US study shows one-third of adults suffer severe income fluctuations

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A recent survey by the US Federal Reserve indicates that income volatility—shifts in income from month to month—regularly affects large shares of the US workforce and can be extreme. Income volatility makes weathering unexpected expenses nearly impossible for many workers, and compounds problems associated with low savings, student loan debt and informal work in the "gig economy."

The report, published by the Consumer and Community Development Research Section of the Federal Reserve Board's Division of Consumer and Community Affairs last month, is based on an October 2016 survey of 6,610 households. The survey collected extensive data on respondents' personal finances, employment characteristics, income, retirement and other indicators of economic health.

The report's shocking findings give some indication of the social crisis confronting vast sections of the US working class. One significant finding is that 32 percent of adults "say that their income varies to some degree month to month, and 13 percent struggle to pay bills in some months due to income volatility." Forty percent of people with volatile incomes struggled to pay their bills because of irregular income schedules.

Income volatility disproportionately affects racial and ethnic minorities, with 70 percent of white adults reporting income stability compared to only 60 percent of blacks and 59 percent of Hispanics. Moreover, blacks and Hispanics are more likely to report that income volatility resulted in economic hardship than whites, even after controlling for a number of factors.

Nevertheless, according to the study, "Non-Hispanic white adults with a high school degree or less are somewhat less likely than those of other races and ethnicities or those with more education to report that their financial well-being improved in 2016."

Seventeen percent of all US workers have variable schedules, with half of these workers having schedules that could vary with three days' notice or less. Variable schedules are not only a contributing factor to income volatility, they also make finding childcare for working parents extremely difficult, especially if they are told they need to work last-minute.

Income volatility is often obscured in "snapshot" studies or studies that look at annualized data, rather than looking month-to-month.

The *New York Times*, in a May 31 article titled "Steady Jobs, With Pay and Hours That Are Anything But," highlights the burden this places on working parents. The *Times* interviewed Mirella Casares, a worker at an Ocala, Florida Victoria's Secret clothing store, whose variable schedule and low pay makes it necessary for her to supplement her income as a waitress at Olive Garden. "The lowest hours I've gotten is 15 and the highest I've gotten is 39," Casares told the *Times* .

Her schedule at Victoria's Secret, which frequently changes at the last minute, makes it difficult for the 27-year-old mother to find childcare for her two young children.

The *Times* also interviewed Tomika Waggoner, a nursing home aide in Newport, Kentucky, who also copes with income volatility. Her work schedule is largely determined by the availability of care for her 15-year-old son, who has epilepsy. Waggoner, 44, had to use a $700 tax refund to pay for graduation costs for her daughter and some debt. Other families use tax refunds to pay for doctor's visits.

Income volatility is also affecting broader layers of workers besides the "working poor." Diana Farrell, the president and chief executive of the JPMorgan Chase Institute, told the *Times*, "Only households that earn

$105,000 or more a year are secure against the volatility they are exposed to."

Even middle-income households can experience monthly expenses that shift by $1,000 or more. In the words of Jonathan Morduch, director of the US Financial Diaries project, "instability and insecurity are increasingly a part of middle-class life, too."

Medical bills are often the cause of unexpected expenses, with an accident or unexpected medical emergency causing financial difficulties for months, even for middle-income workers.

The Federal Reserve study notes that 23 percent of adults faced "a major unexpected out-of-pocket medical expense in the prior year" and that a quarter of adults skipped some kind of health care in the past year due to affordability. This was in 2016, after the implementation of the Affordable Care Act, commonly known as Obamacare.

Ten percent of adults "are carrying debt from medical expenses that they had to pay out of pocket in the previous year," working out to about 24 million people.

Few US adults are prepared to pay for unexpected expenses. As the *World Socialist Web Site* has previously reported, some two-thirds of Americans "would be unable to pay for an emergency medical expense of $1,000, such as an emergency room visit or the cost of repairing a broken-down vehicle, out of pocket."

This has continued to hold true, with the Federal Reserve study indicating that 44 percent of adults "say they either could not cover an emergency medical expense costing $400 [significantly less than $1,000], or would cover it by selling something or borrowing money."

Many workers supplement their formal employment with "informal income-generating activities," including through participating in the "gig economy." Twenty-eight percent of adults participate in these informal income-generating activities, which can include working part-time as an Uber driver, for example.

Other findings from the Fed report include:

· Thirty percent of US adults report "either finding it difficult to get by or are just getting by financially."

· Almost a quarter of US adults "are not able to pay all of their current month's bills in full."

· Only 27 percent of part-time workers and 8 percent of contract workers are offered paid sick leave.

· "One third of borrowers with some college, a certificate, or a technical degree are behind on their education debt payments, compared to 11 percent of borrowers with a bachelor's degree who are behind."

· Almost half of all black and Hispanic retirees report that "poor health contributed to their decision about when to retire."

These statistics indicate a social crisis in the United Sates affecting wide layers of workers, far from merely a small "underclass" or "precariat." With contract, low-wage and irregular work increasingly common, it is no wonder that US workers have economic anxiety and have little faith in the "American dream."