THE CHANGING NATURE OF WORK AND INCOME: How Philanthropy Can Respond to and Support Low Income Families

November 29, 2017

Today’s Presenters:

Leah Mayor
Asset Funders Network

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The Annie E. Casey Foundation

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WEBINAR CONTROL PANEL

PARTICIPATE

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INCOME VOLATILITY

FINANCIAL SECURITY IN AN AGE OF VOLATILITY: THE CHANGING NATURE OF WORK & INCOME

IDA RADEMACHER, ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM

AFN Webinar I November 29, 2017
Work/Wealth (Dis)Connect
Income Volatility Deep Dive
Solutions Framework
DRIVERS OF INSECURITY?

In 1978 the share of American wealth held by the top 0.1% hit its lowest level on record, at 7.1%. It then began a long climb.

1913-2012, held by:

1978: In 1978 the share of American wealth held by the top 0.1% hit its lowest level on record, at 7.1%. It then began a long climb.
FIGURE 3. INDEXED NUMBER OF TAX FORMS, 1994-2015

Note: The vertical axis does not begin at zero. Source: Authors' calculations of IRS data.

Rise of contingent/ contractual work arrangements

DRIVERS OF INSTABILITY?

Rise in part-time work (with fewer associated benefits)
WHAT IS INCOME VOLATILITY?
Income volatility is the variance of income; the divergence from the average; the number of substantial spikes and dips over time.
WHAT
DRIVES
INCOME
VOLATILITY?
01 UNSTABLE EARNINGS

Instability and unpredictability of earned income

IRREGULAR WORK SCHEDULES

02 CHANGES IN BENEFITS

Changes in public benefit policies make transfer income more volatile

CHANGES TO UNEMPLOYMENT INSURANCE + WELFARE

03 HOUSEHOLD CHANGES

Family expansions or deaths can shift income flows

CHANGES IN FAMILY STRUCTURE
01
UNSTABLE EARNINGS
IRREGULAR WORK SCHEDULES

30%
of those who report volatile
monthly incomes blame
irregular work schedules
variation in hours and working rotating schedules drive volatility, leaving workers uncertain about where they’ll land from week to week
Policy changes have shifted support from stable monthly benefits to variable tax credits and other work-based assistance.
STRATEGIES FOR PREVENTING + MITIGATING INCOME VOLATILITY
STRATEGIES MAY...

01
STABLE EMPLOYMENT
regular hours, predictable earnings and generous benefits
PREDICTABLE SCHEDULING

02
SAFETY NET
easily accessible social programs designed for volatile incomes
UNEMPLOYMENT INSURANCE
WAGE INSURANCE

03
LIQUIDITY
high-quality cash management tools, including savings, credit and insurance
SHORTFALL SAVINGS
PAYROLL INNOVATIONS
HYBRID FINANCIAL PRODUCTS
01
STABLE EMPLOYMENT

PREDICTABLE SCHEDULING
Can resolve one of the most significant drivers of income volatility often exacerbated by on-demand scheduling.

EXAMPLES

TECHNOLOGY COMPANIES
- Workjam
- Shyft

GOVERNMENTS
- Right to Request
- Reporting pay or show-up pay
- Call-in or on-call pay
- Split shift pay
- Advance notice
- More hours for part-time workers

EMPLOYERS
- Belk
- Macy's
- Walmart

Belk is a model of fairness and balance between worker and firm preferences: in 2013, they implemented a workforce management tool to give managers local control over employee scheduling.
WAGE INSURANCE
is an insurance policy that provides partial replacement of lost wages to workers who are forced to accept pay cuts. It could help workers cope with long-term reductions in earnings.

Several states mandate that employers offer short-term disability benefits. Three of these states also offer paid family leave.

HOW INSTITUTIONS CAN HELP

FINANCIAL SERVICE PROVIDERS
Develop wage insurance products that meet workers’ needs at low cost

GOVERNMENTS
Support research and piloting efforts on public wage insurance
Evaluate the Alternative Trade Adjustment Assistance program

EMPLOYERS
Offer severance pay
Partner with financial service companies to offer wage insurance to their employees
The amount of shortfall savings required to protect families against typical volatility depends on their annual income.

**Bottom Quintile Families**

- **< $23,000 in annual income**
  - WOULD NEED: $800

**Second from Bottom Quintile Families**

- **$23,001 - $40,500 in annual income**
  - WOULD NEED: $1,400

**Middle Quintile Families**

- **$40,501 - $63,100 in annual income**
  - WOULD NEED: $2,400
PAYROLL INNOVATIONS
are strategies for modifying *when and how* workers get paid in order to give them quicker access to wages earned, paydays that better align with key expenses, customized paychecks, or more interconnected financial accounts.

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LIQUIDITY

HYBRID FINANCIAL PRODUCTS combine the functions of two or more consumer financial products that are generally offered separately, integrated for the purpose of improving people’s capacity to effectively manage their money.

FOR EXAMPLE
- Walmart’s MoneyCard
- Digit

FOR EXAMPLE
- Self Lender
- Lending Circles

FOR EXAMPLE
- Even
- Earn & the Financial Clinic

FOR EXAMPLE
- DoubleNet Pay
- Wage Goal
TWO PHILANTHROPIC PERSPECTIVES: FINANCIAL VOLATILITY AND WORK-BASED FINANCIAL WELLNESS STRATEGIES

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QUESTIONS & DISCUSSION

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QUESTIONS
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