

# INCOME VOLATILITY

A growing body of research shows that income predictability for low-and moderate-income Americans is low and getting worse – especially in light of the growing on-demand workforce servicing the gig economy.

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*EPIC investigates economic forces that severely impact the financial security of American families.*

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Through a combination of online surveys, in-person convenings, and research, EPIC hopes to answer the following questions concerning the impact that income volatility has on the emotional and financial lives of Americans across the country:

- What work, family, or other factors are most likely to trigger volatility and what coping strategies have been most popular and effective for American families?
- Is financial innovation part of the solution? If yes, what kind of financial products are most likely to help? Should they take the form of savings, credit, insurance, or some combination of all three?
- Will changing employment practices around predictable scheduling and worker benefits mitigate or exacerbate volatility?
- Should governments consider changing public benefit design to account for unrepresentative weekly and monthly paystubs, or perhaps update social insurance programs to account for the fact that unemployment and old-age are no longer the sole drivers of financial insecurity?
- What is the role for financial education and coaching? Should individuals themselves be doing more to prepare for income changes and smooth their consumption?

## WHAT ARE EXPERTS SAYING ABOUT INCOME VOLATILITY?

"[Income volatility] produces great economic insecurity for many families. The combination of low income, low wealth and high income volatility is particularly toxic. Income volatility (especially unpredictable changes) for families with low resources creates even greater stress under conditions of deprivation."

- William Darity, Duke University

"[Volatility] creates enormous economic insecurity that creates stress and makes it hard to budget and plan for the future."

- Susan Lambert, University of Chicago

"My sense is that the constellation of irregular hours, unpredictable schedules, and involuntary part time work drive a substantial amount of week-to-week and month-to-month income volatility."

- Daniel Schneider, University of California, Berkeley

"There is some evidence to suggest that [income] variability puts families, and particularly children, at risk by making it difficult to make consistent investments in well-being and by increasing levels of stress."

- Heather Hill, University of Washington

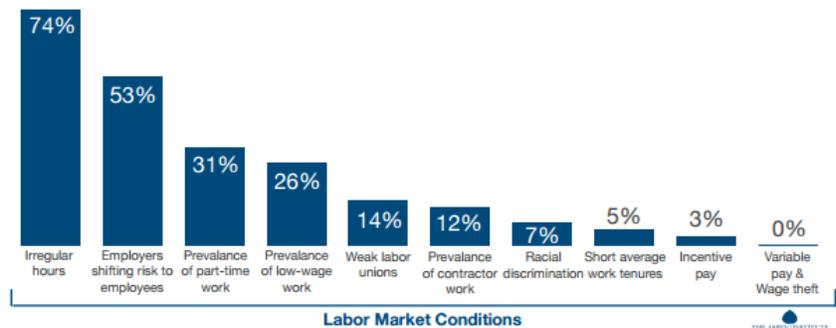
## SCOPE OF THE PROBLEM

In February 2016, the EPIC team launched a survey aimed at understanding more about the views stakeholders have on income volatility and its impact on the financial lives of affected Americans. The survey was conducted in two pairs of questionnaires and we received responses from over 150 experts. Here is what the experts told us:

- **Over 85%** agreed that both **month-to-month and annual income volatility have increased** in the last decade
- **83%** agreed that incomes **will become more volatile over the next decade**
- **87%** believe income volatility is a **critical or major problem** facing American households

### Labor market factors believed to have the biggest impact on volatility.

% of experts who say the following is a significant cause:



n=58. Respondents could choose up to three answers. See graph 3 for full list of options.



## WHAT OTHERS HAVE FOUND

Percentage of people who experienced more than a 30% month-to-month change in income:

→ 70% of people aged 18-24

→ 74% of people in the bottom income quintile

Source: JPMorgan Chase Institute

A 2015 survey found that 60% of American households reported experiencing a financial shock in the last 12 months

Source: Survey of American Family Finances, The Pew Charitable Trusts

Low- and moderate-income families averaged 5.1 months out of the year in which income was more than 25% above or below average

Source: U.S. Financial Diaries

## WHAT CONSUMERS HAVE TO SAY

**84%** of Americans believe it is very or somewhat important for the government to do more to ensure workers have steady hours and wage

**95%** believe it is very or somewhat important for employers to do more to ensure works have steady hours and predictable wages

Source: The Aspen Institute, June 2016

**82%** of consumers believe rising volatility is a very or somewhat harmful trend to communities and the country as a whole

Source: The Aspen Institute, June 2016

