INCOME VOLATILITY

how it affects US households + strategies for helping families resolve or manage it
I can’t afford to get sick.

I had to quit going to school just so I could afford to pay rent. I can’t even take a day off work if I can’t breathe through my nose or have a cold. I work hourly. I’m a server and bartender. This is kind of difficult because you’re hoping someone tips properly or you get a good table, or an extra table. It’s day-by-day, dollar-by-dollar.

SINGLE WOMAN, FORMER STUDENT
A few months ago, my youngest, baby, kept having strange fevers.

I took time off work & got fired.

Of course, they didn’t want to hear the excuse. I really didn’t care because my kids come before my job. My job said, ‘Can’t you get someone else to take her to the doctor?’ I tried.
The electric bill came up. It was $350.

I thought I was going to die.

MOTHER OF SIX
sheds light on the economic forces that affect household financial stability, specifically short-term financial insecurity and short-term savings
**DISCOVERY**
- Research Synthesis
- Dialogues
- Surveys + Consumer Insights
  - Shared Understandings of the Problem

**SOLUTIONS**
- Research Synthesis
- Dialogues
- Surveys + Consumer Insights
  - Development of Solutions Framework
  - Convergence Around Solutions That Match the Problem

**ACCELERATOR**
- Refining Solutions
- Content Production
- Roundtables + Public Events on Solutions
  - Increased Awareness
  - Leadership Building
  - Action on Policy, Program + Products
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.
1 in 5 individuals experience some unusually high- or low-income months
Low-wage households experienced a change in income over 25%, 5 out of 12 months.
4 in 10 individuals saw month-to-month fluctuations over 30%.
Income volatility is **common**, as demonstrated by households profiled by the US Financial Diaries.
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.
Even welcomed household events, like marriage or birth, can destabilize income and expenses.
HOW DOES INCOME VOLATILITY IMPACT HOUSEHOLDS AND COMMUNITIES?
Income volatility forces families to make impossible choices between necessities.
As a result of income volatility, families are more likely to experience

These outcomes have serious repercussions for communities and future generations: families may begin to rely more on public benefits and city revenues may suffer if households can’t afford to pay their bills.
STRATEGIES FOR PREVENTING + MITIGATING INCOME VOLATILITY
STRATEGIES MAY...

**PREVENT INCOME VOLATILITY**

BE IMPLEMENTED BY A RANGE OF DIFFERENT STAKEHOLDERS

- EMPLOYERS
- FINANCIAL SERVICE PROVIDERS
- GOVERNMENTS
- TECHNOLOGY COMPANIES

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

MITIGATE INCOME VOLATILITY
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 + firm preferences: in 2013, they implemented a workforce management tool to give managers local control over employee scheduling.
SAFETY NET

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
While governments must take the lead on UI, other stakeholders can contribute to strategies that expand coverage, promote portability, and reduce the magnitude of income losses.

**SAFETY NET**

**UNEMPLOYMENT INSURANCE**

is a federal-state partnership that provides income support for workers who have lost their jobs and are actively searching for new positions.

**HOW INSTITUTIONS CAN HELP**

**FINANCIAL SERVICE PROVIDERS**

facilitate public transfers and help make these transfers more efficient.

**GOVERNMENTS**

offer broader earnings insurance.

**EMPLOYERS**

classify employees as full-time rather than part-time or independent contractors so workers receive UI protections.
The amount of shortfall savings required to protect families against typical volatility depends on their annual income.

**Bottom Quintile Families**
- $23,001 - $40,000 in annual income

**Second from Bottom Quintile Families**
- $23,001 - $40,000 in annual income

**Middle Quintile Families**
- $40,001 - $62,100 in annual income

**Would Need**
- $800
- $1,400
- $2,400
03 LIQUIDITY

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.
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
What can funders do?

**SEEK COLLABORATION**
Funders can leverage their deep connections to encourage key stakeholders to engage with each other.

**INVEST IN ADVOCACY**
Funders can influence policy by supporting advocacy organizations and leveraging their powerful voices.

**REASSESS IMPACT METRICS**
Funders can offer patient, realistic time frames and expectations for change and impact from their grantmaking.
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