Working to Make Ends Meet during Good Economic Times

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Employment is a key step on the pathway to economic security, but having a job far from guarantees financial stability. More than 35 percent of nonelderly adults in families with at least one worker reported difficulty paying for basic needs such as shelter, food, and medical care in 2017 (Karpman, Zuckerman, and Gonzalez 2018b).

Job quality factors, such as benefits or the number of hours available to work, might affect household financial stability. A significant share of working-age adults participate in nonstandard work arrangements, such as part-time employment, contracted work, and "gig" jobs (Bracha and Burke 2016; Katz and Krueger 2019). Although these forms of work can potentially provide good job opportunities and allow flexible working schedules, they might lack some safeguards for workers, such as long-term contracts; access to health insurance, sick days, or retirement benefits; and wage protections, such as overtime pay (Loprest and Nightingale 2018; Weil 2017).

This study investigates the characteristics of working families who are facing financial challenges. Specifically, we look at which type of working arrangements and job types are most associated with economic distress for families.

To answer these questions, this brief uses data from the Well-Being and Basic Needs Survey, launched by the Urban Institute in December 2017 to track individual and family health and well-being. The sample consists of adults ages 18 to 64 who participate in a probability-based Internet panel recruited primarily from an address-based sampling frame covering 97 percent of US households. The final sample size is 7,588. We use survey weights in all our estimates. Karpman, Zuckerman, and Gonzalez (2018a) provide detailed information about the survey.

We find the following:

- Families with two working adults are least likely to experience economic distress. But material hardship is high even among families where both the respondent and his or her partner or spouse are working.
  - » 29 percent of families with two working adults experienced material hardship in the past 12 months (such as being unable to fully pay a mortgage or rent payment or having problems paying medical bills), 23 percent experienced some form of financial insecurity (such as being contacted by a debt collector), and 9 percent reported alternative financial services (AFS) usage.
- Workers with multiple jobs and varying working hours are more likely to experience material hardship, have financial insecurity, and use AFS.
  - » 35 percent of workers with varying work hours experienced financial insecurity in the past 12 months, and 14 percent of workers with multiple jobs reported AFS usage during that same period.
- Workers without job benefits are more likely to be in economic distress.
  - » Over the past 12 months, 45 percent of workers without any job benefits experienced material hardship, 39 percent experienced some form of financial insecurity, and 13 percent used AFS .
- Employer restrictions on scheduling hours are the main reasons that respondents work fewer hours than desired. But respondents also cited child care responsibilities as an important reason for working fewer hours than they wanted.
  - » Twenty percent of employed respondents with a desire to work more hours indicated that child care responsibilities have a severe or moderate impact on their ability to work as much as they would like.

Material Hardship, Financial Insecurity, and Use of Alternative Financial Services

In this study, we examine material hardship, financial insecurity, and the use of AFS (table 1). Material hardship focuses on a family's ability to meet basic needs, such as paying utility bills, and provides an understanding of individual and family well-being broader than income alone. Financial insecurity characterizes a family's inability to come up with a small amount of money to buffer negative economic shocks or to pay their unsecured debt. Financially secure families are better able to weather temporary income drops independently and are less likely to rely on local services for housing support and cash assistance (McKernan et al. 2016). AFS refers to products from nonbank financial institutions. These institutions tend to offer small, high-interest loans intended to carry subprime and unbanked borrowers through temporary cash shortages. Using AFS can in turn exacerbate financial problems by trapping people in cycles of debt (Flannery and Samolyk 2005).

TABLE 1

Measures of Material Hardship, Financial Insecurity, and AFS Use

Outcome	Description
Material hardship	Indicates whether the respondent reported for the 12 months before the survey, for themselves or their households or families, any of the following: 1. The household did not pay the full amount of the rent or mortgage or was late with a payment because it could not afford to pay 2. The respondent was forced to move by a landlord, bank or other financial institution, or the government 3. The household was not able to pay the full amount of the gas, oil, or electricity bills; 4. The gas or electric company turned off service or the oil company could not deliver oil 5. The household was food insecure based on responses to the six-item short form of the US Department of Agriculture's Household Food Security Survey Module (USDA 2012) 6. The respondent had unmet needs for medical care because of costs 7. The family had problems paying medical bills
Financial insecurity	Indicates whether the respondent reported for the 12 months before the survey, for themselves or their households, that they 1. were contacted by a debt collector, 2. missed a payment on credit card or nonmortgage loan, or 3. were not confident they could come up with $400 for an unexpected expense.
Use of AFS	Indicates whether the respondent reported for the 12 months before the survey, for themselves or their households, that they 1. had taken out a payday loan or used payday advance services, 2. had taken out an auto title loan (where a car title was used to borrow money for a short period), or 3. 3. had sold some items at a pawn shop.[a]

Note: AFS = alternative financial services.

[a] This measure of credit-based AFS varies from ones used by either the Federal Deposit Insurance Corporation (FDIC) or the Federal Reserve in the Survey of Household Economic Decisionmaking. In both of those studies, tax refund anticipation loans are included, and rent-to-own services are included in the FDIC Survey of the Unbanked. Additionally, in both of those studies, pawn shop usage is specifically referred to as "taking out a pawn shop loan"; the Well-Being and Basic Needs Survey asks respondents whether they had "used a pawn shop.". Using a pawn shop could include selling items without intending to take out a loan while using an item of value as collateral. Further, taking loans from a pawn shop is typically the most popular form of credit-based AFS. Given the differences in definition of credit-based AFS and in wording around using pawn shops, we do not expect credit-based AFS use in the Well-Being and Basic Needs Survey to be directly comparable to credit-based AFS use in other major surveys, such as the FDIC Survey of the Unbanked and the Federal Reserve's Survey of Household Economic Decisionmaking report.

Analysis

Economic Distress by Family Working Arrangement

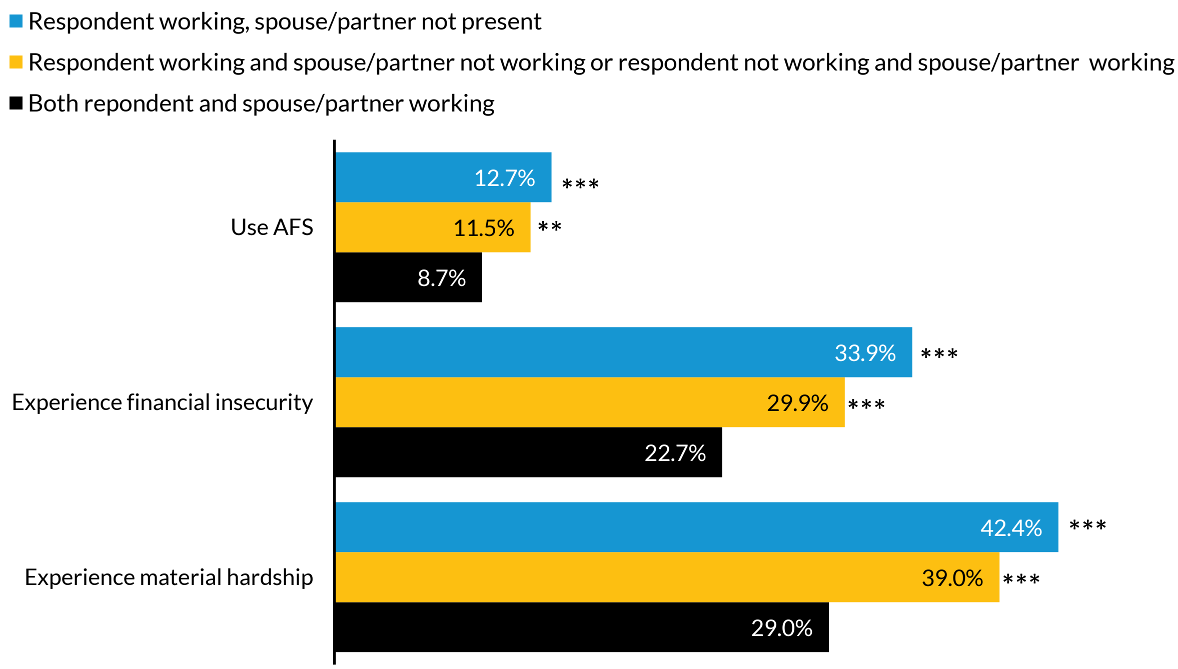
First, we investigate how working arrangements within the family are related to economic distress. A previous analysis of Well-Being and Basic Needs Survey data found that more than 35 percent of adults with at least one worker in the family reported some form of material hardship over a one-year period (Karpman, Zuckerman, and Gonzalez 2018b). Among working families, 42.9 percent are families where both the respondent and a spouse or partner are working, 27.5 percent are families where only the respondent or his or her spouse or partner is working, and 29.6 percent are families where the respondent is working and a spouse or partner is not present.

To dive deeper, we estimate the share of adults in working families with material hardship, financial insecurity, or AFS use within each of these family working arrangements (figure 1). Although material hardship is high among any type of working family, families with two working adults are less likely to experience material hardship and financial insecurity than those with one working adult. In fact, 42.4 percent of families with a working adult without a spouse or partner and 39.0 percent of families with a working adult and a nonworking adult experienced material hardship in the past 12 months. Further, families with a working adult without a spouse or partner were more likely to use AFS than families with two working adults (12.7 percent versus 8.7 percent). These results highlight the importance of having two sources of earnings within the household to prevent economic distress. Even among families with two working adults, however, a significant share experienced material hardship (29.0 percent), experienced financial insecurity (22.7 percent) and reported AFS usage (8.7 percent) in the past 12 months.

FIGURE 1

Families with Two Working Adults Are Less Likely to Experience Financial Distress

Share of adults who experienced financial distress in the past 12 months, by family working arrangement



Source: Well-Being and Basic Needs Survey, December 2017.

Note:

*/**/*** Estimate differs significantly from estimate for both respondent and his or her spouse or partner working at the 0.10/0.05/0.01 levels, using two-tailed tests.

Hardship, Financial Insecurity, and AFS Usage by Job Characteristics

Next, we investigate how measures of economic distress are associated with respondents' job characteristics.[1] We look at respondents' working hours, whether they are offered benefits at their main job, and whether they can work their desired number of hours. For the rest of the brief, we restrict our sample to respondents who are working at the time of the interview (4,607 respondents).

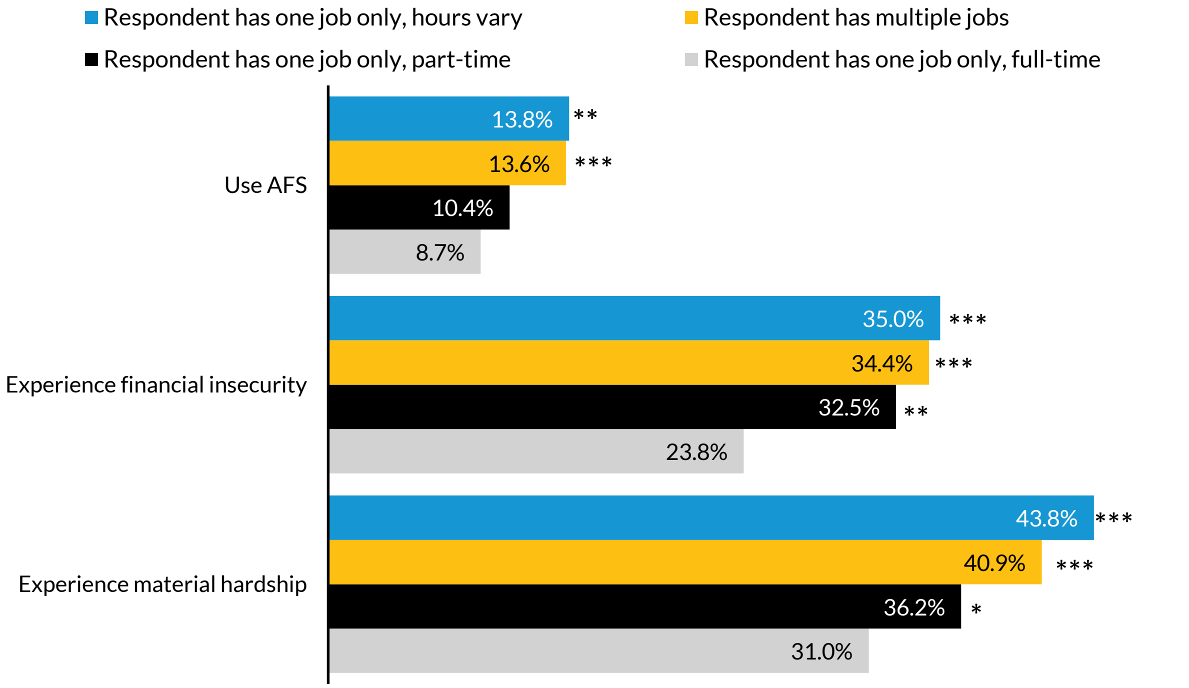
MAIN JOB WORKING HOURS

We first look at the rate of material hardship, financial insecurity, and AFS usage for workers who had a full-time job (63.3 percent), a part-time job only (7.7 percent), a job with varying hours (12.7 percent), or multiple jobs (16.3 percent).[2] Material hardship and financial insecurity are highest among workers with multiple jobs or with one job with hours that vary weekly (figure 2). In fact, 43.8 percent of respondents with varying work hours and 40.9 percent of respondents with multiple jobs experienced material hardship in the past 12 months. Workers with a full-time job are less likely to use AFS (8.7 percent) than those with multiple jobs (13.6%) or with a job with varying hours (13.8 percent). Workers with more standard job contracts are also less likely to experience financial insecurity.

FIGURE 2

Workers with Multiple Jobs and Varying Working Hours Are More Likely to Experience Material Hardship, Financial Insecurity, and Use AFS

Share of adults who experienced financial distress in the past 12 months, by working hours



Source: Well-Being and Basic Needs Survey, December 2017.

Notes: Workers ages18 to 64.

*/**/*** Estimate differs significantly from estimate for respondent has one job, full time at the 0.10/0.05/0.01 levels, using two-tailed tests.

EMPLOYER BENEFITS

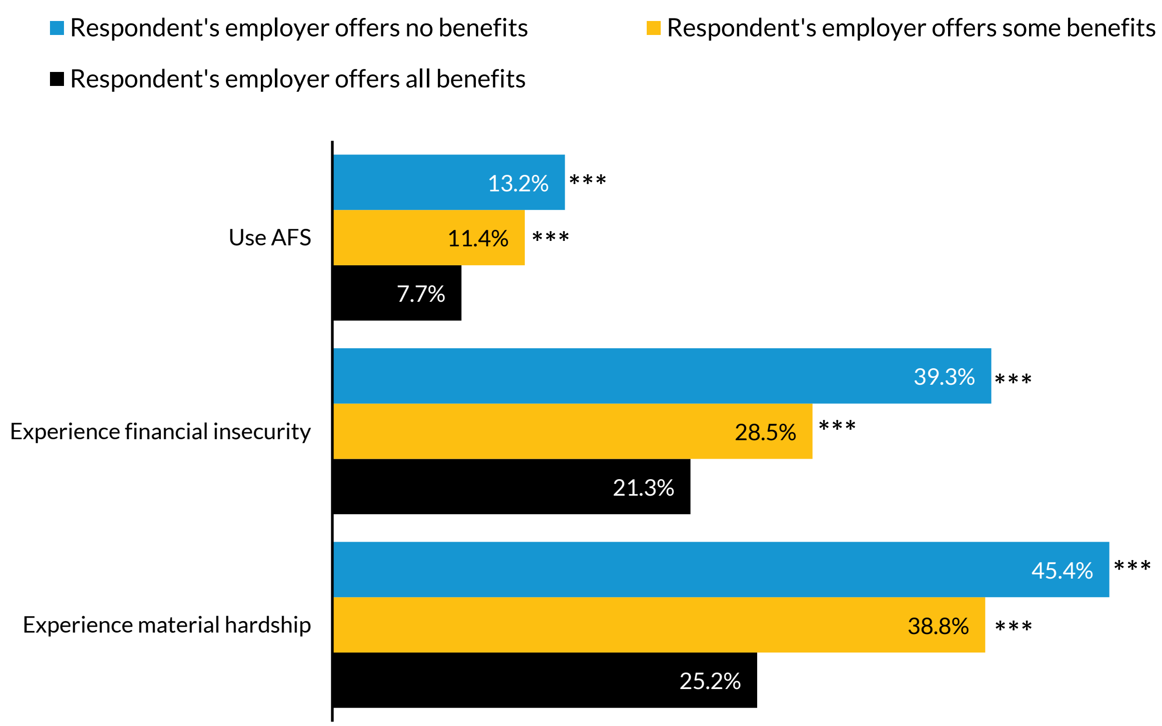
We can also identify whether a main job offers workers paid sick leave, vacation or personal leave, family and medical leave, health insurance, and retirement benefits.[3] We classify workers by whether their employer offers all of those benefits (44.9 percent), some of those benefits (40.5 percent), or none of those benefits (14.6 percent).

Workers receiving all benefits in their main job are less likely to experience material hardship and financial insecurity than those with partial or no benefits (figure 3). We also find that AFS usage is lower among workers with all benefits (7.7 percent) than those with partial or no benefits (11.4 percent and 13.2 percent, respectively). These results suggest that benefits could help workers better cope with adverse events such as health shocks or family emergencies.

FIGURE 3

Workers without Job Benefits Are More Likely to Experience Financial Distress

Share of adults who experienced financial distress in the past 12 months, by job benefits



Source: Well-Being and Basic Needs Survey, December 2017.
Notes: Workers ages 18 to 64.
*/**/*** Estimate differs significantly from estimate for respondent whose employer offers all benefits, full time at the 0.10/0.05/0.01 levels, using two-tailed tests.

WORKING TIME PREFERENCE

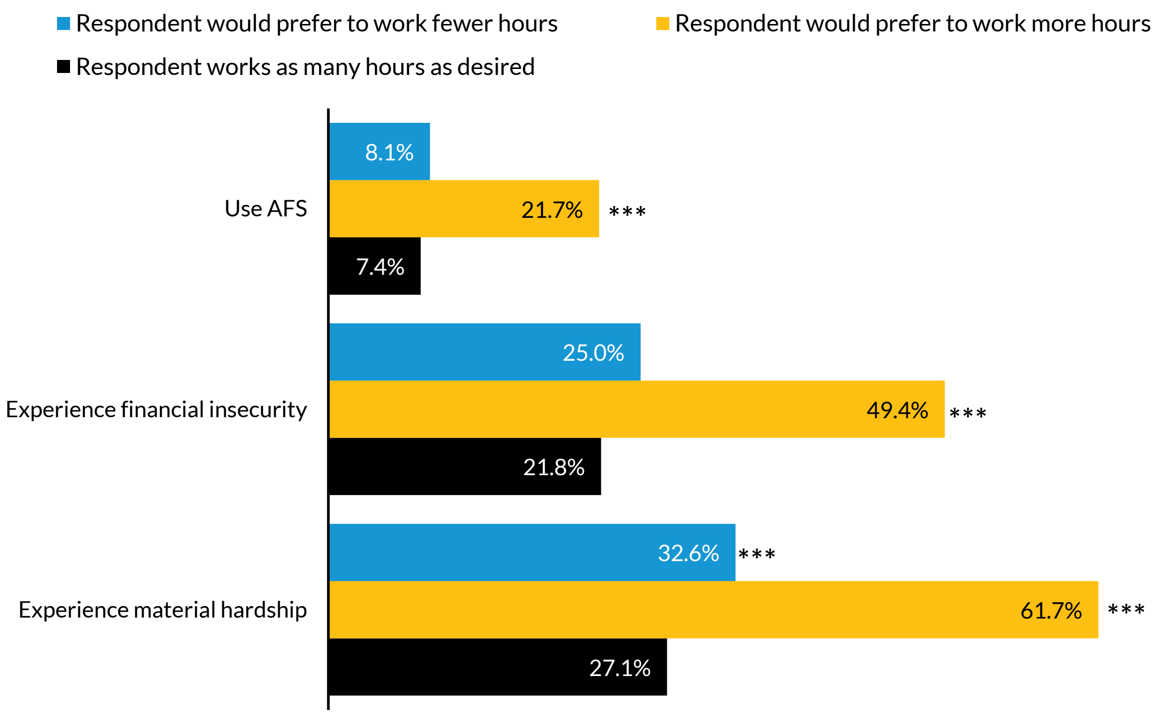
We also investigate the relationship between material hardship, financial insecurity, and AFS usage and respondents' working-hour preferences (figure 4). The Bureau of Labor Statistics uses the share of part-time workers who are willing to work more but can't find full-time jobs (involuntary part-time employment) as a measure of labor market tightness. Thirty-six percent of the part-time workers in our sample would prefer to work more hours if they could. This is higher than the share the Bureau of Labor Statistics reports for involuntary part-time work, but the Bureau of Labor Statistics definition does not include people who would prefer to work more hours but are constrained because of noneconomic issues such as a disability or lack of child care.[4]

The respondents willing to work more hours are the most likely group to experience material hardship and financial insecurity and to use AFS (figure 4). In the past 12 months, 62 percent of workers in this category experienced material hardship, and 49.4 percent experienced financial insecurity. Further, 21.7 percent of those workers had to use AFS.

FIGURE 4

Workers Who Would Prefer to Work More Hours Are Likely to Experience Hardship, Experience Financial Insecurity, and Use AFS

Share of adults who experienced financial distress in the past 12 months, by working time preference



Source: Well-Being and Basic Needs Survey, December 2017

Notes: Workers ages 18 to 64.

*/**/*** Estimate differs significantly from estimate for respondents works for pay as many hours as he/she likes, full time at the 0.10/0.05/0.01 levels, using two-tailed tests.

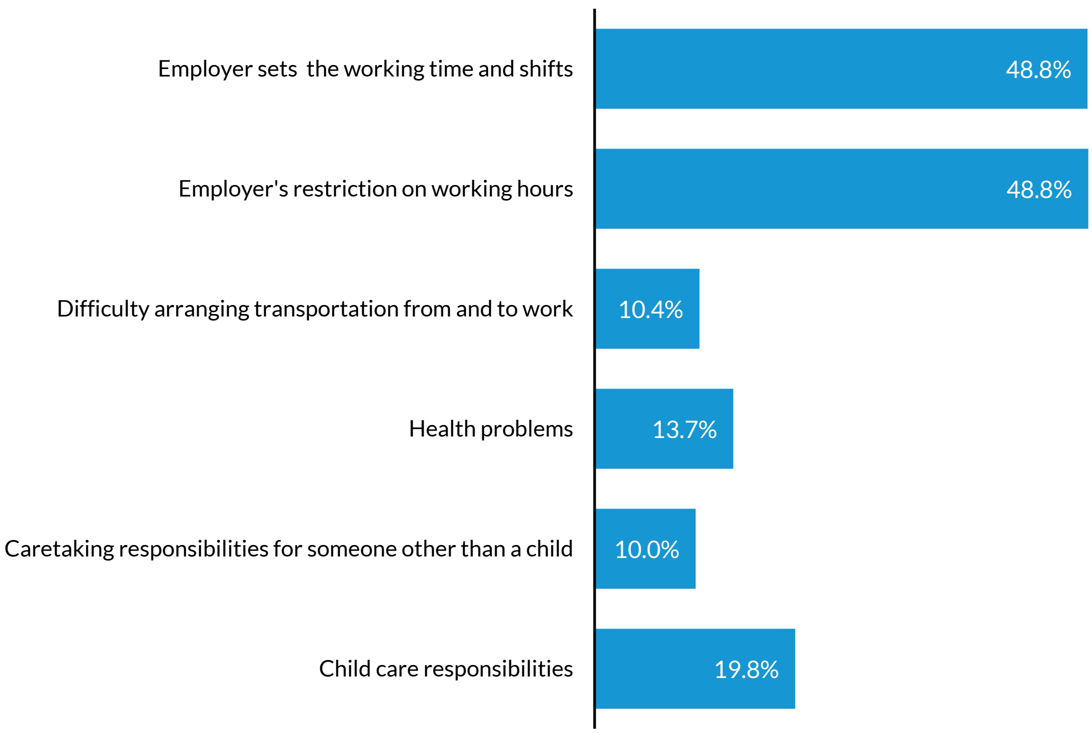
Of the 4,607 respondents who were working at the time of the survey, 1,090 would prefer to work more hours than they are currently working. We asked these 1,090 to classify whether the following reasons affect their ability to work as much as they would like: child care responsibilities, caretaking responsibility for someone other than a child (such as a parent, spouse or partner, or other adult family member or friend), health problems of their own, difficulty arranging transportation to or from work, an employer's restriction on how many hours they could work, and an employer setting or scheduling the times or shifts they work.[5]

Based on these answers, we estimate which factors have either a severe or moderate impact on a respondent's ability to work more hours (figure 5). We find that employer restrictions and a limited ability to schedule hours are the most common reasons for working fewer hours than desired (about 49 percent for both questions).[6] Child care responsibilities are also an important reason for working less than desirable hours, affecting about 19.8 percent of our sample. This result suggests that despite being employed, many respondents might be unsatisfied with their current job arrangement, which is insufficient to provide economic security for them.

FIGURE 5

Employer Restrictions and Limited Ability to Schedule Hours Are the Main Reasons for Working Fewer Hours Than Desired

Share of adults reporting that the following have a severe or moderate impact on their ability to work as much as they would like



Source: Well-Being and Basic Needs Survey, December 2017.
Note: Workers ages 18 to 64 who would prefer to work more hours.

Discussion

In this brief, we identify the characteristics of American working families in economic distress. We find that families with two working adults are less likely to experience hardship, have financial insecurity, and use AFS than families with a single working adult. However, economic distress is high even among families where both the respondent and his or her partner or spouse are working. We also find that workers with nonstandard work arrangements with changeable working hours and lack of job benefits are more likely to be in economic distress. Despite being employed, many workers are unsatisfied with their current job arrangement, which is insufficient to provide economic security for them.

Policy Implications

How can lawmakers, employers, and nonprofits help workers become more financially secure? Businesses, policymakers, and nonprofits can take steps to ensure employees reach stable financial ground:[7]

Reform the safety net and related protections for working families. Expanding the earned income tax credit for workers without qualifying children and widening the age range for eligibility would also increase families' be financial stability. For working families with children, access to high-quality affordable child care during nontraditional hours can help workers with irregular schedules.

Expand access to benefits outside of traditional employment arrangements. Many workers who do not work in traditional, full-time positions have diminished access to health care, retirement, and other benefits. Expansions on multiple fronts, such as making benefits available to part-time workers or creating opportunities to access benefits outside of employers, would increase coverage for millions of Americans. Policymakers could encourage options that separate benefits from employment, allowing workers to obtain benefits from structured marketplaces or publicly offered plans. The District of Columbia's provision of universal pre-K for children ages 3 to 5 increased maternal workforce participation rate 12 percent (Malik 2018), and Washington State recently passed universal paid family and medical leave, providing up to 12 weeks of partially paid leave. These changes allow workers to gain access to crucial benefits that support financial security despite nontraditional work arrangements.

Create avenues for workers to increase their skills and advance their careers throughout all stages of life. Technology and work will continue to change, and workers will need to continually renew their skill sets. Apprenticeships allow workers to earn while they learn and avoid starting their career in debt.[8] Career pathways through on-the-job training can also ensure workers are prepared for changes in their work roles.[9] And sensible higher education finance can ensure workers aren't saddled with debt through their careers.[10]

Help families build up emergency savings. Our research finds that families with as little as $250 to $749 in savings are less likely to be evicted; miss a housing or utility payment; or receive public benefits after a job loss, health issue, or large income drop (McKernan et al. 2016). Before workers can be good homeowners and retirement savers, they need a cushion for emergencies. Employers, nonprofits, and the government could offer incentivized and automated savings, such as an automatic direct deposit into a savings account or a savings wallet on a low-fee payroll card. And as an alternative to expensive payday loans and auto title loans, employers, nonprofits, or the government could offer low-cost emergency credit.

Notes

[1] The job characteristic questions were only asked of survey respondents. Therefore, we cannot construct family level measures for these variables.

[2] Our estimates of the share of people holding multiple jobs are higher than the share estimated in the Current Population Survey (16 percent versus about 5 percent). This might be related to the higher share of people in our sample reporting they are self-employed. See Karpman, Zuckerman, and Gonzalez (2018a) for more information.

[3] The question is not asked for workers who only report being self-employed, and our sample is smaller for this analysis (3,828).

[4] Megan Dunn, "Who chooses part-time work and why?" Monthly Labor Review, March 2018, https://www.bls.gov/opub/mlr/2018/article/who-chooses-part-time-work-and-why.htm.

[5] The last two questions were not asked for self-employed respondents.

[6] Self-employed are not included in the denominator for these two variables.

[7] These policy recommendations are based on Caleb Quakenbush and Signe-Mary McKernan, "Family Financial Security Takes More than a Steady Paycheck," *Urban Wire* (blog), April 16, 2018..

[8] "Apprenticeships," Urban Institute, accessed February 6, 2019, https://www.urban.org/features/apprenticeships.

[9] Pamela J. Loprest, "Expanding Opportunity through Career Pathways and Training for Middle-Skill Jobs," *Urban Wire* (blog), June 16, 2016.

[10] Matthew Chingos and Susan Dynarski, "An International Final Four: Which Country Handles Student Debt Best?" *The Upshot* (blog), April 2, 2018, https://www.nytimes.com/2018/04/02/upshot/an-international-final-four-which-country-handles-student-debt-best.html.

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