Understanding Benefits Cliffs: Evidence, Insights, and Open Questions

August 6, 2026

3:00 to 4:00 PM ET

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Today’s moderator

Sergio Galeano
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Today's panelists

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Assistant Professor of Instruction

Northwestern University, School of Education Social and Policy

Anna Hill
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Maxwell X Lab, Syracuse University

Anna Fogel
Vice President, Impact Advisory

Social Finance

Keith Barnes
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Housekeeping items

- Views expressed during this session are those of the speakers and are intended for informational purposes. They do not necessarily represent the views of Fed Communities or the Federal Reserve System.
- Microphones and the chat have been disabled. Please use the Q&A chat feature to submit questions.
- Engage with us on social media using the hashtag #connectingcommunities.
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- This session, including the presentation, video, and podcast, will be available on fedcommunities.org within two weeks of today's event.

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Research on Benefit Cliffs and Labor Market Impacts

Dr. John S. Olson
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Master of Science in
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Landscape

Current research on labor market impacts of benefit cliffs primarily falls into four camps:

1) Simulations and surveys *(well-established)*
   - Do they exist, are people aware of them, and what do they personally say about mitigating them?

2) Empirical studies of individual programs *(a growing literature)*
   - What do the data say about people's behavior for cliffs in SSDI, Medicaid, SNAP, childcare, etc.?

3) Empirical studies of aggregate (all) benefits cliffs *(rare)*
   - How do cliffs affect the whole economy?

4) Pilot studies *(ongoing)*
   - How do we best fix them?

Findings

Simulations and surveys

- Cliffs are very real
- 22%-43% of affected individuals (**rule of thumb: 1/3**) take action to mitigate benefit cliffs
- See: Federal Reserve Bank of Atlanta Research and Presentations
  Nationally Representative Survey by the Center for Social Development Research (WashU)

Empirical studies of individual programs

- Some households indeed reduce incomes to stay on SSDI, Medicaid, HI subsidies, SNAP, housing assistance, and childcare programs
- See: Income Responses to the Affordable Care Act: Evidence from a Premium Tax Credit Notch
  Financial Incentives and Earnings of Disability Insurance Recipients: Evidence from a Notch Design

Pilot studies: discussion deferred to my fellow panelists

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Findings

Empirical studies of aggregate (all) benefits cliffs: [Benefits Cliffs and Aggregate Fluctuations]

Workers near cliffs apparently reduce labor supply: 43-65 hours annually on average
- Equivalent to $1000-$1560 or 3.1%-5.4% of household income per year
- Apparent responses change with cliff size: as low as 2 hours for smallest cliffs, 82 hours for largest

Measurable impact on economic output (modest) and individual well-being (substantial)
- Eliminating cliffs increases output gains 1.6%
- Eliminating cliffs improves **average** household welfare gains by about 9%
    - For households formerly on cliffs, welfare gains improve **182%**
    - **Even households never on cliffs improve:** their welfare gains improve about 6%

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Implications

Benefits cliffs have **economy-wide effects** beyond individual household hardship

Although labor supply reductions primarily affect those near benefit cliffs, **eliminating benefit cliffs would help productivity gains flow through to everyone**

Consequences to well-being are not just limited to labor supply: households suffer administrative burden, income losses, and volatility even if they do not reduce labor supply

Benefits cliffs also affect businesses: workers may turn down additional shifts and promotions. Firms may have reduced returns to training their workforce

Thank you

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Syracuse University
Maxwell School of
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2Gen Onondaga: Program Overview and Transitional Benefits Support

Anna Hill

Associate Director, Maxwell X Lab

2Gen Onondaga

- Launched in 2022
- Two Generational Approach
- Wraparound Case Management
- Economic Mobility Mentoring
- Financial Counseling
- Benefits Cliff Assistance
- Impact Evaluation

Benefits Cliff Assistance

KNOWLEDGE AND UNDERSTANDING OF BENEFITS CLIFF

DIRECT DEPOSIT OR CHECK TO PARTICIPANT (LAST TA AND SNAP AMOUNT)

BURDEN ON 2GEN REDUCED WITH PASSING OF NYS EARNED INCOME DISREGARD

Participant Numbers So Far

- 246 families
- 164 active families
- 41 completed
- 41 dropped out

Transitional Benefits Receipt

- 40 **families** have been eligible for and received transitional benefits assistance in the 4 years of the program
- **Participating families frequently** lost the benefits assistance as they lost their jobs and had to reapply for TANF
- 2Gen has spent an average of **$2,677 per eligible family** in transitional benefits assistance

Participant Insights on Transitional Benefits

"When they lowered all that stuff and they gave me the $500 in the Cliff money, it was more so like a substitute that helped me over to get me to where I needed to get to so if I wouldn't have had that, I'm honestly, I don't know like what would I have done without having it." – Pilot Program Participant

Syracuse University

Thank you!

Anna Hill

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Designing a Benefits Pilot in LA County

Anna Fogel
Vice President, Impact Advisory
Social Finance

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DESIGNING A BENEFITS CLIFF PILOT IN LA COUNTY

We are spending ~9 months designing the pilot alongside **Department of Public Social Services (DPSS)**, **Chief Executive Office (CEO),** and **Chief Information Office (CIO)**

LAUNCHING EARLY 2027 · DESIGN IN PROGRESS

Program Scale

~60

families served

2 years

program duration

A focused pilot cohort, followed across the full benefits-cliff transition.

Priority Population

The pilot will focus on families hitting the benefits cliff as earnings rise, specifically:

- Families approaching the cliff or hitting the cliff (exiting programs)
- Families in targeted regions of LA County
- Prioritizing families with children ages 0 - 5

Program Benefits: Cash & Supportive Services

SUPPORTIVE SERVICES

- **Case managers & career coaches** to implement the EMPath model
- **Peer mentors** to provide other support and community

CASH AID

- **Flexible payments** to smooth the cliff and build long-term financial stability

PRIORITIES FOR DESIGNING THE CASH DISBURSEMENT COMPONENT

We developed a set of criteria to guide decision making to ensure the disbursement model is effective, equitable, and sustainable

PROGRAM GOAL	CRITERIA	WHY IT MATTERS
EFFECTIVE – Meets participants' needs	**Participant-Centered & Flexible**	Supports changing needs and priorities
	Emergency Stabilization Capacity	Helps address unexpected financial shocks
FEASIBLE – Simple to administer and use	**Administrative Capacity**	Realistic to implement and scale
	Easy for Participants to Understand	Builds trust and encourages participation
	Low Administrative Burden on Participants	Minimizes paperwork and reporting requirements
SUSTAINBLE – Creates lasting impact for all participants	**Supports Long-Term Economic Mobility**	Encourages employment, training, and income growth
	Equitable & Accessible	Works across diverse participant needs and barriers

No single model will meet every need perfectly. *These criteria help balance participant impact with implementation feasibility.*

CASH DISBURSEMENT MODELS: NATIONAL LANDSCAPE

Pilots across the country informed our approach

Model	Overview	Key strengths	Tradeoffs
Flat Cash Payment (e.g., ECS / Lenfest Foundation)	Same payment amount regardless of cliff size	✓ Simple to administer ✓ Clear and predictable for participants & administrators	❑ May over or under serve families ❑ Less equitable for varying benefit losses
Individualized Amount (e.g., Our ChanceTN)	Calculated based on each family's unique circumstance	✓ Most accurate and equitable ✓ Targets resources to greatest need ✓ Aligns support with real financial impact	❑ Potential risk to coach participant relationship ❑ More time to implement
Sliding Scale & Benefit Offset (e.g., D.C. Career Map)	Amount automatically adjusts as income and benefits change	✓ Responsive to changing circumstances ✓ Helps prevent re-cliffing ✓ Supports long-term stability	❑ Requires ongoing income reporting and verification ❑ Most administratively complex ❑ System requirements may be significant
Milestone Based **(e.g., Ohio Benefit Bridge)**	Cash unlocked when benchmarks are met	✓ Encourages progress toward goals ✓ Promotes accountability ✓ Supports engagement	❑ Completion rates may vary ❑ Excludes those facing barriers to milestones ❑ Risk of delayed support when its needed most

WHERE WE ARE LANDING

This cash disbursement model aims to provide targeted support for participants' long-term financial stability

A flexible combination that stabilizes participants, rewards progress and protects against setbacks.

Stabilization Payments + **Milestone Payments** + **Emergency Cash Assistance**

GOAL: Provide **stable, recurring payments** to help participants **navigate changes in earnings/ benefits**

GOAL: Reward participants for meeting **self-defined goals**

GOAL: Provide **rapid, flexible cash for unexpected expenses** that threaten employment and financial stability

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WHAT WE'VE LEARNED — IN LA COUNTY AND NATIONALLY

Six lessons shaping how we design benefits cliffs pilots and policies

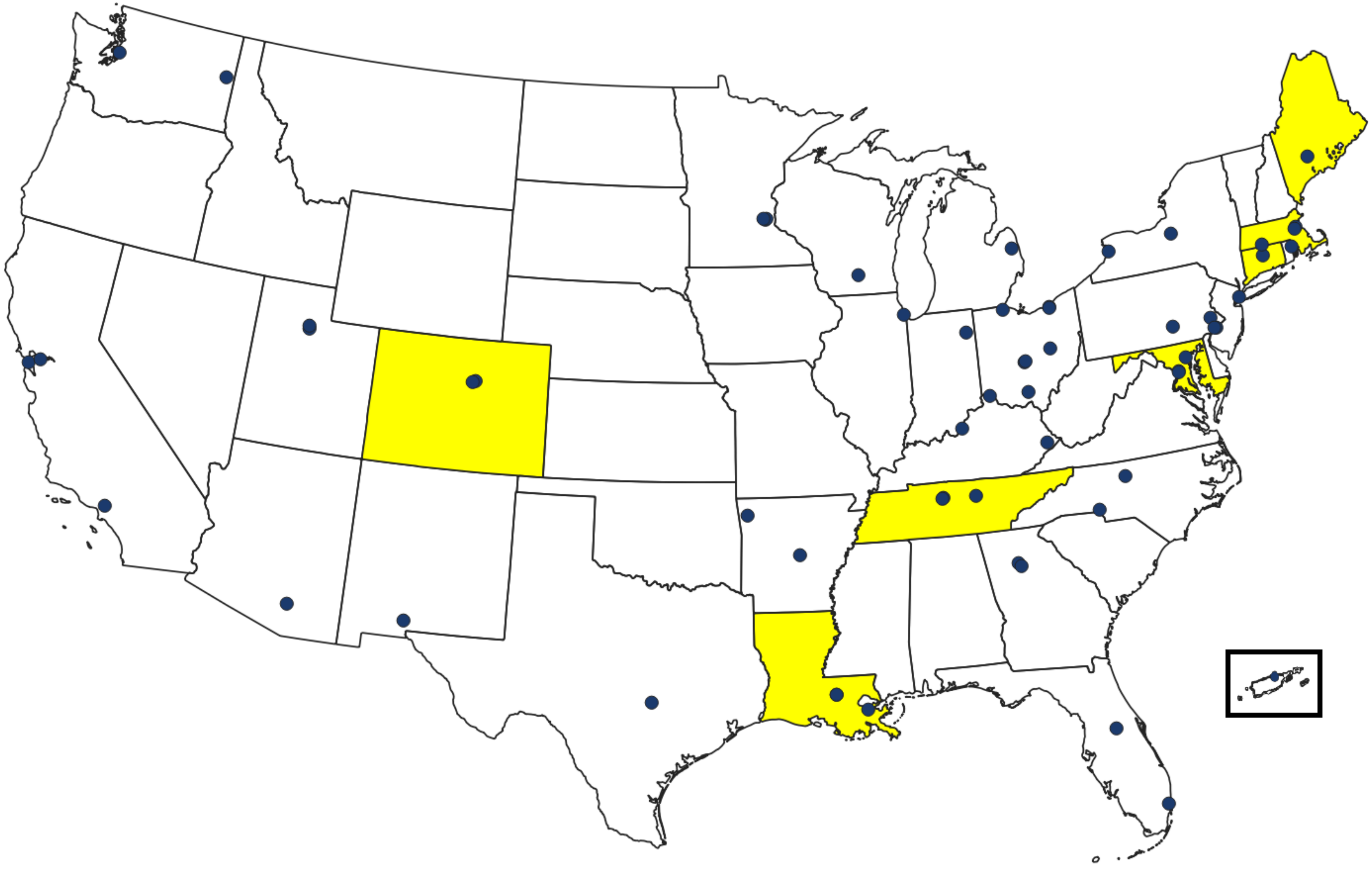
1. **Pair cash with supportive services**
2. **Prioritize simpler design choices**
3. **Incorporate participant voice in program design**
4. **Balance defined career pathways with participant choice**
5. **Consider trade offs between depth of support and numbers served**
6. **Plan a longer runway for real mobility**

BEYOND THE CLIFF

Keith Barnes
Senior Director

Beyond the Cliff
Martha O'Bryan Center

The Beyond the Cliff Network



BEYOND THE CLIFF

What We're Learning

Transitional Assistance
Provide resources to directly mitigate the loss of public benefits

Career Opportunities
Build pathways to good jobs and the training needed to secure them

Resource Coordination
Align agency and community resources to support family stability and advancement

Evidence-Based Coaching
Adopt a coaching approach to support strengths-based, goal-oriented economic mobility

Benefits Counseling
Help families understand and plan for changes in public benefits as earnings increase

Rigorous Evaluation
Actively monitor progress and make adjustments

Person-Centered Design
Engage participants in intervention design and operation

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Closing remarks and requests

- Please complete the post-event survey.
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