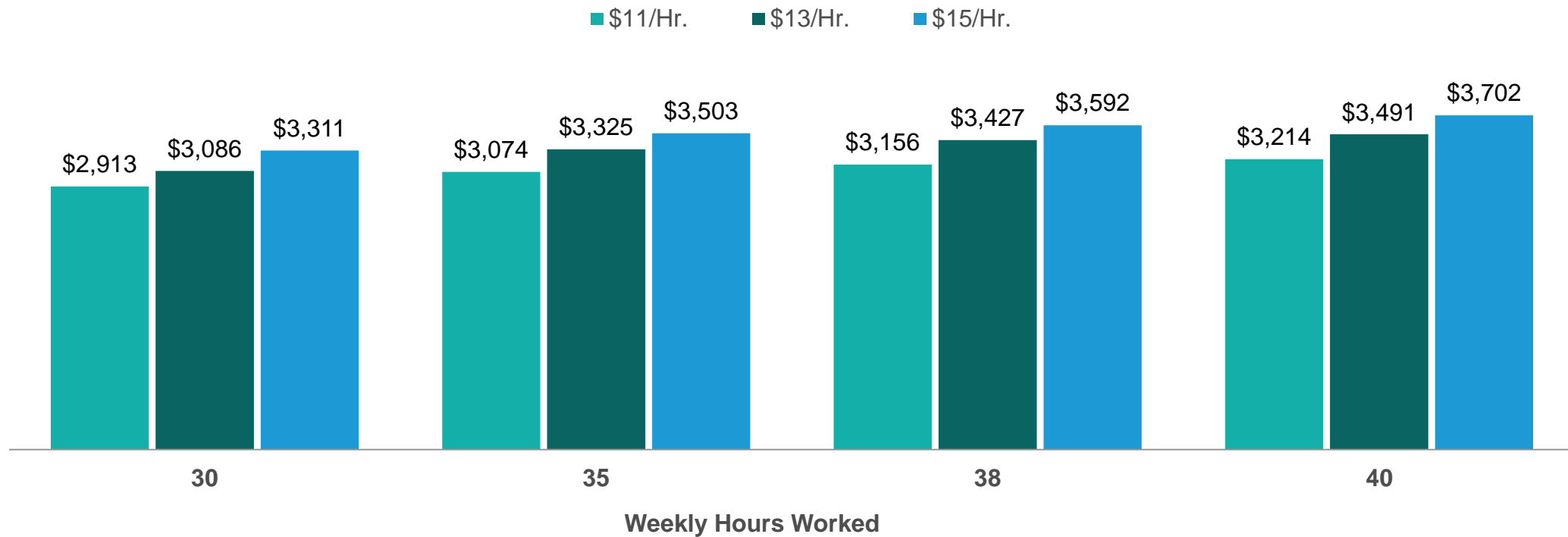


Note: Supports modeled include Child & Dependent Care Credit (CDCC), Child Health Plus (CHP), Child Tax Credit (CTC), Earned Income Tax Credit (EITC), Home Energy Assistance Program (HEAP), Medicaid/Essential Plan (Medicaid), Supplemental Nutrition Assistance Program (SNAP), and Women, Infants, & Children food support (WIC). Uses 2016 eligibility criteria.



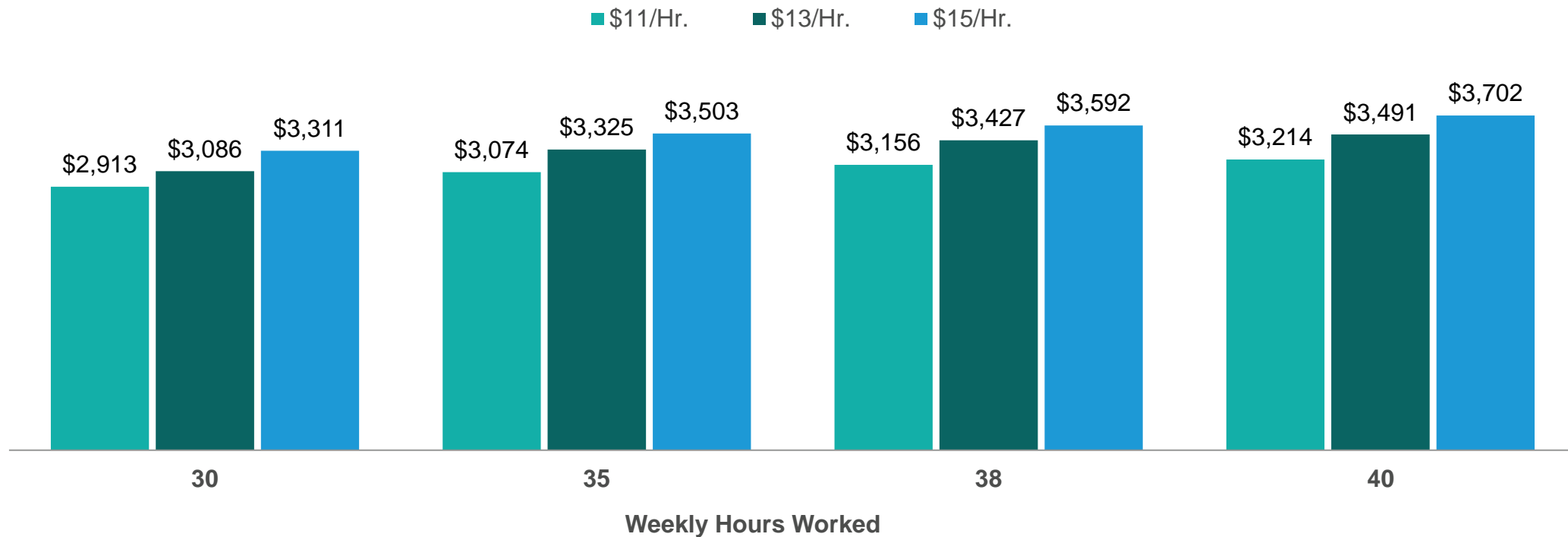
**Let's look at how this affects overall income.**

# For a single home care aide with two children, a wage increase leads to an increase in total income.



Note: Net income includes all city, state and federal taxes and minor tax credits. Supports modeled include CDCC, CHP, CTC, EITC, HEAP, Medicaid/Essential Plan, SNAP, and WIC. Uses 2016 eligibility criteria.

## Importantly, income increases as the aide works more hours.



Note: Net income includes all city, state and federal taxes and minor tax credits. Supports modeled include CDCC, CHP, CTC, EITC, HEAP, Medicaid/Essential Plan, SNAP, and WIC. Uses 2016 eligibility criteria.

**Cases like this one show how a wage increase  
leads to higher income.**

**Unfortunately, this is not always the case.**

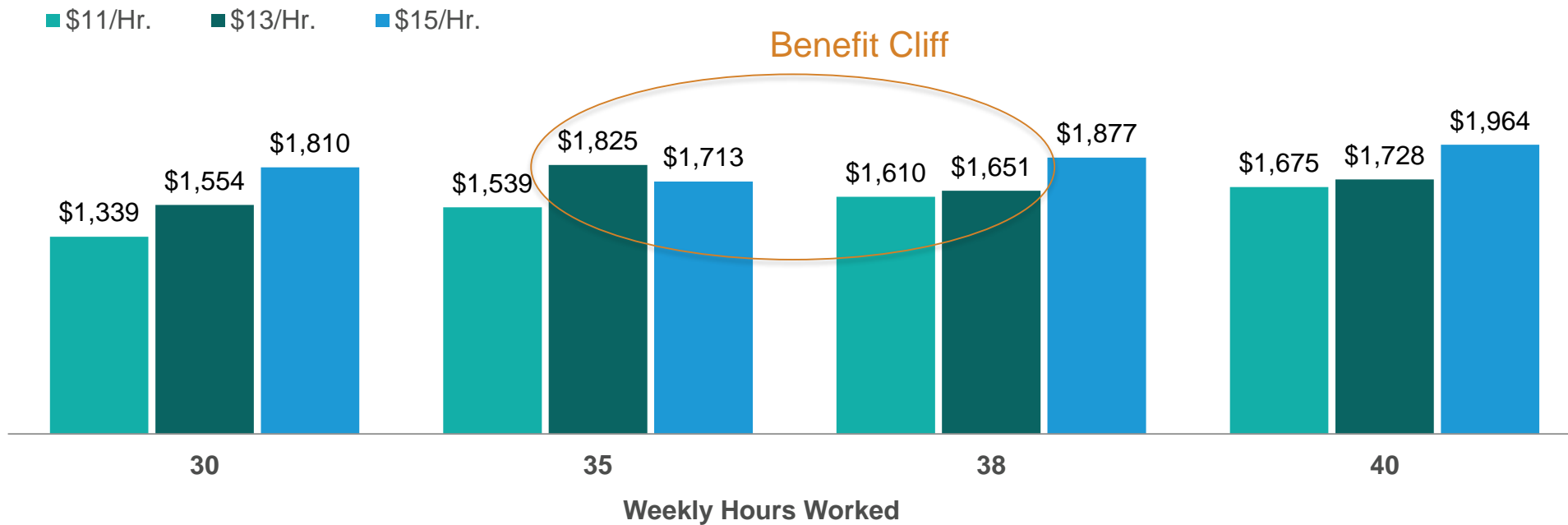
Sometimes, workers experience a **benefit cliff**: total income drops (even though wages increase) due to a drop in benefits.

**Why? Because their benefits decrease  
*more* than their wages increase.**

**Let's look at another example from our new study.**



A single home care aide earning \$13/hr has a higher total income when she works 35 hours per week than when she works 40 hours per week – a **benefit cliff**.



Note: Net income includes all city, state and federal taxes and minor tax credits. Supports modeled include CDCC, CHP, CTC, EITC, HEAP, Medicaid/Essential Plan, SNAP, and WIC. Uses 2016 eligibility criteria.

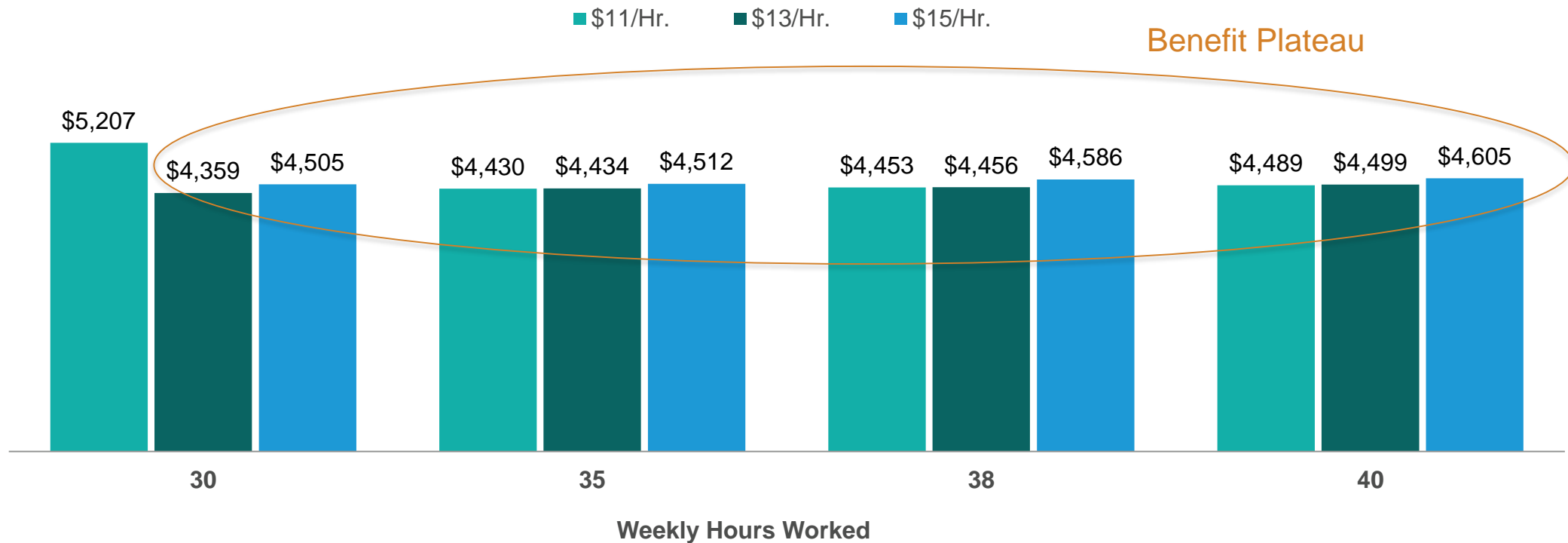
**At other times, workers experience a **benefit plateau**:  
total income stays the same, even though  
their wages increase or they work more hours.**

**Why? Because benefits decrease roughly  
the same amount that wages increase.**

**Let's look at another example from our new study.**

# A four-person family's income stays relatively flat at \$11, \$13, and \$15/hr – a benefit plateau.

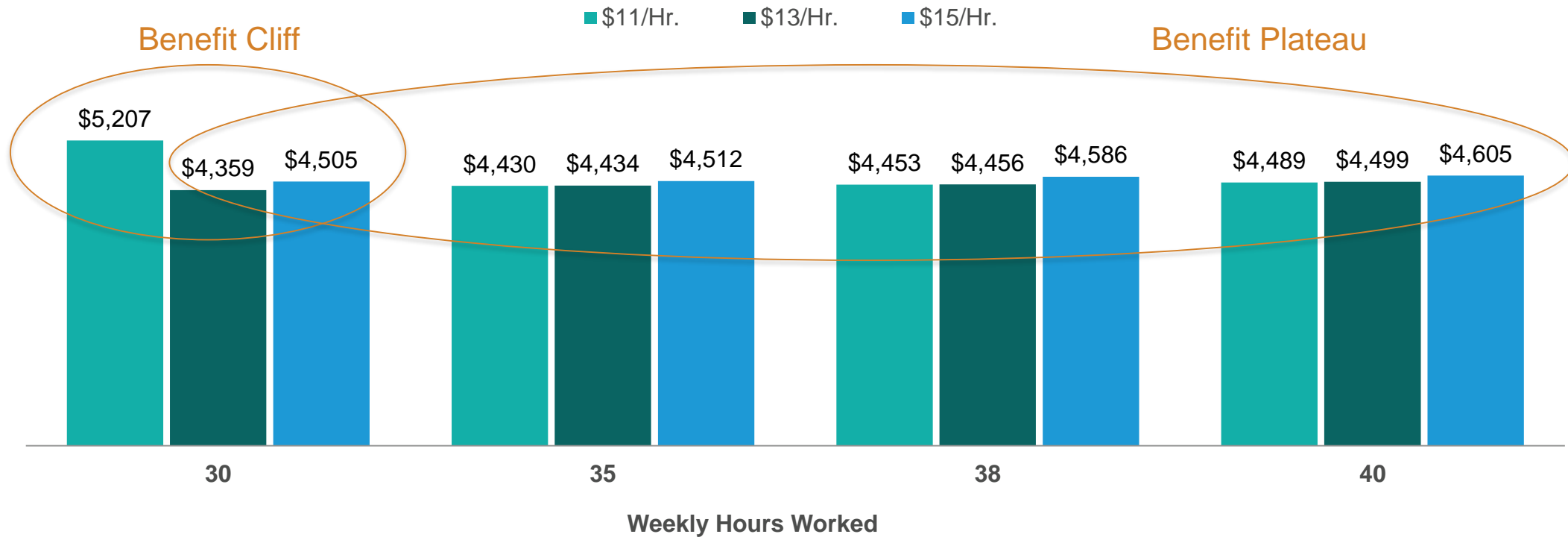
*For a Home Care Aide, a Second Earner, and Two Young Children*



Note: Net income includes all city, state and federal taxes and minor tax credits. Supports modeled include CDCC, CHP, CTC, EITC, HEAP, Medicaid/Essential Plan, SNAP, and WIC. Uses 2016 eligibility criteria.

# A four-person family also sees a **benefit cliff** when the aide earns \$11/hr and works 30 hours per week.

*For a Home Care Aide, a Second Earner, and Two Young Children*



Note: Net income includes all city, state and federal taxes and minor tax credits. Supports modeled include CDCC, CHP, CTC, EITC, HEAP, Medicaid/Essential Plan, SNAP, and WIC. Uses 2016 eligibility criteria.

**Which brings us back to our research question:**





**It depends...**

**It depends...**  
**On family size, hours worked, and other circumstances.**

**It depends...**

**On family size, hours worked, and other circumstances.**

**Higher wages are only part of the solution.**

**In short: Benefit cliffs and plateaus illustrate how some workers see their incomes go down or stay the same even when their wages increase *and* they work more hours.**

**Help us bring attention to this policy challenge.  
Please share this slideshow at [60CaregiverIssues.org](http://60CaregiverIssues.org).**

## Detailed Methodology

PHI analyzed how the minimum wage increase in New York City affects the eligibility for benefits among home care aides, and consequently their overall incomes. In this study, total income is defined as total wages plus the monetary equivalent of public benefits. PHI would like to thank Shawn McMahon for his analysis on this study.

To answer this research question, PHI determined the equivalent dollar value of public benefits available to home care aides in New York City. The study utilizes current public benefit eligibility and benefit information published when calculations were performed in Fall 2016, with the exception of data for the individual marketplace plan, which was calculated using 2017 premiums (see “Health Care Insurance” section). The cash value of public benefits is the amount that would have otherwise have been spent by the home care aide to purchase the items or services provided by the benefit. Income taxes, sales taxes, tax credits and ACA-related individual mandate fees/penalties are calculated using 2015 federal 1040 forms and full-year New York State resident tax forms, as well as related schedules and instructions. Totals are rounded to the nearest dollar.

PHI’s calculations include benefits for which a home care aide would be eligible. Many home care aides do not enroll in benefits for a variety of reasons, even when they are eligible. Therefore, an aide’s actual income might vary considerably from these calculations, depending on their benefit enrollment.

## Detailed Methodology (Continued)

### *Public Benefits*

The public benefits modeled in this analysis include: Child & Dependent Care Credit (CDCC); Child Health Plus (CHP); Child Tax Credit (CTC); Earned Income Tax Credit (EITC); Home Energy Assistance Program (HEAP); Medicaid, the Essential Plan, and Child Health Plus (Medicaid); Supplemental Nutrition Assistance Program (SNAP); and Women, Infants, & Children food support (WIC). PHI chose not to include housing assistance through the Housing Choice Voucher program (formerly Section 8) and childcare assistance due to long wait lists for these programs and the difficulties home care aides face when attempting to access these benefits.

PHI's definition of public benefits includes tax credits, which an aide must file taxes to receive. In this study, tax credits are divided by 12 to create a monthly value. The CDCC and CTC are non-refundable, meaning these credits are only used to decrease taxes owed. The EITC and Additional Child Tax Credit amounts are refundable and will be paid to a worker who files for them.

## Detailed Methodology (Continued)

### *Health Insurance*

In this study, PHI defined the value of public health care insurance assistance as the amount that would have otherwise been spent on an individual marketplace “silver” plan and estimated out-of-pocket costs, minus estimated Medicaid, the Essential Plan, or Child Health Plus premiums and out-of-pocket costs. Individual Marketplace insurance premiums are the second-least expensive silver plan premiums published for New York City in 2017 within the New York State Health Plan Marketplace. Premium tax subsidies under the Affordable Care Act are calculated for 2017 based on the 2017 Applicable Percentage Table published in the Internal Revenue Bulletin: 2016-18 (May 2, 2016). Calculated premium tax subsidies were then compared, for accuracy, to premium tax subsidies obtained from the Health Insurance Marketplace Calculator, available on the Henry J. Kaiser Family Foundation website.

### *Family Types*

PHI’s analysis includes three family types: single home care aides, single home care aides with two young children, and home care aides with a second earner and two young children. The two young children are an infant and a preschooler. The second wage-earner works 40 hours per week and earns \$14.80 per hour, the 2016 local median wage for a security guard.





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