



**United States House of Representatives Committee on Rules
Ending Hunger in America: A Conversation about Benefit Cliffs**

Written Testimony of Karen Schoellkopf, Founder, CEO of Leap Fund
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Chair McGovern, Ranking Member Cole, and Members of the Committee,

Thank you for inviting us to participate in this important conversation about benefits cliffs. I'm Karen Schoellkopf, the Founder and CEO of Leap Fund, where we've been singularly focused on benefits cliffs and their effects.

BENEFITS CLIFFS AND THEIR IMPACTS

Benefits cliffs (also called "the cliff effect") occur when someone earns more income at a job, but because of that increase in income, is no longer eligible for public benefits that were worth much more. The problem affects working Americans across the country who earn more money at a job just to make less money overall.

I started working on the benefits cliff issue in 2018, and investigating it with a human-centered, user-centered approach. This means we went directly to public benefits recipients, and the community based organizations (CBOs) providing services to ask, "Is this something you've ever heard of or experienced?" The answer was a resounding yes.

One of the biggest things to keep in mind is that no one knows if they'll hit a benefits cliff until after it's already happened to them.

We learned that there are 2 sets of people affected by benefits cliffs:

1. Those who will actually hit a benefits cliff, and will face a financial catastrophe
2. A much wider group of folks making financially conservative decisions out of FEAR of hitting a benefits cliff

What that means is that people are turning down raises and promotions, cutting hours, and leaving jobs, out of this fear.

It actually has a term named "parking at the cliff", and means that people get stuck not just in utilizing benefits, but trapped in poverty altogether. Working Americans are unable to move ahead in their careers, their education, and their ambitions, because the math doesn't make sense.

Public benefits policies are designed for people to survive in an emergency, but not to actually thrive. What I've heard in talking to working Americans who receive public benefits, is that there's not a single person who doesn't want to work. But with varied and vague benefits policies that don't even address benefits cliffs, it becomes a punishing game of musical chairs, where people scramble to secure financial security as they try to achieve their American dream.



The benefits cliff creates a disincentive to work, but **it's in policy, not in people**. People receiving public benefits are simply working within the parameters defined by policy and making strategic decisions, based on the limited information available.

With new and expanded benefits programs proposals in the Build Back Better Act, extensions of pandemic supports, and increase in the value of the benefits, the time is ripe for governmental review from a federal level, to holistically address benefits cliffs.

LEAP FUND AND OUR APPROACH

At [Leap Fund](#), we're tackling the benefits cliff issue in three ways: our goal is to find, bridge, and eliminate benefits cliffs altogether.

Find the Cliff: Transparency for benefits cliffs

To find the cliff, we took on the issue of transparency: we built a calculator that predicts benefits cliffs, informed by feedback from people receiving public benefits and coaches. Not knowing if you'll hit a benefits cliff is essentially a black box algorithm that runs against people. We're running a Benefits Cliff Coaching Program now, with partners across the country, that trains coaches to talk with clients about benefits cliffs and their potential affects. The overall goal is to bring more information to clients so that they can make the important decisions in their lives, like a client who was able to negotiate their salary by better understanding their particular benefits cliff.

A few quotes from 4 different coaches who have participated in our Benefits Cliff Coaching Program and used our calculator to discuss benefits cliffs with their clients:

*We leveraged Leap Fund's calculator to help participants make **smart, data-driven financial decisions** based on their unique circumstances (request an increase in hours, take or turn down a promotion, etc).*

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*We're really **thankful for a tool to have concrete conversations** with clients around what benefits look like, and if things change, what that may look like.*

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*This has been a **good tool for 'what ifs'**. Most of the feedback has been around adjusting certain types of income. Like, 'What if I gain custody of my son?' With the calculator I can predict and [adjust for that].*

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*With all 32 of our participants headed into full-time seasonal work, the calculator became a **fantastic tool to help them figure out** what benefits would look like going into their new jobs.*

Bridge the Cliff: Avoid the benefits cliff altogether

We also know that transparency is not enough. That's why we're focused on bridging the cliff. If someone finds out that they will hit a substantial benefits cliff, it can be strategic for them to turn

down a raise, a promotion, or more hours to avoid sending their family into a financial catastrophe. We've designed an employer-based financial solution pilot to help people bridge the cliff.

Benefits cliffs aren't just a public benefits issue, they are truly a workforce problem, particularly for employers paying at or around minimum wage in their state. Holistically, no one knows how many workers are susceptible to these benefits cliffs. While it varies by industry, it's likely that around [1 in 5 employers](#) have workers facing benefits cliffs. The financial conservative decisions that workers are making in fear of hitting benefits cliffs impacts an employer's ability to attract and retain talent, maintain predictable scheduling, and can contribute to churn. Industries affected include restaurants and hospitality, retail, healthcare and more.

While this is a newer issue to tackle from the federal government perspective, it's also novel for employers to consider. When we started talking with employers in 2019, many had never heard of the problem, let alone considered the impact it might be having on their workforce. But in the past year through the pandemic, some employers have been quickly upskilled in the mechanics of how this works, in negotiating with their workers on the types of decisions that they're weighing.

There is still more work to do in bridging the gap between employers' and workers' understanding of this issue, from awareness to action. Employers can be a real partner in this work, and are interested to do so, but the learning curve has been steep. Transparency about benefits cliffs must include giving employers and workers the tools to talk about the issue together.

Eliminate the Cliff: Policy change is required

To eliminate the cliff, we're focused on data and storytelling to support policy change. This is one of the reasons we're so excited to be invited to share our work and experience, as governmental partnership is crucial to this issue.

One of our initiatives includes creating benefitscliff.com, which is an educational site solely focused on the benefits cliff issue. When we started in 2018, there was no way to understand who was already working in this space and what they were finding, nor a centralized understanding of who was thinking about policy change and in what ways. We created this website to "open-source" what has already been done around benefits cliffs, so that no one has to start learning about the issue without context, and we can all build quicker and smarter.

There's a real opportunity for the federal government to step into ownership of this issue in a more holistic and rules based way. Not only in understanding the studies and changing policies, but also in more tactical ways, such as making benefits cliff calculators a norm in every benefits agency across the country. There's a lot of work to be done, and shared information is the key to unlocking it.

RECOMMENDATIONS

1: Collect data at scale to fully scope the benefits cliff problem

Knowledge gaps for legislators and agencies

When we started in 2018, we also reached out to folks shaping and enforcing the policies so that we could better understand the issue. We talked with benefits agencies, legislators, as well as think tanks, and asked them if they had heard about the benefits cliff.

The answers we got back were starkly different from public benefits recipients and CBOs. Some had never heard of the issue, some had heard of the issues, but asked me “Haven’t we already solved this?”, and some agreed that it was an important issue but a lower priority amongst many other needs. This illustrates the gap in understanding and urgency between those creating and enforcing the policies, and the public benefits recipients themselves.

Knowledge gaps for employers and workers

This gap of understanding also exists between what workers are experiencing on the ground, and employers’ impression about what their workers need and want. Frequently, workers don’t share about their public benefits with their boss or manager, because there can be stigma around receiving them, and they can sometimes view it as their own private situation. Similarly employers can be hesitant, as some have put it, “to be involved in their employees personal lives.”

Some employers we talked to said they had workers who did in fact turn down raises or promotions. I said, “Oh that’s interesting, did you ask them why?”, and they said, “Huh, no I did not.” There’s this unlit hallway between bosses and workers, which is dark mostly out of fear, misunderstanding, and stigma.

Data Collection Needs

The gaps in understanding stem from a lack of data and understanding. No one knows how many people actually hit benefits cliffs. This is for a variety of reasons, including that government agencies and information is silo’d, data is not shared between agencies let alone with people receiving public benefits, and more often than not, the necessary data to truly understand the scope of the problem is not tracked or collected at scale in the first place. This means benefits cliff data can be hard to come by, or distinctly local, based on who has independently run a study. It’s critical to understand how many people are turning down jobs and promotions and why, and the federal government is uniquely positioned to collect this data at scale, to better understand the scope of the benefits cliff problem nationally.

2: Streamline the benefits experience and make it digital

User-centered Functionality

We expect other tools to be online, accessible, and understandable (from student loan interfaces, to music streaming services, to tax filing, to social sharing apps). Public benefits must rise to the occasion, and meet the minimum standards that other contemporary tools comply with. The bare minimum is to make public benefits accessible digitally. Interoperability must be the goal.

Public benefits are varied and complicated – but the benefits recipient experience should not reflect that complication (similar to many other modern day digital tools like payroll and health benefits software, that present easy-to-use interfaces for complicated functionality). Public benefits recipient should have:

- A single benefits application with auto-enrollment for anyone who applies that is found eligible
- A single log-in to access information about the benefit, or suite of benefits, they are receiving
- Transparency into how the benefits programs work and interact with each other
- Accessibility via phone, SMS, chat, email, and mobile and web, to check on applications, eligibility, benefits disbursement, ask questions, and more. This implies investment in improving customer support capacity and service as well.

Addressing Inequality: How policy is written

At Leap Fund, we believe that everyone receives benefits; including people from every income bracket and corporations. We view both SNAP and the mortgage tax credit as government benefits. The difference in these policies is around the trust and transparency that's built into the regulations. For middle and high income earners, policies reflect high trust and believing best intentions. For low income earners, policies reflect low trust and designing for the worst actors. This is how inequality is built into and codified in the policies. In visiting this issue holistically, there's an opportunity to ensure that the inequality is rebalanced.

3: Discuss benefits cliffs with public benefits recipients

Transparency about benefits cliffs is the government's responsibility, and more than a simple calculator tool. Every benefits agency across the country should not only utilize a benefits cliff calculator with their clients, but openly discuss the concept in general, and explore specifics about when or if a benefits cliff may occur for the recipient.

Designing tools with empathy: a cautionary tale

You won't find our calculator online through a web search – we've specifically embedded our program within coaching practices, so that there is a trained professional walking through the issue with the client. Given that benefits cliffs are not currently discussed with public benefits recipients, embedding within coaching is critical to combat the lack of awareness and transparency, as misinformation and rumor often fill that gap. We determined that if we put our

calculator online for anyone to self-serve, users would be left with questions or concerns about how this affects their ambitions and goals, but would have no one to discuss it with. This leaves someone with confusion, or worse, true anxiety and distress.

Assuming that a digital interface can stand in for an actual transparent and clear discussion of the benefits cliff issue is a mistake. There was an unfortunate example that occurred in 2020, that serves as a cautionary tale: a 20 year old man used the Robinhood investment app to learn about investing, misread the interface and thought he had lost close to a million dollars - he committed suicide out of fear and anxiety of the anticipated loss. As [Forbes](#) reported: “When he saw that \$730,000 number as a negative, he thought that he had blown up his entire future.” We know that the dollar amounts may be different for public benefits, but the urgency and fear about finances is the same. Acknowledging and discussing benefits cliffs is a necessary part of transparency.

Addressing Inequality: Employer dynamics

In the current environment, there should also be acknowledgement of the power dynamic employers may wield. If an employer were to utilize a benefits cliff calculator to make job-related decisions about employees without their knowledge, this puts the worker at a sincere disadvantage. Benefits cliff systems and their work impacts must be discussed and decided together with workers themselves.

4: Solicit stakeholders input continuously and iteratively

As we mentioned above, employers can be a critical part of the solution. As can CBOs, legislators, benefits agency administrators, retailers, tech industry builders, and public benefits recipients themselves. Soliciting feedback regularly can ensure you uncover risks and unanticipated problems at each stage of the process.

YOU CAN'T CHANGE WHAT YOU DON'T MEASURE

At the end of the day, our solutions are a band-aid for what is ultimately a policy failure, and needs to be fixed through policy. Knowing that you can't change what you don't measure, collecting data about benefits cliffs is a primary priority. With that data and understanding, decisions can be made on which areas to improve, including benefits cliff transparency while the issue exists and policy change to ensure it is solved, all while involving those most affected by the issue at each stage of inquiry.

I'm grateful for this opportunity to start talking through the questions that lead to solutions. We're happy to discuss our tools and solutions, learnings, and tech industry experience further. Thank you very much for your time.

Sincerely,



Karen Schoellkopf



ABOUT LEAP FUND

Leap Fund has seen workers across the country turn down income that they have earned at their jobs, out of fear of hitting the benefits cliff (where they stand to lose public benefits worth much more than a raise). We're creating products that empower optimism, financial and career growth, future planning, and security for the working families that need it most.

LINKS APPENDIX

- myleapfund.com: Leap Fund's main website, focused on our initiatives
- benefitscliff.com: Leap Fund's secondary website, focused on metrics, studies, and policy change
- The Benefit Cliff - Stories & Strategies, [Ohio Chamber of Commerce Research Foundation](#), May 23, 2019
- 20-Year-Old Robinhood Customer Dies By Suicide After Seeing A \$730,000 Negative Balance, by Sergei Klebnikov and Antoine Gara, [Forbes](#), June 17, 2020