Income Volatility: Why it Destabilizes Working Families and Sector-Based Approaches that Make Difference
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
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

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

BE IMPLEMENTED BY
A RANGE OF DIFFERENT STAKEHOLDERS

EMPLOYERS
FINANCIAL SERVICE PROVIDERS
GOVERNMENTS
TECHNOLOGY COMPANIES
01
STABLE EMPLOYMENT

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

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.

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
SAFEY 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
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.

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.

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**
- ≤ $23,000 in annual income
- Would need $800

**Second from Bottom Quintile Families**
- $23,001 - $40,000 in annual income
- Would need $1,400

**Middle Quintile Families**
- $40,001 - $62,100 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.
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
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.
JOANNA SMITH-RAMANI

Director, EPIC
joanna.smithramani@aspeninstitute.org
(202) 736 - 3589
www.aspenepic.org
PANEL:

THE IMPACT OF INCOME VOLATILITY IN NORTH TEXAS

Melody Woosley
Human Services Department
City of San Antonio

Garret Groves
Center for Public Policy Priorities

Moderated by
Joanna Smith-Ramani
SAN ANTONIO Area
Asset Funders Network

Income Volatility:
Why it Destabilizes Working Families and Sector-Based Approaches that Make Difference
PANEL:
WORKPLACE FINANCIAL WELLNESS OPPORTUNITIES FOR THE SAN ANTONIO AREA

Kimberly Arispe, Family Service Association
Lauren Gates, RAISE Texas
Adria Schmidt, Neighborhood Trust
Moderated by Rebecca "Becca" Brune, San Antonio Area Foundation
Income Volatility: Why it Destabilizes Working Families and Sector-Based Approaches that Make Difference
Thank you for attending today’s San Antonio Area Asset Funders Network Forum presentation.

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WE VALUE YOUR TIME,
AND YOUR RESPONSES WILL INFORM OUR FUTURE PLANNING