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WEATHERING THE STORMS

Modernizing the U.S. Benefits System to Support Household Financial Resilience

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ABOUT THE ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM

The Aspen Institute Financial Security Program's (Aspen FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. Aspen FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans. To learn more, visit AspenFSP.org, follow @AspenFSP on Twitter, or sign up for our newsletter at http://bit.ly/fspnewsletter.

Introduction

WHAT'S IN THIS REPORT

For most households in America, financial shocks are inevitable. The car will break down. The house will need a repair. A key earner for a household will be laid off. These shocks can be devastating to household finances. And while the COVID-19 pandemic, which we are still recovering from, was a once-in-a-generation economic and health shock for households and our economy, we also know that it is just one example of the uncertainty and volatility of the world we now live in. When public and private benefits—such as unemployment insurance and paid sick leave—are not accessible and not designed or delivered in a timely manner to effectively support families in weathering financial shocks, families suffer. They miss work shifts when their car breaks down and they can't cover the cost of repair; face immediate eviction from their homes when a loss of income means they can't pay rent; and risk destabilizing their household when they take on high-cost debt to pay for the unexpected.[1] But while financial shocks are inevitable, these hardships faced by households are preventable. Benefit leaders can take actions to improve benefit policy and administration to support household financial resilience by creating more inclusive, people-centered, coordinated, and interoperable public and private benefits.

Benefits are particularly critical to supporting resilience to financial shocks because households cannot self-insure all the time. In other words, livable wages are not enough to support the financial security of households. Sufficient and accessible public and private benefits play four critical functions to support households' financial resilience. Benefits work to: 1) Stabilize and supplement income, 2) Reduce the cost of unexpected expenses, 3) Help build liquid savings, and 4) Protect income by pooling risk when households experience major financial shocks.[2] But because many workplace benefits are discretionary, low-wage, part-time, and contingent workers are often left out. According to the Bureau of Labor Statistics, 21% of workers lacked access to paid sick leave, 75% lacked access to paid family leave, and 59% lacked access to short-term disability insurance in March 2022.[3] Public benefits are also confusing and complex in their eligibility, application, and delivery—which deters millions of families in America from obtaining benefits they are eligible to receive. More than 3.7 million families eligible for the Temporary Aid for Needy Families (TANF) cash-assistance program do not receive it, 5 million households leave $7 billion in Earned-Income Tax Credit (EITC) funds unclaimed annually, and 18% of people eligible for Supplemental Nutrition Assistance Program (SNAP) benefits do not participate.[4] Personal resources—which benefits also play a critical role in helping households build—are not making up the gap: the Federal Reserve has found that 32% of households would need to borrow or sell something in order to cover a $400 emergency expense.[5]

Not only do large gaps in access and use of benefits exist, but even for those receiving benefits, insufficient support, ineffective delivery, and features that destabilize (e.g., benefit cliffs and asset limits) reduce their effectiveness in supporting household financial resilience.[6] As a result, millions of people in the US remain at risk of severe financial consequences in the face of a financial shock.

Fortunately, public and private sector leaders have begun to make modernizing our benefits system to support household financial resilience a priority. In the COVID-19 pandemic, we recognized what support households needed to effectively cope and be resilient—and where there were resounding gaps, we witnessed benefit leaders from both the government and the private sector step up and take action to meet the moment. This included additional support to families to help households cope with large, unexpected financial shocks driven by the pandemic: Economic Impact Payments (EIPs), boosts to Unemployment Insurance, expansion of the Child Tax Credit, and more inclusive access to paid leave, as well as innovative solutions to improve the design and delivery of benefits—from easing the burdens of applying for benefits to more effective and timely delivery. Through increased amounts of aid, new public and private benefit programs, and streamlined design and delivery of benefits, many households received the support needed to weather this large financial shock.

Some leaders are now taking action to solidify these reforms into long-lasting improvements that support household financial resilience. The White House's **Facing Financial Shocks Charter** sets ambitious goals by the federal government to make public benefits accessible and delivered as quickly as possible when households experience a shock, making financial resilience a key priority at the highest levels of government.[7] A growing number of employers are also evaluating their benefits packages based on their impact on workers' financial well-being and introducing new benefits like emergency savings to specifically help households build financial resilience.

To effectively modernize our benefits system to help people weather financial shocks—both small and large— requires an evidence-based framework focused on what households need to be financially resilient and on opportunities for benefit leaders to address those needs. This paper lays out the framework by:

- Providing the evidence for **how households experience financial shocks** and how financial resilience can mitigate the hardship caused by those shocks;
- Sharing a framework of the **four functions benefits play to support resilience** and the role of specific public and private benefits, to demonstrate to benefit leaders how their work contributes to household financial resilience; and
- Highlighting **opportunities for action to improve the accessibility, sufficiency, interoperability, and delivery of benefits**, including examples of how benefit leaders are already modernizing benefits to support resilience.

As the recovery from the pandemic has unfolded, historically high inflation is increasing expenses, eating into households' cash flow and making it more challenging for households to make ends meet and save. Climate change's contribution to fires, floods, and extreme weather continues to devastate local communities and households' finances. As economic uncertainty rises and becomes a part of our everyday lives, it is clear that supporting household financial resilience is both important and necessary so all households can stabilize and thrive. Supporting households also strengthens our economy and society, making us all more resilient. This paper is intended to help set a foundation for the critical action and innovation needed to create an inclusive and equitable system of benefits that ensures the financial resilience of all households.

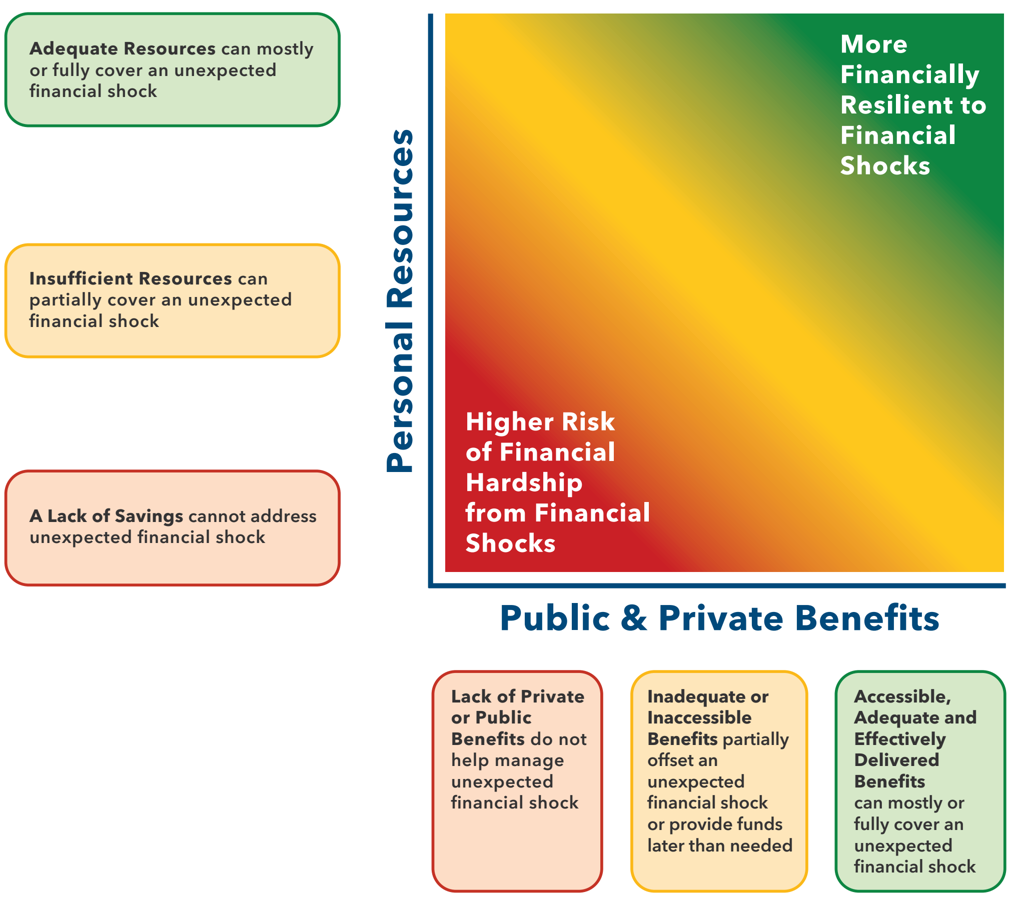
Households' Experience with Financial Shocks and the Need for Financial Resilience

Financial resilience is the ability to manage a financial shock—small or large—from an unplanned expense such as a car repair or a loss of income, such as extended unemployment, without a negative impact on a household's financial stability, economic opportunity, and overall well-being. Financial resilience comes from achieving short-term financial stability, where households have an **adequate, liquid savings cushion** to cope with small, everyday financial shocks and **access to quality benefits**—public and private—that protect households against larger economic shocks they cannot self-insure against.[8]

In a typical year, most households experience financial shocks. Even outside of a financial and economic crisis like the COVID-19 pandemic, the prevalence of experiencing a financial shock is high. In one study, 60% of households reported that they experienced at least one financial shock and 32% reported their households experienced two or more shocks in the past 12 months. The cost of the shock varied, from less than $800 to more than $6,000, but the median cost for a household's most expensive shock was $2,000.[9]

While all households can experience unplanned expenses—from a medical bill to a higher-than-expected utility bill, or losses in income from

How Personal Resources and Public and Private Benefits Address Financial Shocks



a reduction in hours or unemployment—their financial resilience determines what impact that negative shock will have on their household's financial well-being in the short- and long-term. Unfortunately, data show that many households are not financially resilient; half of households experiencing a financial shock report that their largest shock left them unable to make ends meet.[10]

Financial shocks caused by unplanned expenses, such as a car breakdown or home repair, could set a household's finances back in a meaningful way without **adequate, liquid savings**. These types of financial shocks occur frequently, with 66% of families in a recent survey of SaverLife members—disproportionately women and low- and moderate-income households—indicating that they had experienced multiple emergency expenses in the past year, with 60% experiencing an emergency expense over $1,000.[11] Thirty-two percent of respondents in the 2021 Survey of Household Economics and Decisionmaking (SHED) said they don't have the cash to cover a $400 emergency and would cover it by borrowing or by selling something, or would not have the resources to cover it at all.[12] The effects of not having resources to cover emergency expenses can be devastating. For example, an Urban Institute study found that families with no liquid savings were more likely to miss housing and utility payments, with some families taking on high-cost debt. Without liquid savings, families often manage a financial shock by utilizing coping strategies that can have a negative ripple effect on households' financial stability.[13]

While financial shocks from a loss of income—such as job loss, loss of a key public benefit, a large macroeconomic shock, or unpaid leave from work to take care of a loved one—are less common than unplanned expenses, they often are more costly and have a higher negative impact on household financial well-being.[14] Households cannot self-insure against these events and need not just adequate, liquid savings but **quality benefits** to protect their households. Without sufficient income to cover basic needs over time, families can build up high levels of debt and experience hardships, including food insecurity, utility shut offs, and eviction.[15]

Lived Experience with Financial Shocks and Resilience

The Large Cost of Medical Bills

As a member of an Aspen FSP consumer focus group explained, "I was diagnosed with breast cancer. We had good health insurance, but I was out of work for a whole year and my husband had to foot all of the bills and take care of the kids. This wiped out $50,000–$60,000 savings that we had been building for 20 years, since college. We're just average working people. It's hard to come back from that. We have never recovered from that."[16]

Key Definitions

Financial Shock: An unexpected expense, such as a car breakdown or home repair, or a loss of income, such as job loss, loss of a key public benefit, a large macroeconomic shock, or unpaid leave from work to take care of a loved one.

Short-term Financial Stability: Typically characterized by having routinely positive cash flow, low or no harmful debt, and an ability to build financial cushions to cope with everyday financial shocks, while still progressing towards financial goals.

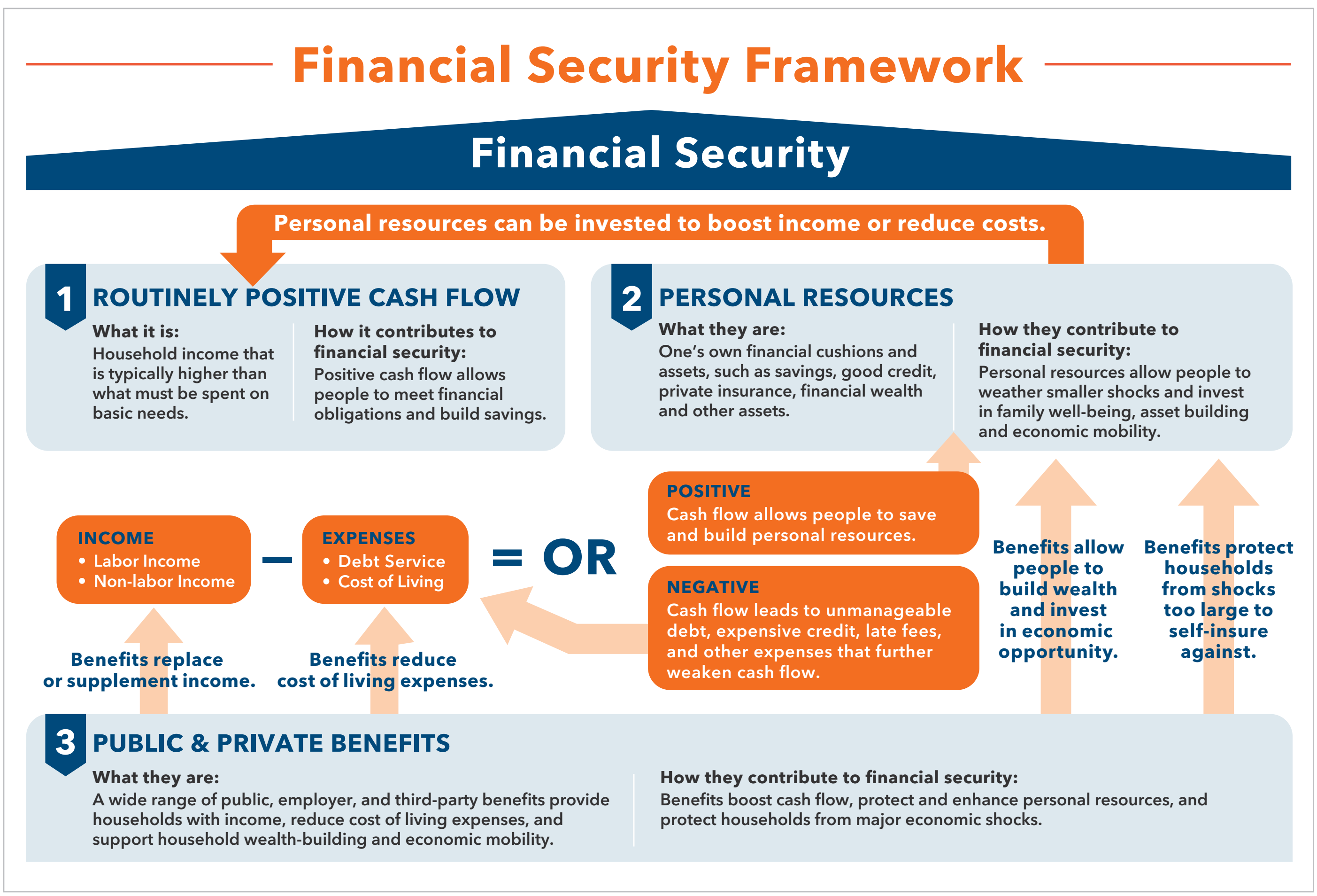
Financial Resilience: The ability to manage a financial shock—small or large—from an unplanned expense or a loss of income, without a negative impact on a household's financial stability, economic opportunity, and overall well-being.

Financial Well-being: A state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life.[18]

Three Pillars of Financial Security are Essential to Financial Resilience

To understand more specifically how financial shocks impact households—and the support needed to ensure households can effectively cope—we provide here an overview of Aspen FSP's Financial Security Framework, with the three essential building blocks of financial security that together support the financial stability, resilience, and well-being of households.[17] These three pillars are:

1. **Routinely positive cash flow**, where income is typically higher than expenses, allowing households to meet their basic needs and begin to save. Routinely positive cash flow is foundational for households to achieve financial stability and security.
2. **Personal resources**, such as savings and other financial cushions that allow households to manage small financial shocks, build wealth, and invest in family well-being.
3. **Public and private benefits**, which provide foundational support that all households need to stabilize and supplement income, reduce cost-of-living expenses, build wealth, and protect income from large shocks that they cannot self-insure against.



The Role the Pillars Play in Supporting Resilience to Financial Shocks

These three pillars are interdependent and essential for a household to achieve financial security, and without routinely positive cash flow, personal resources, and public and private benefits, households cannot effectively manage and mitigate the negative effect of shocks—both small and large. A financial shock's impact on a household and its families well-being is dependent on the sufficiency of these three pillars:

1. Routinely positive cash flow is foundational to households' ability to weather financial shocks.

With routinely positive cash flow, a household can build short-term, liquid savings to help cope with small financial shocks—the breakdown of a car, a higher-than-expected utility bill, or an unexpected visit to the hospital—mitigating the impact of the shock on the household's financial stability. But absent routinely positive cash flow, households cannot build the shorter-term liquid savings to cope with these smaller, unexpected shocks. As a result, households experience economic and material hardships, such as not paying their utility or rent that month or utilizing high-cost credit, that further destabilizes them.[19] The risk of hardship from small, more frequent, financial shocks is high for many families given that only 44% of households have annual income that does not exceed their spending.[20]

2. Personal resources ensure access to a financial cushion to manage small financial shocks and achieve short-term financial resilience.

Personal resources enable households to navigate financial shocks without incurring material hardship or debt that could compromise their long-term resilience. Liquid savings—which impacts a household's ability to manage financial shocks—is the variable most highly correlated with financial well-being.[21] However, many households lack adequate liquid savings to effectively cope and manage financial shocks.

One study finds that households need approximately $2,500 in liquid savings, which equates to around one month of income for the average low-income household, to effectively cope and reduce the risk of experiencing hardships.[22] In the 2019 Survey of Consumer Finance, households with low income are less likely to have $2,500 in liquid savings than households with high income. In the survey, households with annual income under $20,000 had a median account balance of $810 and households with $20,000 to under $40,000 in annual income had a median account balance of $2,050.[23] Racial disparities in liquid savings are significant, with the average liquid account balance for white households nearly 1.7 times that of Latinx households and 3.6 times that of Black households.[24]

While accumulating savings is important, it is also essential to note that savings functions—over and over again—as a tool that helps people manage day-to-day financial needs, build resilience, and stay on track for their longer-term goals.[25] The act of saving on an ongoing basis–building, using, and rebuilding savings–is at least as important as the amount saved.

Without positive cash flow to set aside a savings cushion—and without an adequate cushion in place—households are unable to effectively cope with a financial shock. For individuals who could not cover a $400 emergency with cash or a cash equivalent, the most common approach to cope was to use their credit card and pay off the balance over time, taking on debt that impacts their ability to maintain positive cash flow and build personal resources for the future.[26]

3. Public and private benefits play four financial resilience functions to support households.

Public and private benefits play a critical role in helping households to weather financial shocks and be financially resilient. There are four functions that benefits—when inclusively and equitably designed and delivered—perform to ensure financial shocks do not destabilize households but help them continue to be stable and thrive. When designed and delivered well, benefits can ensure households are adequately supported to weather the shock, achieve financial stability with dignity, and have the opportunity for wealth-building and economic mobility. These four functions are:

1. **Stabilizing and supplementing income** to mitigate the effect of shocks. Benefits such as paid sick leave and Supplemental Nutrition Assistance Program (SNAP) can mitigate the financial and material hardship effects of shocks by providing income support and continuity.

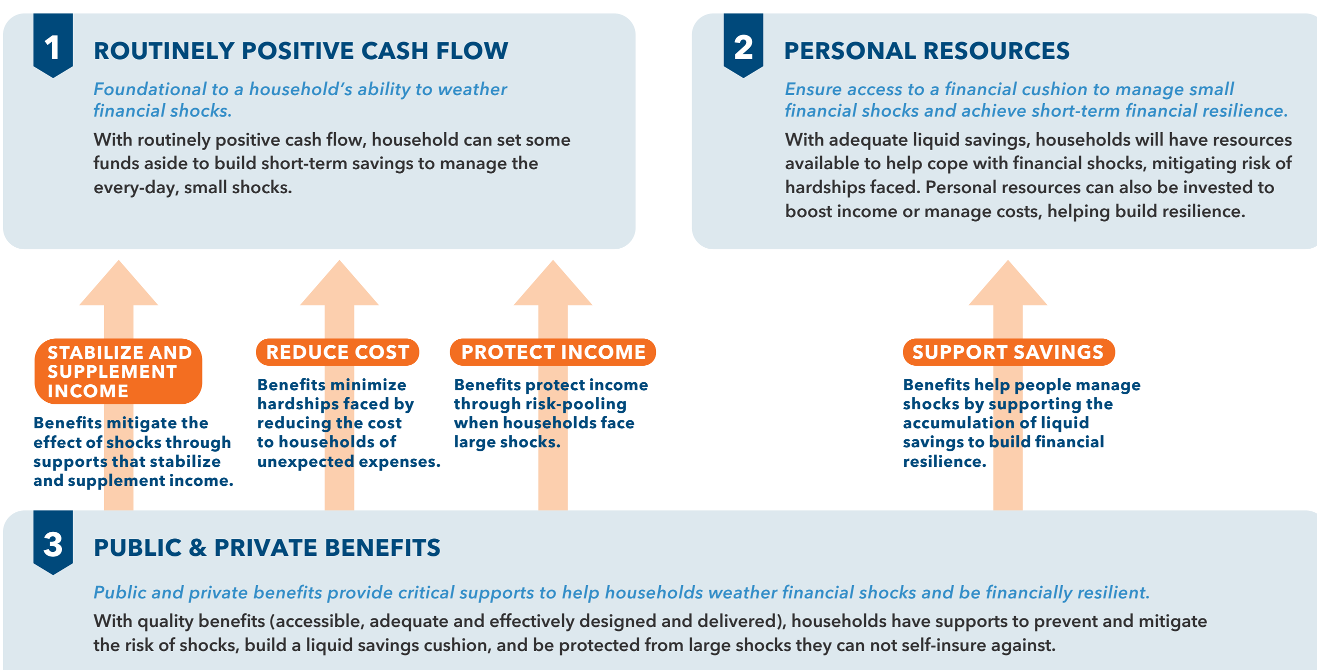
2. **Reducing the cost of expenses** to minimize hardships faced. Benefits such as Medicaid and employee hardship funds can help households pay for an unexpected expense and reduce the burden on the household.

3. **Supporting savings** to build financial resilience and help households manage shocks. Benefits like payroll-deduction workplace emergency savings can help households build a liquid savings cushion that allows them to effectively manage shocks when they happen, while also supporting their financial security by preventing households from needing to withdraw from their retirement or other long-term savings.

4. **Protecting income through risk-pooling** when households face large shocks. Benefits, such as unemployment insurance and short-term disability insurance, pool risk to offer supports that protect income in the event of a large shock—such as an injury at work, a job loss, a death in the family, or a pandemic—that households cannot self-insure against and that can persist for weeks, months, or longer.

Households need benefits to provide these critical supports to be financially resilient. Yet, despite the number of public benefit programs and the proliferation of workplace benefit programs to promote well-being, not all workers have access to the same types or quality of workplace and public benefits.[27] Even if workers do have access, as the Aspen FSP's 2022 Benefits21 Scorecard shows, their design and delivery limits their effectiveness in supporting the financial resilience of all workers.[28] To ensure all workers and their families can be resilient requires: 1) An understanding of the benefits, public and workplace, that play a role in supporting households to weather shocks; and 2) Action by public and private sector leaders to close benefit gaps to ensure inclusive access, effective and timely delivery, and equitable support so all households can effectively cope.

Three Pillars Support Household Financial Resilience



Mapping Public and Private Benefits to the Four Financial Resilience Functions

In this section we map out how benefits can serve each of the four essential functions listed above in supporting financial resilience. The list is not comprehensive, but meant to illustrate the importance of benefits, and the need to strengthen their design and delivery in a way that is grounded in household financial security to effectively support household financial resilience and well-being.

1. Benefits that stabilize and supplement income to mitigate the effect of shock:

- **Paid Sick Leave:** When workers need to take time off due to a personal illness or a sick dependent, paid sick leave can allow them to fully recover while maintaining their cash flow. Nearly a quarter of workers without paid sick leave were struggling to make ends meet and 45% of workers without paid sick leave reported that they were not confident they could cope with an unexpected $400 shock.[29]

- **Cash or Cash-like Assistance:** Cash or cash-like benefits, such as the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF), can reduce the average number of hardships and produce a "floor" that ensures families have enough to cover basic expenses, including food and shelter. Research shows food insecurity rates are up to 30% lower among households who receive SNAP than they otherwise would be.[30] A 10 percentage point increase in participation in TANF, SNAP, or Medicaid/SCHIP by low-to-moderate-income families with children reduces their average number of hardships by 0.11 percentage points and the incidence of food insufficiency by 1.7 percentage points.[31]

- **Emergency Assistance:** Responsive and enhanced income supports such as the Economic Impact Payments (EIPs) and expanded Unemployment Insurance help households cope with shocks and reduce material hardships faced. Flexible cash allows families to spend resources where they are most needed.[32] Connected to these payments, food insufficiency fell by more than 40% and financial instability fell by 45%, with the greatest reduction in material hardship for lower-income households from December 2020 to April 2021.[33]

- **Tax Credits:** Refundable or partially refundable tax credits, like the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC), can help households with cash flow by supplementing income—which can help them manage expenses, pay off debt, and set some funds aside as savings. The 2021 expanded CTC helped families manage financial shocks, providing them with an income boost to cover an unexpected expense through cash or savings rather than taking on debt.[34]

In addition to these benefits, households need continuity of benefits to support on-going stability and to prevent a shock from occurring due to a loss of a benefit. Loss of a critical support, even temporarily, can result in material hardship for households. A study on the loss of SNAP benefits found that, in addition to food insecurity, the loss of benefits led to broader financial insecurity for SNAP churners, eligible households who temporarily lose benefits. In having to commit more of their scarce income for food, churners were less able to pay important bills such as their utilities or rent.[35]

2. Benefits that reduce the cost of unexpected expenses to minimize hardships faced:

- **Employee Hardship Funds:** Offered in the workplace, hardship funds can support workers in managing a disaster-related or personal financial shock by providing access to a cash grant. If the value is sufficient to meet the need, the grant can help workers effectively cope with the shock. One study found that almost 40% of those who received enough to fully cover their emergency expense reported a return to their pre-emergency financial position, compared with only 5% of those who did not receive enough to fully cover it.[36]

- **Health Insurance (Employer-provided, Medicare, Medicaid/CHIP):** Uninsured adults are more likely to face negative financial consequences due to medical bills, such as using up savings, having difficulty paying for necessities, borrowing money, or having medical bills sent to collections resulting in medical debt.[37]

- **Additional Health Care Insurance:** Additional healthcare coverage, including dental and vision, helps households to seek preventive and routine care, which can result in better health and financial outcomes for the household. However, about 40% of adults in the US report either delaying or forgoing medical care in the last year due to its cost, with dental services being the most common medical care that is forgone.[38] Most of the adults enrolled in Medicaid or Medicare do not have access to dental, vision, or hearing coverage. This can be detrimental to their health, and with reliance on more emergency than routine care, can also impact their financial well-being.[39]

3. Benefits that support liquid savings to build financial resilience and help manage shocks:

- **Workplace Emergency Savings:** Emergency savings help households manage shock and reduce their risk of hardships. Households with even a small cushion of savings ($250–$749) are less likely to miss a housing or utility payment or be evicted, and higher levels of savings result in even lower levels of hardship.[40] A growing number of employers are offering emergency savings benefits, including some with the opt-out automatic enrollment feature that greatly increases savings rates.[41]

Lived Experience with Financial Shocks and Resilience

Automation supports building emergency savings

When Leia first met with a coach at The Financial Clinic in November 2017, she had no money set aside as savings. She worried about her ability to save because she had a low fixed income. She and her coach worked to build an emergency savings account by identifying a monthly transfer amount that was manageable and comfortable for her. Together, they set up a $25 automatic monthly deposit that Leia would supplement with manual deposits when possible. She has internalized that “savings is a habit, not an amount,” and has found that automaticity has been an important way for her to keep building her savings, evenwhen she has to tap into the money she has set aside.[42]

4. Benefits that protect income through risk-pooling when households face large shocks:

- **Unemployment Insurance (UI):** UI is vital to help families maintain their cash flow. Recent research shows that it can soften the drop in family income due to job loss from roughly $1,826 a month—a 46% drop in monthly income—to just $617 a month—a 16% drop. With unemployment insurance, spending drops by just 5% upon job loss because UI benefits avert 74% of the potential drop absent UI.[43]

- **Paid Family and Medical Leave (PFML):** When family members get sick, or a family welcomes children, families need paid time off to recover without the financial shock of a loss in income during their days, weeks, or months off. Unpaid leave dramatically impacts household cash flow, with working adults aged 21 to 64 losing an estimated $9,578 in wages after taking 12 weeks of unpaid leave, equating to families losing 58% of their quarterly income. For Black, Asian, and Latinx families, the percent of household income lost is even greater.[44] Unpaid family and medical leave is a common occurrence.

- **Disability Insurance:** A short- or long-term disability, especially of a household earner, can significantly impact a household's finances. According to one study, 3 in 10 households have experienced at least one disability leave in the past 10 years, and 55% of those studied said it had a major financial impact on their household. The study found that people with disability insurance were less likely to be negatively impacted, as 38% of those with insurance saw a negative impact compared with 62% without disability insurance. [45]

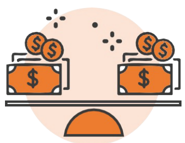
- **Life Insurance:** Life insurance protects households from financial hardships that can occur from death of the insured, with households purchasing it to help cover loss of income, funeral expenses, and mortgage debt.[46] The 2022 Insurance Barometer study found that many households are not financially prepared in case of the death of their primary wage earner, with 10% of households indicating that they would face financial hardship as early as one week after the loss of their primary wage earner, and 44% would face hardship within six months.[47]

- **Workers' Compensation:** Workers' compensation programs provide critical support for workers and their families when a work-related injury or sickness occurs, helping cover medical expenses and replacing lost income. While serving as critical social insurance to protect workers, these programs are ineffective in supporting households' financial resilience[48] with workers' compensation only covering 21% of the cost of workplace injuries—forcing injured workers, their families, and taxpayers to subsidize most of the lost income and medical care costs.[49]

Despite the importance of these public and private benefits, critical benefit gaps exist in supporting household resilience. In private benefits, about 29 million workers lack access to paid sick leave, 36 million workers are not eligible for employer-sponsored health insurance, and more than 30 million with access to workplace health insurance plans do not participate.[50] On the public benefit side, more than a quarter of eligible people facing a financial shock receive no help from any federally funded program, and Benefits Data Trust estimates that across just five public assistance programs, more than $60 billion a year in benefits are unclaimed.[51] Nationally, almost 1 out of 5 people eligible for SNAP food

Four Financial Resilience Functions of Public and Private Benefits

Supplement Income and Provide Stability to Mitigate Effects of Shocks



- Paid Sick Leave
- Cash or Cash-like Assistance (e.g.,Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP))
- Tax Credits (e.g., Earned Income Tax Credit (EITC), Child Tax Credit (CTC))
- Emergency Assistance e.g., Economic Impact Payments (EIPs)

Reduce Cost of Unexpected Expenses to Minimize Hardships Faced

- Employee Hardship Funds
- Health Insurance (e.g., Employer-Sponsored Health Insurance, Medicaid, Medicare)
- Additional Health Care Insurance e.g., Dental, Vision, Hearing

Protect Income in Large Shocks through Risk-Pooling

- Paid Family and Medical Leave (PFML)
- Disability Insurance (e.g., Short-term (STDI) and Temporary Disability Insurance (TDI), Long Term Disability Insurance (LTDI), Social Security Disability Insurance (SSDI))
- Workers Compensation (WC)
- Unemployment Insurance (UI)
- Life Insurance

Build Financial Resilience to Help Manage Shocks

- Workplace Emergency Savings

Above are benefits that can serve each of these four essential functions listed above in supporting financial resilience. The list is not comprehensive, but meant to illustrate the importance of benefits to effectively support household financial resilience and well-being.

assistance do not receive it.[52] The Brookings Institute estimates that slower payment systems—delaying the delivery of a benefit—have cost low- and middle-income households in the US at least $100 billion over 10 years.[53] While benefit access is needed to support resilience, the design and delivery of benefits is also critical to ensuring effective and equitable support.[54] These benefit gaps leave households more susceptible to shocks and their negative financial impact on the household. And because of systemic inequities in access, design, and delivery of our public and private benefits, low-wage workers, workers of color, and workers in non-traditional work arrangements are disproportionately excluded and inequitably supported from these critical supports.

Given the pandemic, the challenges in our recovery from it, and the uncertainties of the future, we need to prioritize taking a people-centric approach to modernizing and strengthening our benefits to ensure all households in the US are financially resilient—protected from shocks today and in the future.

Lived Experience with Financial Shocks and Resilience

Impact of Payment Delays on Financial Stability

In 2020, Tamika was unable to work as a childcare provider. Though she had applied for Unemployment Insurance, she didn't start receiving it until August—after her initial application which was rejected for being incomplete. Though it was paid retroactively, the months of waiting had been tough. "Every little bit helps, but it's a process," she said. "Then you could be in the process of losing everything in that process."[55]

Opportunities to Enhance Benefits to Support Households to be Financially Resilient

Given the critical role benefits play in ensuring households can manage financial shocks and be financially resilient—and the significant gaps that leave many families vulnerable—benefit leaders are positioned to be at the forefront of creating a modernized, people-centric benefits system that supports all households. **Aspen FSP's 2022 Benefits Scorecard** highlights opportunities for benefit leaders with different roles—in the public and private benefits system—to improve benefits and their performance in supporting household financial resilience by 1) enhancing the value of benefits to more adequately support households; 2) improving the delivery of benefits to ensure receipt in a timely, effective manner; 3) expanding access and use to inclusively support households; and 4) integrating benefits and improving their interoperability for more seamless and effective access and supports.[56]

To build the fully inclusive, portable, people-centric, and interoperable system of benefits needed to enhance financial resilience and achieve financial security among US households, leaders must take action to address all these opportunities. Fortunately, across sectors and roles, innovative leaders have acted, showing what is possible and necessary to enhance the benefits system to support household financial resilience.

Leaders can take action to support households in managing financial shocks and be resilient by enhancing access, use, and adequacy of specific benefits

Leaders with responsibility for administering or designing specific benefits—such as state and federal lawmakers, state agencies, employers, and other benefit providers—have opportunities to improve access and adequacy of the benefits they influence. Barriers or complications in receiving benefits or the inadequacy of a particular benefit can unnecessarily draw down households' private resources, prevent them from accessing needed aid, and lead them to actions that further harm their financial security or personal well-being—such as taking on high-interest debt, forgoing a doctor's visit, or missing a rental payment.

Key Opportunities for Leaders to Boost Benefits to Support Household Financial Resilience

***Opportunity Area #1:* Enhancing Benefit Access and Use**. *Policymakers and benefit providers can make it easier for households to access and use benefits.*

***Opportunity Area #2:* Ensuring Adequacy of Benefit Amounts.** *Policymakers and benefit providers should ensure benefits are adequate to effectively support household needs.*

***Opportunity Area #3:* Strengthening Benefit Interactions.** *Policymakers, large employers and benefit providers can innovate to integrate and improve coordination of benefits to significantly improve access and use of critical benefits.*

***Opportunity Area #4:* Improving Benefit Interoperability and Delivery with Better Payments and Policy Infrastructure.** *Policymakers and business leaders can innovate to make sure benefits work well together to support household resilience.*

Opportunity Area #1: Enhancing Benefit Access and Use. *Policymakers and benefit providers can make it easier for households to access and use benefits.*

Policymakers and benefit providers should address current barriers and make it easier for people to apply for, enroll in, and receive benefits so support is accessible and received in a timely, effective manner that helps households manage shocks and mitigate the risk of material and financial hardships.

In public benefits, the application and delivery processes for many benefits need significant improvement to provide more responsive support with reduced burden on households. Even if a benefit provides a generous level of support, its extensive and complex eligibility and application process, coupled with significant delays in receiving benefits can prevent households from accessing needed support or impose significant costs including delays that minimize their effectiveness as a coping tool for financial shocks. Public benefit application and enrollment processes can be long and complicated. They may have separate eligibility standards and in many cases are not available online. All of these characteristics of public benefit programs vary by state, resulting in varying coverage and participation rates.[57]

Policymakers and benefit administrators can and should address the barriers that make it difficult for people to access and use public benefits. To do so, leaders can look to successful modernization efforts for best practices and lessons learned. For example, Code for America's GetCalFresh, a web-based "digital assister" for SNAP enrollment, has reduced the average application time to 10 minutes and has become the official online application for California's SNAP program.[58]

In the private sector, benefit providers can develop or adopt innovation that leads to more utilized, responsive benefits that meet workers' needs. In addition, regulatory authorities and other relevant agencies, where appropriate and safe for consumers, can create pathways for that innovation. For example, the creation of automatic enrollment into retirement plans, allowed for by policymakers in 2006, drastically increased participation in workplace retirement savings.[59] Similar innovations could be leveraged for other private benefits requiring both policymakers to enable them and private benefit leaders to pilot and adopt them.

CASE STUDY: **Emergency Savings as a Workplace Benefit**

Policymakers and private benefit leaders have a specific opportunity for action to enable innovation in emergency savings, a benefit that would help many households build liquid savings to weather financial shocks. Policy experts have identified using automatic enrollment in emergency savings, similar to current best practice for retirement savings, to significantly increase participation in workplace emergency savings plans.[60] Some policymakers are beginning to act on this opportunity. Members of Congress have introduced legislation to address regulatory barriers to automatic enrollment.[61] Data from other studies suggests automatic enrollment is effective at increasing emergency savings, with a NEST Insight pilot in the UK indicating that auto-enrollment could increase participation in workplace emergency savings by 10 times.[62]

Opportunity Area #2: Ensuring Adequacy of Benefit Amounts. *Policymakers and benefit providers should ensure benefits are adequate to effectively support household needs.*

In addition to improving access to benefits, leaders should assess the adequacy of benefits to achieve their stated purpose. If benefits are not adequate in the face of financial shocks, households can end up in a perpetual state of financial insecurity, taking actions that harm their ability to achieve positive cash flow or build personal resources.

Public benefits vary in their level of adequacy, with some falling well short of the financial needs of households. For example, due to state discretion on usage of funds, only 21% of TANF assistance is distributed in the form of cash benefits, limiting its value as an income enhancement support. Black children are more likely than Latinx and white children to live in states with the lowest TANF benefit levels, with 52% of Black children living in states with benefits at or below 20% of the poverty line.[63]

Policymakers should assess the adequacy of public benefits and close the gaps they identify. There is recent precedent for this: the pandemic spurred action to assess and improve the value of certain benefits. For example, the federal government enhanced SNAP and UI benefits during the pandemic to account for the increased economic challenges the pandemic caused for families.[64,65] State and local governments have also experimented with and implemented new cash benefits that build on and enhance the value of existing public benefits,[66] with some of the latest examples being state-enacted Child Tax Credits.[67]

On the private sector side, benefits also vary in terms of adequacy, depending on the employer and the type of benefit. At times, certain private benefits are woefully inadequate to effectively support households and protect them in times of financial shocks. For example, workers' compensation covers only 21% of the cost of workplace injuries, with most of the burden falling on employees to pay for lost income and medical expenses.[68]

Private companies can choose to boost the adequacy of the benefits they provide, and innovative companies have thought through how to create a system that meets people where they are, providing employees the resources they need to thrive. For example, General Mills increased its paid family and medical leave benefits while boosting employee bereavement and short-term disability benefits.[69] Recently, PayPal set compensation packages to target net disposable income, taking a people-centric approach that led the company to significantly reduce the amount entry level and hourly employees paid for health benefits.[70]

Leaders can take action to help create a people-centric, integrated system of benefits that ensures households are holistically supported with the set of benefits needed to manage shocks and be resilient

Leaders with influence over benefits at the systems level—such as federal and state policymakers, larger employers and benefit providers, and large nonprofit organizations—should take steps to modernize the benefits system to improve the coordination and interoperability of benefits to ensure more streamlined and effective support. While improvements to individual benefits are critical and necessary, without infrastructure to provide all the benefits needed by households and a holistic approach to the interoperability of those benefits, the benefits system will continue to leave households behind. For example, in 2019 Code for America conducted a review of five key safety net programs for their interoperability and online features.* While 44 states had a combined

* The five evaluated programs were Medicaid, the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and the Low-Income Heating and Energy Assistance Program (LIHEAP).

application of two or more of the programs, none had a combined application for all five programs, costing households in need of support time and money, and potentially reducing participation in those programs.[71]

Opportunity Area #3: Strengthening Benefit Interactions. *Policymakers, large employers and benefit providers can innovate to integrate and improve coordination of benefits to significantly improve access and use of critical benefits.*

Benefits critical to weathering financial shocks and supporting financial resilience only work when people can access them, but the disjointed nature of many benefits hinders people's ability to access and use all of the support needed. Barriers to access and uptake include disjointed qualifications systems for public benefits, a lack of jobs that offer the essential benefits that workers need to be financially resilient, and the lack of an interoperable benefits infrastructure to streamline and centralize access to benefits. Across the benefits system, leaders should focus on new ways to increase access to a set of benefits that mitigates financial shocks.

Core public benefit programs often do not provide a coordinated application, enrollment, and delivery experience, even though many people who use those benefits qualify for multiple benefits at the same time. They often require separate applications, even though combined applications that significantly reduce burdens on individuals to apply are common across states, albeit inconsistently implemented.[72]

Recognizing these barriers, innovators in the public and private sector have begun to implement efforts to reduce them. For example, Civilla's Project Re:Form—which streamlined applications for the five largest assistance programs for 2.5 million Michigan residents into one form—produced an application that is 80% shorter and is processed in nearly half the time of the original.[73] On the private benefits side, the Black Car Fund has emerged as a leader in helping contingent workers navigate complicated benefits systems. The Fund facilitates access and enrollment to private benefits these workers traditionally would not have access to—including workers compensation, vision and dental insurance—and expediates connections to public benefits like SNAP.[74]

Opportunity Area #4: Improving Benefit Interoperability and Delivery with Better Payments and Policy Infrastructure. *Policymakers and business leaders can innovate to make sure benefits work well together to support household resilience.*

Benefits that support financial resilience often rely on systems infrastructure. These systems can either enable and enhance the use of benefits or they can serve as a barrier to efficient delivery and often determine whether the benefits can be seamlessly and effectively accessed by, and delivered to, a household in a way that supports and enhances their financial lives. One of these systems is the payments infrastructure, which ideally provides sufficient, coordinated, and equitable delivery of government-to-person (G2P) payments to benefit recipients. Another system is the policy infrastructure, which can include policy-created eligibility requirements that can either support financial security or undermine it with structures such as asset limits and benefit cliffs.

In addition to taking action to expand the access to and effectiveness of individual benefits, leaders must take action to strengthen the supportive infrastructure across benefits to holistically support households' financial resilience. Key areas to improve benefit interoperability and delivery include:

- **Improving payments systems for benefits.** Government payment systems are essential infrastructure for quickly and reliably delivering resources capable of stabilizing family finances in response to financial shocks either at the household or macroeconomic level. Both the unprecedented success of pandemic-era stimulus and relief payments at stabilizing household finances, and the large share of vulnerable households underserved by those interventions—either because they were left out of that relief entirely or incurred a cost to utilize those payments due to their exclusion from mainstream financial and technology systems—illuminate the urgent need for a truly inclusive mechanism for government-to-person payment delivery.

- **Addressing asset limits and income cliffs.** To better support household financial resilience, we need to address features of benefits that impact households' ability to save, accept job promotions, and transition successfully off public assistance. Asset limits can encourage participants to be unbanked, increase churn off and on programs, and impair the use of other benefits that support wealth building. Benefit cliffs, such as in SNAP, result in a complete loss of benefits when the income of participants rises above 130% of the federal poverty guideline. This can impact take-up of job promotions and reduce the level of support of other benefits that count as income—such as cash assistance, Social Security, and unemployment insurance.[75] Public and private benefit leaders can play a role in changing these policy systems to better—and more holistically—support workers. Benefit leaders can utilize resources and tools like Leap Fund to inform policy, strengthen integration across public and private benefit systems, and explore more market innovation to better meet the financial needs of workers.[76]

- **Improving data sharing among government agencies.** Data-sharing agreements across government departments would make it easier to automatically cross-enroll eligible participants. For example, direct certification is a process run by state agencies and school districts that allows children who are in families enrolled in SNAP to be automatically enrolled in free and reduced school lunch programs.[77] Data sharing also holds the potential to reduce public benefit application times, better coordinate wraparound services between programs run by different jurisdictions, and more easily evaluate the long-term impacts of benefit programs.

Lived Experience with Financial Shocks and Resilience

Destabilizing Nature of Benefit Cliffs

When asked how her life would be different if all of her needs were met, Kendra said her life "wouldn't be as frustrating having to deal with" all of her responsibilities while caring for her sick father. Instead, she could "focus on [her father] without it being a stressor." Years earlier when all of her children were at home and her lower income made her eligible for SNAP, the benefits provided some of this relief, but only for a time. "The road wouldn't have had to be so rough in some areas if the assistance stayed until I was fully stable...you don't cut me as soon as I make an extra 10 dollars…give a person at least a year or so to get fully acclimated."[78]

- **Exploring opportunities to build platforms that effectively integrate public and private benefits.** Many workers are utilizing both our public and private benefit systems or need to seamlessly and effectively move from one to the other in moments of transition. There is a critical need and opportunity to innovate and explore what it takes to create an integrated system that—through data sharing and protection, technological innovation, and centralized benefit access and delivery—can support workers with public and private benefits critical to their financial resilience.

Federal Leadership on Benefits Delivery: The White House's Facing Financial Shocks Project

In December 2021, eight federal agencies with oversight of key elements of the administration and delivery of public benefits **signed a charter** to conduct interagency work to improve access and delivery to financial benefits for households who experience financial shocks.** Through coordinated work, the interagency team has set ambitious goals to streamline access to and ensure timely delivery of public benefits. Specifically, the Charter outlines the goal that people in the United States:

- Apply in 20 minutes;
- Enroll in 24 hours;
- Only have to share their information once;
- Receive services within a week; and
- Have equitable, high quality service experiences including wraparound supports like re-employment services to get these Americans back to work.

Interagency collaboration will be critical to building an interoperable system of public benefits that meet the wide range of needs people have when facing financial shocks. The commitment of these agencies and the White House to make improvements to public benefits design and delivery in support of household financial resilience is a clear signal that this is a priority and that benefit leaders have an opportunity to engage at a national level to modernize our benefit systems.

** The federal agencies who signed the charter include the US Department of Agriculture, the General Services Administration, the Department of Health and Human Services, the Department of Housing and Urban Development, the Department of Labor, the Social Security Administration, the Department of the Treasury, and the Office of Management and Budget.

Conclusion

The economic response to the pandemic showed us not only the limitations of the current benefits system and its need for an update, but also what meaningful actions public and private benefit leaders could—and did—to improve that system to avoid disaster and support households to stabilize and be financially resilient. These actions by leaders—centered on household financial security—were critical to helping households stabilize in the moment of the pandemic, but also signal what is needed on an on-going basis to support all families in this challenging recovery and to be resilient to shocks in the future.

Benefit leaders, from both the public and private sectors, can build on these learnings from the pandemic and take immediate actions to work toward achieving our shared vision of a system of benefits that inclusively and equitably supports household financial resilience. They can do this by taking a people-centric approach to closing gaps in a single benefit critical to supporting households or to improving our benefit infrastructure to provide a set of critical supports more seamlessly and effectively. No matter the lever of change, leaders have a real opportunity, and a call to action, to improve benefits and innovate to close critical benefit gaps—to ensure all households are supported in a financial shock, both small and large. We must work together to ensure benefits inclusively reach households, effectively and equitably play their functional role in supporting household resilience, and interact with people respectfully to ensure not only their financial security but also their economic dignity.

And we know that this can only be done with leaders across the benefit ecosystem seeing the role they play and the need for collective action to modernize our system of benefits. By working together as a community of leaders we can support each other with knowledge, insights, and opportunities to create a modernized, people-centric system of benefits so all households can weather financial shocks and be resilient. We call on you to join us in Benefits21 as we create a community of public and private benefit leaders—innovating to support households, sharing our work to signal what is possible so others can act and innovations can be scaled, and working together to problem-solve and overcome challenges—to take the action steps necessary to improve and modernize our benefits to support all households.

We cannot solve the problem of financial shocks; they are going to happen. For many families, they will continue to have the potential to be devastating to households' finances and overall well-being. But through innovations and actions in benefit policy and administration—toward achieving a vision of an inclusive, people-centered, coordinated, and interoperable public and private benefits—we can help families cope and effectively manage them. As a result, households will be able to navigate their financial lives on a stronger foundation and be able to invest in their families and their futures, which will have positive impacts for the entire economy and society.

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