



**The Workers Lab at Solidago Foundation 2018 grant application form**

Date of application: November 5, 2018

Organization name: San Francisco Office of Financial Empowerment

Organization contact: Sean Kline Title: Director

Address (street, city, state, zip code):

Office of Financial Empowerment  
Office of the Treasurer & Tax Collector  
City and County of San Francisco  
City Hall Room 140  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4603

Telephone #: 415-554-4320

email: sean.kline@sfgov.org Website: sfofe.org and

Name of fiscal sponsor (if applicable): NA

Amount of grant request: \$150,000

Time period grant will cover: one year

Check one: This grant request is for general support ( ) This grant request is for a project (x)

Name of project: SFO Workers Fund Total project budget: \$509,788

Please list past support received from Workers Lab or Solidago Foundation: NA

<u>Amount</u>	<u>Purpose</u>	<u>Date awarded</u>
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Summarize the organization's mission (300 words):

*Leverage the power of City Hall to strengthen economic security and mobility of low-income families*

Summary of project or grant request (300 words):

*Design and pilot a Workers Fund intended to equip 40,000 private sector workers to manage financial volatility.*

What are your major achievements since your last Solidago or Workers Lab grant (if applicable)?  
NA

## **Workers Lab: Round One Application**

### **8. Name of Project or Program**

SFO Worker Fund

### **9. Which of the following topics is your project focused on? (Choose 1)**

Financial tools

### **10. Please provide a brief overview of your solution. (5000 characters or less)**

Around 40,000 non-city employees work at the San Francisco International Airport (SFO), a hub for more than 100 employers. Many of these are low wage workers struggling to make ends meet in the Bay Area, which has one of the highest costs of living nationwide. Nearly half of SFO workers live in San Francisco and San Mateo counties, where a family of three making \$106,000 annually is considered low income. Across the Bay in Alameda and Contra Costa counties, where one in five SFO workers lives, a family of three making \$81,000 annually is considered low income. With the excessive cost of housing in the Bay Area, nearly one in three airport workers commute from outside of the nine Bay Area counties to work at SFO. The nature of airport work coupled with the Bay Area's high cost of living creates additional financial challenges for these workers including long commutes, high transportation costs, irregular work schedules and work hours misaligned with dependent care schedules.

The San Francisco Office of Financial Empowerment (OFE) will partner with SFO to design a Worker Fund, a benefit that provides workers access to funds to help provide stability during periods of financial volatility. With the airport a hub for employers hiring full-time, part-time and contract workers, the Fund would draw on portable benefit models in other sectors with employers contributing on behalf of their employees. With nearly half of Americans unable to cope with a \$400 financial emergency, the Worker Fund would provide employees access to funds to manage financial hardships such as a car breakdown, a high winter heating bill, or a medical emergency. Access to this benefit in the workplace could help workers stabilize and make ends meet, maintain their jobs, and reduce reliance on predatory financial services that can be detrimental to their financial well-being and often trap borrowers in a cycle of debt. A 2014 study by the CFPB found that 80% of payday loans are rolled over or renewed. Over the course of one year, 20% of borrowers will default on a loan and 64% renew a loan one or more times.

In collaboration with airport workers and their unions and SFO and their tenant employers, OFE will design and pilot a Worker Fund. OFE will define how employees access the funds, the amount of funds accessible to each employee, and how to administer and evaluate the Fund. OFE will also explore how to fund the model with contributions from tenant employers and the airport. OFE will test the Worker Fund with a subset of employers and their employees to assess its impact on employee financial well-being and household stability and to collect insights that inform how best to operationalize the Fund at scale. As OFE works with key

stakeholders to design and pilot the Worker Fund, we will focus on how to sustain and scale the Worker Fund to benefit the 40,000 non-city workers at the airport.

**11. Please explain how this project builds worker power. (5000 characters or less)**

This project relies on the voice and experience of workers to inform the design of the Worker Fund. The design process will engage workers at every stage to ensure the benefit developed meets their financial needs. OFE will start by conducting a needs assessment with workers to better understand their financial challenges and needs. OFE will use insights from the needs assessment to develop a model of a Worker Fund and then conduct one-on-one in-depth interviews with workers to share the initial idea, assess demand for it, and generate insights on key features of the Fund. The conversations with workers will help determine how such a fund is governed, how employees access the funds, the level of funding, the type of funding such as a loan or grant, and methods for disbursing funds. The conversations will provide a safe space for workers to articulate their needs, and their involvement from beginning to end of the design process will ensure their voices are incorporated. OFE will use insights from early-stage interviews to develop a prototype of the Worker Fund and will conduct a few final rounds of interviews with workers to refine the model prior to the pilot period. This pilot period, with a subset of workers, will assess the impact of the Worker Fund. This iterative design process incorporates an ongoing feedback loop to evaluate and refine the Fund to ensure it positively impacts the financial lives of workers before the benefit is scaled.

The Worker Fund itself will empower workers with a benefit during financially volatile periods. Access to capital at times of financial need enables workers to make the right choices for them and their families so they can effectively cope with financial hardships and stabilize their households.

**12. Please explain how this project has the potential to generate independent revenue. (5000 characters or less)**

We don't anticipate this generating independent revenue, but we plan to create a Worker Fund that can be sustained at the airport with a pool of funds made available as a benefit to employees through funding from tenant employers and the airport. As we work with SFO to design and pilot a Worker Fund, we will develop a strategy to scale and sustain the Worker Fund to reach the 40,000 non-city workers. SFO and many of their tenant employers will be key stakeholders in the design process to ensure their voices are heard and a scalable model is designed.

We also believe that a Worker Fund makes financial sense for SFO and its tenant employers. A 2017 CFSI report on Employee Financial Health summarized the cost of financial stress on employers, from higher rates of absenteeism, lower rates of job satisfaction and lower productivity. One in three workers report distraction at work due to financial stress, which could amount to 20 hours in lost productivity from a worker per month. Lower job satisfaction or financial hardship could result in turnover, with replacement costs as high as 200% of an

employee's annual salary due to loss of productivity and cost of hiring and training. Stressed employees are two times more likely to use sick pay when not ill. Dealing with personal finances at work can cost an employer up to \$7000 annually per employee. The impact of financial stress on the employer coupled with the cost of living in the Bay Area, creates added challenges to SFO tenant employers in attracting and retaining talent. We believe the Worker Fund provides a cost-effective worker benefit that could help employers recruit, retain, and stabilize their workforce.

As OFE considers a scalable, sustainable Fund, we will model funding scenarios to determine the role of tenant employers and SFO in supporting this benefit to airport workers. The work will build from existing models of portable benefits such as the Black Car Fund in New York state that provides worker compensation insurance to drivers who are independent contractors (Aspen Institute, 2016). OFE will work with SFO to explore the level of employer contributions based on a range of factors such as the number of employees and their hours worked. The funding from employers and SFO would generate and replenish the pool of funds available for employees to utilize when needed.

**13. Please explain how this project has the potential to scale beyond the initial geography, industry or sector. (5000 characters or less)**

Lessons coming out of the partnership with SFO will be shared across OFE's network of funders, policy makers, private and non-profit partners, and peer cities across the country. Employers at SFO, having successfully implemented the program and experienced its benefits, might expand the model outside their SFO-based workforce. Other airports might also follow suit, as they have done when SFO set new wage and security standards with the Quality Standards Program (QSP) that was first adopted in 1999 to raise wages and improve working conditions, security and safety at SFO. A 2003 UC Berkeley study of the QSP found that 73% of ground-based non-managerial workers received a significant wage increase and experienced improvements in health and quality of life. The QSP policy cost on average 0.7 percent of airline revenues with employers reporting improvements in productivity and reduced turnover and absenteeism, which offset the policy cost. Because SFO is in a unique position as a hub for hundreds of employers and tens of thousands of workers, the Worker Fund model could potentially be adapted for independent contractors. OFE will seek opportunities to pilot test the model's portability into the gig economy, which houses one of the Bay Area's most vulnerable and rapidly-expanding labor forces.

As we pilot the model we also seek to develop a tool to administer the Worker Fund at scale – making it easy for SFO and tenant employers to fund, the administrator to manage and track utilization, and workers to access the funds when needed. This tool could be deployed with other employers and industries to help administer portable benefits to workers.

**14. What is the primary goal of this project? (5000 characters or less)**

Design and pilot a scalable model of a Worker Fund that helps SFO workers manage financial volatility and stabilize their households.

**15. What is the secondary goal of this project? (5000 characters or less)**

Help SFO scale the Worker Fund to reach all 40,000 non-city employees working at SFO.

**16. What is the tertiary goal of this project? (5000 characters or less)**

Design a portable benefit model that can be tested outside of SFO to reach other low-income and contract workers.

**17. What constituency and/or communities will be positively impacted by this project? (5000 characters or less)**

The project aims to positively impact the lives of SFO workers and their families. Around 40,000 primarily low-income workers are employed by tenant employers at SFO. A 2017 Economic Impact Study of SFO by the Economic Development Research Group summarized labor income earned by workers (payroll) and found that 46% had average payroll less than \$50,000 and an additional 7% under \$75,000. In total, 90% of the workforce had average payroll under \$100,000. With average household size of 3 in California and the high cost of housing in the Bay Area, many of these workers are considered very low income (HUD FY2018 Income Limits Summary). Workers in ground transportation, concessions and aviation support have the lowest average incomes.

The 2015 FINRA National Capability survey found that in California, 57% of households are just getting by financially or spending more than their income, highlighting the vulnerability of families if faced with any financial hardship. The Worker Fund would provide these workers with a benefit that helps them manage financial volatility to stabilize and support their families.

We also believe this project will benefit SFO and its tenant employers by helping attract and retain talent and reduce the costs of financial stress on employers. In addition, we hope to develop a portable model that can be tested with other employers and industries to reach additional low-wage workers with a tool and resource to manage financial volatility in their lives.

**18. Where will you be executing this project? Please include city and state (5000 characters or less)**

The project will be executed at San Francisco International Airport, which is 13 miles south of downtown San Francisco near the cities of Millbrae and San Bruno in unincorporated San Mateo County.

## **Workers Lab: Round Two Application**

### **1. Contact Information**

Sarika Abbi

San Francisco Office of Financial Empowerment

### **2. Name of Project or Program**

SFO Workers Fund

### **3. Please describe how you plan to accomplish each of the goals of your project listed in the First Round of the application. (1500 characters)**

We will first work with San Francisco International Airport (SFO) to identify and enlist key stakeholders — workers, union representatives, tenant employers and SFO staff — in our design process. The process will start with conversations with workers to understand their financial challenges. We will then facilitate discussions with our stakeholders group and draw on in-depth interviews with workers to assess demand for the Fund and inform its design. We will use these insights to develop a prototype of the Fund and reengage workers and other stakeholders to refine the model prior to a pilot.

While the initial goal of this project is to design and pilot a Workers Fund, we aspire to scale it to serve all 40,000 low-income workers at SFO. We will work with SFO to engage tenant employers in the design process, build buy-in, model employers and SFO's role in funding the Fund, and partner with two to three employers for the pilot. If successful, SFO is committed to working with us and tenant employers to scale the Fund.

Given the unique nature of SFO as a hub for hundreds of employers and tens of thousands of workers, a technology tool to support the administration of and access to the Workers Fund is critical to sustaining and scaling it within SFO, and enabling its portability to other airports and industries. We seek to develop this tool alongside the design of the Fund to enable SFO and tenant employers to fund, administrators to manage, and workers to access the Fund.

### **4. Where are you in the process of developing this project? Please include timeline and progress to date. (1500 characters)**

In our last fiscal year ending June 30, 2018, we engaged SFO, a department of the City and County of San Francisco, to identify opportunities to strengthen the financial security and wellbeing of their large low-income workforce. SFO expressed interest in bringing solutions to the airport that could benefit workers, and in the Office of Financial Empowerment (OFE) leading a human-centered design process to understand the financial service needs of workers and design innovations with and for workers. SFO was also very interested in exploring the

development of a Workers Fund that could provide workers access to emergency funds and be funded by tenant employers.

OFE developed a budget for this engagement and SFO committed to funding the design and pilot of a Workers Fund. The budget was approved in late July 2018, at which point we began staffing up to support the project and finalizing an MOU with SFO. In parallel, SFO recruited a project consultant to facilitate our work at the Airport, including engaging workers, unions and other stakeholders in the design process.

We will begin soon with a kick-off meeting with SFO, the identification and engagement of key stakeholders, and a needs assessment with workers. Following a thorough design process, we seek to pilot a prototype Workers Fund starting June 2019.

**5. Aside from financial resources, what other support would be helpful to achieve the goals of your project? (1000 characters)**

A few specific areas of support would help us achieve our goals. First, as we begin design of the Workers Fund, we would value thought partners who can bring insights on portable benefits models, ensuring the SFO model addresses portability, universality, flexibility for workers, and pro-rated access. Second, as we develop a technology tool crucial to scaling the model and making it portable beyond SFO, we would value introductions to technology developers in this space. Lastly, since we want to build a model that can be scaled beyond SFO, we would value support on the development and dissemination of a Workers Fund toolkit that helps others adapt and build on the model and informs a community of practice.

**6. Should you receive the Innovation Fund grant, what specifically would the funds be used for? (1000 characters)**

While we have funding for the design and pilot of the Workers Fund, an Innovation Fund grant would support our ability to scale the Workers Fund to reach 40,000 workers at SFO and support its portability to workers beyond SFO. Specifically, the grant would fund a consultant to develop and document the business model for the Workers Fund. This would include modeling funding scenarios for tenant employers and SFO; documenting the Funds' governance; assessing the necessity for a new legal entity to manage the Fund; and creating policies and procedures that ensure funds are administered fairly and disbursed swiftly. The grant would also support the development of a technology tool to manage the Fund at scale, including employer contributions, distribution and employee access.