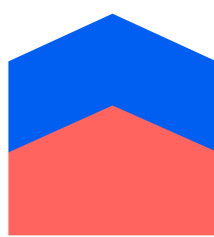


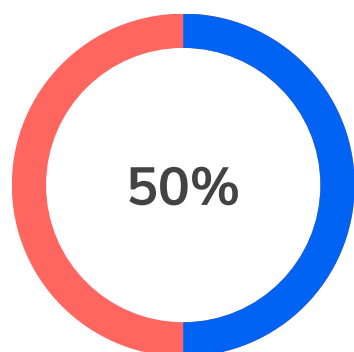
Employers and Benefits Cliffs: Five Years of Field Learnings



Organization
Leap Fund is an organization solely devoted to tackling benefits cliffs. We provide benefit recipients, direct service providers, and benefits change makers with essential information about benefits cliffs, so that benefits recipients can make informed decisions about their financial wellbeing and futures without harm, while collecting the data needed to push for systems change to eliminate benefits cliffs altogether.

Problem

A **benefits cliff (or the “cliff effect”)** occurs when someone earns a dollar or two more an hour, but as a result, loses public benefits that were worth much more than that increase in income. This fear of losing critical benefits drastically impacts decision making, forcing many people to not take a job, a raise, more hours, or a promotion, and creating significant barriers to upward mobility. Benefits cliffs undermine an employer’s ability to attract, retain, and promote talent, particularly in industries that pay workers a low wage, such as healthcare, hospitality, and retail.

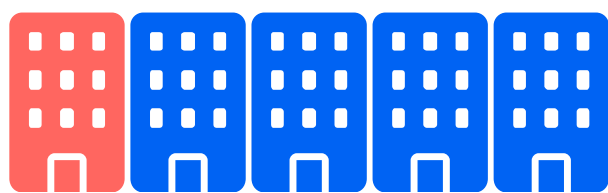


of Leap Fund clients aware of benefits cliffs reported turning down jobs or raises out of fear losing benefits

Why Employers

Benefits cliffs are bad for business. When employees are afraid to take raises or even jobs because of potential impacts on their public benefits, it removes incentives that employers rely on to attract and retain talent. Employers are in a position to offer pay rates and promotion ladders that can actually move people up and over a cliff. Tackling benefits cliffs can create conditions for employees to be more productive, lower churn, and have bottom line impacts.

A workplace is set up for a variety of interventions at scale, as employees are already making financial decisions at the workplace about income and benefits, and employers, particularly medium to large ones, can be powerful distribution channels for financial counseling and coaching products.



1 in 5

employers may be impacted by benefits cliffs

Intervention: NYS Employer-Based Financial Solution

Question: Can employers be an answer to benefit cliffs, allowing their employees to avoid them altogether, and to be better off not just financially, but holistically in their lives, families, and careers?

We designed a pilot using private benefits and working within public benefit regulations, to create a pathway for workers to accept jobs and raises without losing critical public benefits as they get up and over their benefit cliffs.

Our solution ultimately utilized a combination of a 401(k) with a compensation deferral model. Essentially, deferring the upcoming raise(s) into an employee's own 401(k) until they cleared their cliff.

Guiding Principles:

- Do no harm
- Leave the campsite better than you found it
- Default towards increased agency and ownership
- People are experts in their own lives

Intentional Design:

- 1:1 interviews, feedback sessions, user testing, and focus groups
- Engagement with subject matter experts
- Vetting of existing wealth structures

Pilot Focus:

- NYS benefits and tax regulations; SNAP and childcare subsidies in particular
- NYC full-time employees
- Employees 2-3 raises away from clearing benefits cliff
- “High Road Employers”
- Self-selection for employees
- Financial coaching for eligibility and signup

Mitigating Risks to Participants:

- Staggered entry
- Backstop reserve

CORE TO OUR THOUGHT PROCESS

was to explore and utilize existing wealth structures in place for wealthy & middle class folks.



\$50,000

Backstop reserve estimated for mitigating risks with benefits eligibility to five participants

Key Findings

- Employers didn’t know what a benefits cliff was, or that it was a problem their workers were facing
- Recruiting employers requires a long sales cycle and leadership approval
- We asked employers to pay to participate, and we should have raised funding to cover those costs
- Our solution was important, but not urgent
- Prioritizing the experiences and safety of workers can make privacy and data a challenge
- Though we vetted a variety of financial vehicles, utilizing a 401k came with limitations
- Innovative philanthropy is required to fund a backstop reserve

Conclusion

Employers have a powerful voice in both narrative and policy change. Leap Fund continues to engage employers, but recognizes the challenges of implementing employer-based financial solutions like this one. We want other organizations to take these learnings as they design their own employer-based solutions and benefits cliff initiatives. Based on our experience, we’ve chosen to focus on employer-focused interventions that have shown the most promise:

- Employer education, to train employers in benefits cliffs, why they matter, and how it affects their own workforce in specific.
- Benefits Cliff Coaching Program which provides transparency for workers around their public benefits, so they can make informed decisions around their benefits and income, and dispel fear
- Workforce policy research, to tailor recommendations and ultimately eliminate benefits cliffs altogether

Dismantling benefits cliffs requires every stakeholder—workers, employers, community organizations, and public agencies themselves—to bring their voice and influence to the table. Leap Fund is leading this work by equipping workers, engaging employers, and driving policy change.

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