INCOME VOLATILITY

Expert Survey Results - November 2016
UNDERSTANDING VOLATILITY
Experts agree **annual income volatility has increased in the last decade**

From surveys 1A & 1B. N=84. May not total 100% due to rounding.
Experts agree month-to-month income volatility has increased in the last decade

From surveys 1A & 1B. N=81. May not total 100% due to rounding.
Experts agree incomes will become more volatile over the next decade

From surveys 1A & 1B. N=85. May not total 100% due to rounding.
Income volatility is a critical or major problem facing American households

% of experts who believe income volatility is a problem:

- Critical problem: 56%
- Major problem: 30%
- Minor problem: 14%
- Not a problem: 0%

From surveys 1A, 1B, 2A & 2B. N=163. May not total 100% due to rounding.
From survey 1B. N=58. Respondents could choose up to three answers.
Labor market factors believed to have the biggest impact on volatility

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

- Irregular hours: 74%
- Employers shifting risk to employees: 53%
- Prevalance of part-time work: 31%
- Prevalance of low-wage work: 26%
- Weak labor unions: 14%
- Prevalance of contractor work: 12%
- Racial discrimination: 7%
- Short average work tenures: 5%
- Incentive pay: 3%
- Variable pay & Wage theft: 0%

From survey 1B. N=58. Respondents could choose up to three answers.
Economic factors believed to have a strong impact on volatility

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

- Business cycles: 41%
- Income inequality: 12%
- International competition: 5%
- Slow economic growth: 3%

From survey 1B. N=58. Respondents could choose up to three answers.
Neither family structure nor personal behavior believed to affect volatility

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

From survey 1B. N=58. Respondents could choose up to three answers.
Experts believe impact on households should be the priority of research and policy

% of experts who say the following needs to be prioritized:

- **Household effects**: 57%
- **Societal effects**: 14%
- **Macroeconomic effects**: 12%
- **Not sure**: 17%

From survey 1B. N=58. May not total 100% due to rounding.
Most pronounced effect of volatility on families is the inability to plan long term

% of experts who say the following household effect is the most significant:

- Inability to make long-term plans: 36%
- Stress and its impact on health: 22%
- Negative impact on child development: 16%
- Reliance on unsafe financial products: 10%
- Less savings: 5%
- Family conflict: 3%
- Food insecurity: 2%
- Unstable housing: 2%
- Loss of public benefits: 2%
- Inability to pay for medical care/medications: 0%
- None of the above: 2%

From survey 1B. N=58. May not total 100% due to rounding.
71% say volatility is a very important topic for future research, but not the most important

% of experts who ranked the following as the most important issue:

- Income inequality: 22%
- Wealth inequality: 21%
- Wage stagnation: 17%
- Slow macro-economic growth: 9%
- Job training/skills: 8%
- Racial wealth/pay gap: 8%
- Income volatility: 8%
- Low labor market participation: 7%
- Trade deficit: 0%
- Budget deficit: 0%
- Gender wealth/pay gap: 0%

From surveys 1A & 1B. N=89. May not total 100% due to rounding. 71% statistic came from an initial question in survey 1A with N of 73.
Experts cite different priorities for future research on income volatility

% of experts who ranked the following as the most important area for future research:

- Policy solutions: 22%
- Drivers/causes: 22%
- How people cope: 13%
- Impact on economy: 11%
- Prevalence: 7%
- Impact on household finance: 5%
- Expense volatility: 5%
- Impact on child development: 4%
- Impact on health/stress: 4%
- None of the above: 8%

From survey 1B. N=55. May not total 100% due to rounding.
Experts cite different priorities for what income volatility data to collect

% of experts who ranked the following as the most useful type of data to collect:

- High-frequency data: 19%
- Micro-data: 19%
- Data linked to key outcomes: 19%
- Administrative data: 17%
- Long-term/longitudinal data: 17%
- Job market information: 6%
- Perceptions of those affected: 6%

From survey 1B. N=54. May not total 100% due to rounding.
ADDRESSING VOLATILITY
Employers seen as **best positioned** to help families reduce income volatility

% of experts who chose the following as the best positioned actor:

- Employers: 49%
- Federal government: 35%
- Families themselves: 11%
- State & local government: 2%
- None of these institutions are well positioned: 2%
- Unions: 0%

From survey 2B. N=83. May not total 100% due to rounding.
State & local government seen as most likely to help families reduce income volatility

% of experts who chose the following as most likely to act:

- State & local government: 28%
- Federal government: 20%
- Families themselves: 17%
- Employers: 13%
- Nonprofit organizations: 12%
- Unions: 2%
- None of these institutions are likely to act: 7%
- IV doesn’t need to be reduced: 0%

From survey 2B. N=83. May not total 100% due to rounding.
Institutions best positioned to reduce volatility seen as unlikely to do so, and vice versa

From survey 2B. N=83.
Traditional financial institutions seen as best positioned to help families manage volatility

% of experts who chose the following as the best positioned actor:

<table>
<thead>
<tr>
<th>Actor</th>
<th>% of Experts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional financial institutions</td>
<td>34%</td>
</tr>
<tr>
<td>Federal government</td>
<td>25%</td>
</tr>
<tr>
<td>Employers</td>
<td>18%</td>
</tr>
<tr>
<td>Families themselves</td>
<td>8%</td>
</tr>
<tr>
<td>Financial technology firms</td>
<td>8%</td>
</tr>
<tr>
<td>Nonprofit organizations</td>
<td>5%</td>
</tr>
<tr>
<td>State &amp; local government</td>
<td>1%</td>
</tr>
<tr>
<td>Unions</td>
<td>0%</td>
</tr>
<tr>
<td>Alternative financial firms</td>
<td>0%</td>
</tr>
<tr>
<td>“Volatility does not need to be better managed”</td>
<td>0%</td>
</tr>
</tbody>
</table>

From survey 2B. N=83. May not total 100% due to rounding.
Financial technology companies seen as most likely to help families manage volatility

% of experts who chose the following as the most likely actor:

- 30% Financial technology firms
- 18% Families themselves
- 13% Federal government
- 12% Nonprofit organizations
- 11% Traditional financial institutions
- 6% State & local government
- 6% Employers
- 4% Alternative financial service providers
- 0% Unions
- 0% “Volatility does not need to be better managed”

From survey 2B. N=83. May not total 100% due to rounding.
Institutions best positioned to help manage volatility seen as unlikely to, and vice versa

From survey 2B. N=83.
How can government help? Respondents split between regulation and public benefits

% of experts who chose the following as the most promising government intervention:

- Enhanced labor market regulation (e.g. fixed minimum hours; paid sick leave): 31%
- Redesigned social insurance (e.g. wage insurance; expanded unemployment): 25%
- Redesigned safety net (e.g. universal (e.g. mandatory or opt-out payroll deduction): 19%
- Automatic savings (e.g. mandator): 10%
- Tax changes (e.g. periodic payment of EITC): 5%
- Financial regulation that allows for more testing and innovation: 5%
- Stricter consumer finance regulation (e.g. reduce access to high-interest credit): 2%
- Savings incentives (e.g. matched contributions): 1%
- Worker voice (e.g. make it easier to form unions): 1%
- Price controls: 0%
- None - government actions won’t help: 0%

From survey 2B. N=83. May not total 100% due to rounding.
How can financial innovation help?

Multi-use products seen as most promising

% of experts who chose the following as the most promising financial intervention:

- Hybrid products (e.g. combined savings, credit, insurance) - 58%
- Savings tools (e.g. automatically save spikes; smartphone reminders) - 16%
- Insurance innovation (e.g. pooled deductibles; wage insurance) - 11%
- More inclusive banking (e.g. affordable checking; faster bill payment and transfers) - 7%
- Credit (e.g. more short-term options; real-time wage payment) - 5%
- Financial education & budget planning tools - 1%
- None - financial innovation won’t help - 2%

From survey 2B. N=83. May not total 100% due to rounding.
How can **employers** help? More predictable schedules seen as most promising

% of experts who chose the following as the most promising employer intervention:

- Make schedules predictable: 47%
- Assign workers less volatile hours: 13%
- Pay less “lumpy” wages: 10%
- Have a higher proportion of full-time workers than part-time: 10%
- Provide more/better benefits: 8%
- Provide more/better financial management tools (e.g. customizable withholdings): 7%
- Have a higher proportion of employees vs. contractors: 2%
- Help workers enroll in public benefit programs: 1%
- None - employer action won’t help: 1%
- None - provide more/better financial education: 0%

From survey 2B. N=83. May not total 100% due to rounding.
Of the three most popular interventions, "government action to enhance labor regulation" seen as hardest to achieve

Difficulty rankings from experts who chose the following as that institution’s most promising intervention:

- **GOVERNMENT**: Enhanced labor market regulation
  - Easiest: 7%
  - Middle difficulty: 27%
  - Hardest: 66%

- **EMPLOYERS**: Make schedules more predictable
  - Easiest: 15%
  - Middle difficulty: 33%
  - Hardest: 51%

- **FINANCIAL INSTITUTIONS**: Hybrid financial innovation
  - Easiest: 64%
  - Middle difficulty: 28%
  - Hardest: 9%

From survey 2B. N=26, 39, 48 respectively. “Hardest” totals will not add up to 100% because a different sample of respondents chose each intervention as the most promising.
Of the three most popular interventions, “enhanced labor regulation” by government seen as first priority

Priorities of experts who chose the following as that institution’s most promising intervention:

- **Government**: Enhanced labor market regulation (62%)
- **Employers**: Make schedules more predictable (36%)
- **Financial Institutions**: Hybrid financial innovation (27%)

Highest priority also viewed as the most difficult to achieve.

From survey 2B. N=26, 39, 48 respectively. Priorities will not add up to 100% because a different sample of respondents chose each intervention as the most promising.
“Cost savings” argument seen as best way to convince policymakers to address volatility

% of experts who see the following argument as the best option:

- Volatility leads to costly public assistance: 49%
- Heightens economic anxiety for the middle class: 28%
- Slows macro-economic growth: 12%
- Hurts children’s development: 5%
- Violates basic fairness: 2%
- Exacerbates income and wealth inequality: 1%
- Undermines strong families: 1%
- Creates material hardship for the poor: 1%
- Triggers adverse health effects: 0%
- Exacerbates racial and gender pay gaps: 0%
- None: 0%

From survey 2B. N=83. May not total 100% due to rounding.
“Worker productivity” argument seen as best way to convince employers to reduce volatility

% of experts who chose the following as the best argument:

- Low volatility leads to improved morale/reduced absenteeism/improved productivity: 60%
- Reduces attrition and turnover: 29%
- Enhances brand/public relations: 6%
- Boosts employee recruitment: 4%
- Social responsibility: 1%
- Creates larger customer base: 0%
- None: 0%

From survey 2B. N=83. May not total 100% due to rounding.
“Reach a new customer base” argument seen as best way to convince financial institutions to launch new products to address volatility

% of experts who chose the following as the best argument:

- Reach a new customer base: 46%
- Deepen loyalty and wallet share of existing customers: 22%
- Grow size of market: 16%
- Improve brand/public relations: 7%
- Help meet Community Reinvestment Act requirements: 5%
- Provide higher quality services: 1%
- Protect business from competitors: 0%
- None - financial institutions will never be convinced: 4%

From survey 2B. N=83. May not total 100% due to rounding.
Few see income volatility among top three most important economic problems

% of experts who chose the following as a top three economic problem:

- Wage stagnation: 71%
- Wealth inequality: 69%
- Income inequality: 46%
- Slow macro-economic growth: 31%
- Job training/skills: 27%
- Racial wealth/pay gap: 16%
- Income volatility: 15%
- Low labor market participation: 15%
- Budget deficit: 7%
- Trade deficit: 1%
- Gender wealth/pay gap: 0%

From survey 2B. N=83. Does not total 100% because respondents each chose up to three answers.
Demonstrating the value of reduced volatility to employers chosen as best use of resources

% of experts who chose the following as one of the top three ways to allocate public and private resources to address volatility:

- Demonstrate value of reduced volatility to employers: 64%
- Incremental policy development and experimentation: 39%
- More research on prevalence, causes, and impacts of IV: 36%
- Incremental financial product development and experimentation: 36%
- Large-scale policy development: 24%
- More research on how families cope with volatility: 23%
- Hone political message and organize voters: 19%
- Organize workers: 16%
- Large-scale financial product development: 9%
- More research on expense volatility: 9%
- Other: 3%

From survey 2A. N=74. Does not total 100% because respondents each chose up to three answers.