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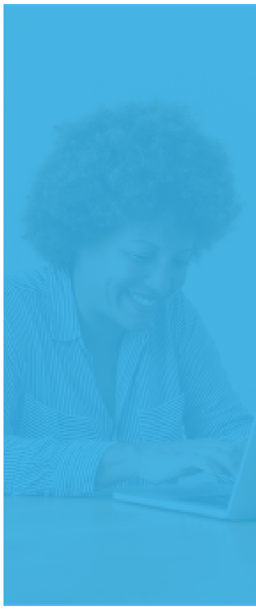
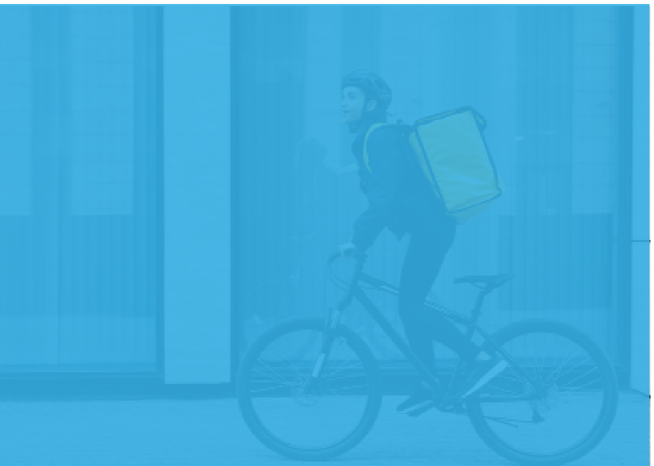
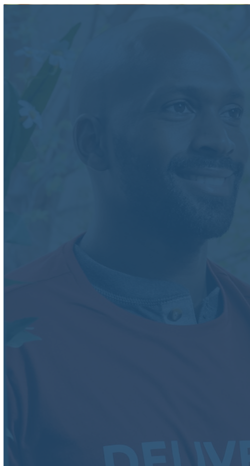
Evaluating the Impact of Income Volatility Benefits on Gig Workers:

Preliminary Insights from The Financial Benefits Project

August 2022







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Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx, and women-led households disproportionately experience financial insecurity due in large part to longstanding, systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth's work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 1.5 million people to accumulate more than $6 billion in savings. Commonwealth understands that broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.

Gig Wage is building the financial infrastructure for the entire 1099 ecosystem. The company's unique technology enables employers to instantly pay 1099 workers with more flexibility and scale, while simultaneously offering independent contractors a convenient and efficient way to receive payments. Gig Wage is shaping the future of work by tackling the complex challenge of handling contractor payroll, payments, and compliance in order to drive economic empowerment for all.

Green Dot Corporation is a financial technology and registered bank holding company committed to giving all people the power to bank seamlessly, affordably, and with confidence. Green Dot's technology platform enables it to build products and features that address the most pressing financial challenges of consumers and businesses, transforming the way they manage and move money and making financial empowerment more accessible for all. For more information about Green Dot's products and services, please visit www.greendot.com.

Steady is an impact-driven fintech focused on improving the financial health of America's growing 1099/gig economy. Through tools to help workers improve their earnings potential and increase the stability of their income, the platform helps nearly six million members earn, on average, over $5,500 more per year. At the onset of the pandemic, Steady realized the need to explore institutional interventions that could further benefit this workforce. From work in providing emergency cash grants to expanding benefit access to uncovering data on the effectiveness of policy solutions, Steady found impact was magnified when addressing systems-level change. Find out more at https://www.steadyapp.com/impact.

This research was made possible through the support of the Target Foundation. The findings, interpretations, and conclusions expressed in this piece are those of Commonwealth and do not necessarily represent those of our funders or partners.

Executive Summary

Gig workers account for approximately 25 to 35% of the national workforce. When considering workers earning low to moderate incomes (LMI), these percentages are likely higher. Gig work provides reported advantages including flexibility, supplemental income, and independence. However, it also brings unique financial challenges such as complicated taxes, low and unpredictable wages, and difficulty accessing benefits. A report from the Shift Project found that, compared to service-sector employees, a greater percentage of gig workers earned less than the minimum wage, had lost earnings from technical difficulties, used SNAP benefits, and were not able to cover utility payments in full. Due to these barriers to financial security, gig workers are often unable to build an emergency savings reserve.

Commonwealth launched the Financial Benefits Project pre-pilot to further explore the financial needs of gig workers and to outline recommendations for employer benefits that reduce the impact of income volatility. In combination with schedule stability and predictable wages, income volatility benefits have the potential to help workers earning LMI manage from day to day, particularly given the reduction of COVID-19 supports.

Across two cohorts, Commonwealth evaluated the impact of three interventions on financial hardships for 138 gig workers enrolled in the project. Participants were eligible for up to $1,000 in funds over a four-month period through weekly stipends, emergency grants, and emergency loans.

Preliminary Pre-pilot Project Insights

HARDSHIPS WERE FREQUENT, EXPECTED, AND EXPENSIVE, AND DEMAND FOR SUPPORT WAS HIGH

At the close of the program, most participants experienced some form of financial hardship. Typically, these hardships were expected; participants needed support to pay rent and utilities expenses, as well as for unpaid bills. For many, it was standard to experience multiple hardships over the four-month period. Though the interventions helped participants to cover some costs and avoid more negative repercussions, multiple emergencies quickly eroded progress made towards financial stability. While the degree of demand varied by program, participants agreed that access to income volatility benefits would help reduce financial stress and that accessing a benefit again in the future would make them feel more confident in their ability to pay for emergencies.

INTERVENTIONS WERE OFTEN USED TO COVER BASIC NEEDS

Across all three interventions, respondents described their top financial hardships to be rent or utilities expenses, auto-related expenses, or being unable to pay for basic expenses. For many, the interventions were a way to catch up on past needs, rather than covering a volatile dip.

$1,000 PRODUCED A POSITIVE SHORT-TERM IMPACT

At the start of the program, most participants did not have the resources to manage a $1,000 expense, and many reported $0 in savings. For many, the $1,000 interventions provided short-term financial relief and reduced stress. Given the size and frequency of hardships, $1,000 in a four-month period was typically not substantial enough to produce a lasting impact for the participants. At the close of the pre-pilot, participants were not in a better position to manage future hardships. The majority ended the program with less than $1,000 in savings, and many reported $0 in savings at the close of the program.

Preliminary Intervention Effectiveness

- **Weekly Stipend:** Demand appeared to be highest for the weekly stipend. Additionally, 100% of participants reported that receiving stipend funds made them feel less stressed about their finances, and 100% also reported that accessing stipend funds again in the future would make them feel more confident in their ability to pay for emergencies.
- **Grant:** A majority of grant recipients (97%) requested the full $1,000, compared to 46% of the loan recipients, and 92% of respondents agree that accessing a grant again in the future would make them feel more confident in their ability to pay for emergencies. Early evidence suggests programs where repayment is not required may be more effective in prolonging impact.
- **Loan:** Credit scores for loan applicants primarily ranged between 400 and 600, well below the score typically required to qualify for a personal loan. At the close of the pre-pilot, 75% of loan recipients were in bad standing, having failed to make payments. Further research is needed on how to best deliver emergency loans and who the tool benefits.

Recommendations for Employers

From these preliminary insights, Commonwealth developed design recommendations for employers looking to offer income volatility benefits:

- **Integrate interventions into a holistic solution** including a network of supports (i.e., building emergency savings, earning a livable income, health insurance, stable work hours) to reduce future hardships and build financial capability.
- **Focus on delivery,** ensuring a trusted source facilitates communication and implementation, including clear terms on the details of the benefit, and simplifying the process for requesting funds.
- **Design with the specific intervention in mind.** Each of the interventions we tested requires a different design. Aim to best understand how your employees access and plan to use the income volatility benefit in order to align the benefit design with their needs. Our report includes design recommendations specific to each type of intervention offered.

Without financially stable periods to build up emergency savings, and as COVID-19 hardship supports continue to close, there remains a need for income volatility benefits.

Introduction

Following the COVID-19 pandemic, gig workers are battling rising prices, frequent volatility, and an uncertain economic future. Gig work refers to non-standard work arrangements, including temporary, freelance, and contract roles. As the nature of gig work is difficult to define, data on the number of gig workers operating in the U.S. varies widely. Pew Research Center estimates that 16% of Americans have earned money on a gig platform, increasing to 25% for those living on low incomes. In 2019, an estimated 57 million Americans, or 35% of the workforce, engaged in freelance work in some capacity. Black and Hispanic Americans also make up a greater percentage of gig workers, 20% and 30% respectively, compared to 12% of white Americans.[1]

Gig workers generally have greater control over their schedule and flexibility to determine when and how much they work compared to traditional employment. This benefits both those who use gig work for independence and those who supplement their income with gigs (for example, to cover a seasonal dip in income). However, the continued debate about designating gig worker employment status (i.e., as an employee or as a contractor) has implications for labor protections. Additionally, gig workers experience unique financial challenges such as complicated taxes, unpredictable wages, and difficulty accessing benefits such as state family and medical leave.

Commonwealth's previous research on non-traditional work found that the needs and concerns for temporary, contract, and gig workers often aligned with those of traditionally-employed workers earning low wages, including limited access to health and retirement benefits, challenges in saving for emergencies, and lack of schedule and payment stability. Although facing similar struggles, gig workers are often in a worse position to overcome these challenges than traditionally-employed workers earning low wages. A report from the Shift Project found that, compared to service-sector employees, a greater percent of gig workers earned less than the minimum wage, had lost earnings from technical difficulties, used SNAP benefits, and were not able to cover utility payments in full.

Managing both frequent hardships and low incomes, gig workers often lack the financially secure periods needed to build a large emergency savings reserve. Research published by the AARP Public Policy Institute found that households with savings of at least $2,452 are significantly less likely to experience extreme financial hardship up to three years later.

Building on the Workers Strength Fund research, Commonwealth launched the Financial Benefits Project to explore income volatility benefits for workers earning LMI. Through the project, Commonwealth tested a number of design alternatives to provide recommendations for future programs.

The Financial Benefits Project

Commonwealth evaluated three tools designed to manage financial hardships and build an emergency savings reserve. Participants were eligible for up to $1,000 in funds over a four-month period through:

- **Weekly stipends:** Participants received payments of $70 to $80 at the end of each week, directly increasing take-home pay.
- **Emergency grants:** Participants could request multiple installments totaling up to $1,000 in grant funding.
- **Emergency loans:** Participants were pre-approved for a high-quality, low-interest loan between $300 and $1,000.[2] Unlike the other two tools, this support must be paid back at a guaranteed 5% interest rate.

[1] Terminology used in the Pew Research Center study

[2] Potential to build credit: the loan provider reports payments made on the loan to all three credit reporting agencies

These tools assist gig workers in managing hardships as they arise, whether anticipated (such as managing a rent or utilities payment) or unexpected (such as a car repair), and aim to reduce strain on their emergency savings reserve. Income volatility benefits can work alongside investments in future financial security, like retirement and wealth-building accounts. The frequency of hardships may be reduced when investing in services like health insurance to limit medical emergencies and burdensome medical debt.

Through the project, Commonwealth set out to explore:

- Do income volatility benefits help participants better manage financial hardships?
- How does demand vary for the different interventions?
- Does access to income volatility benefits support participants in growing their emergency savings reserve?
- How do these interventions impact financial security beyond the short term?

The Financial Benefits Project was broken into two four-month phases:

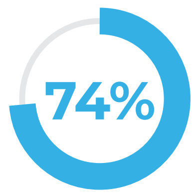
1. The first phase ran from October 2021 to January 2022 with an initial cohort of workers. Commonwealth partnered with Gig Wage, a payroll platform furthering the social safety net for 1099 workers, and Green Dot, a financial technology and registered bank holding company focused on making modern banking and money movement accessible for all.
2. The second phase ran from March 2022 to June 2022, during which Commonwealth partnered with Steady, a platform that connects users to part-time, hourly, on-demand work opportunities.

Workers were randomly assigned to one of the three benefits: weekly stipend, emergency grant, and emergency loan. They did not choose which intervention they received. Appendix A provides further insights on the research methodology.

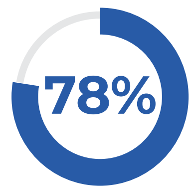
Participant Profiles

Across the two cohorts, **138 gig workers** enrolled in the project.

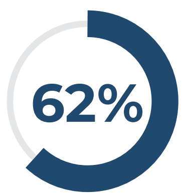
Over half (51%) identified as African American/Black



A majority (74%) identified as female



78% of workers were between the ages of 25 and 44



Although all participants made less than $70,000 a year, **a majority (62%)** made less than $40,000

Almost half (46%) of workers reported they also worked a W2 job in addition to working one or more gig, independent, or contract job(s)

Differences Between Cohorts

On average, Cohort 2 began the program in a worse financial position than Cohort 1, reporting lower Consumer Financial Protection Bureau (CFPB) Financial Well-Being scores, greater difficulty in managing their finances, and greater financial stress.

However, both cohorts began the program with a similar financial profile, including:

- Participants in both cohorts earned incomes below $70,000, the security of which varies by geography. Cost of living varied among cohorts, and Cohort 1 typically had larger household sizes, spreading income across more members.
- Both cohorts had similar savings balances. At the start of the program, 71% of Cohort 1 reported $1,000 or less in savings, with 41% reporting $0. For Cohort 2, 82% report $1,000 or less in savings, with 44% reporting $0.
- Additionally, in both cohorts, a majority experienced some form of income or expenses volatility. Appendix B provides additional detail on the difference between the two cohorts.

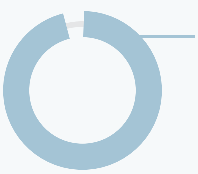
Insights by Intervention

Weekly Stipend

In the stipend program, participants received a weekly payment between $70 and $80 to simulate a raise.[3] The stipend was delivered independently of other wages and was delivered through the partner platforms regardless of how much they earned that week.

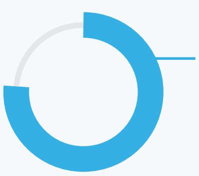
FINANCIAL HARDSHIPS

Participants were automatically enrolled to receive the weekly stipend after accepting the initial offer. The endline survey results of Cohort 2 suggest that hardships were frequent and expensive.[4]



96%

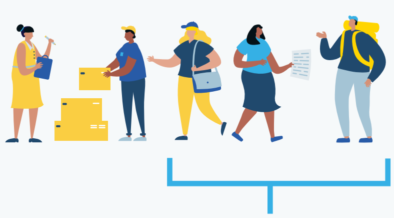
Of those who completed the final survey, **96% experienced at least one financial hardship less than or equal to $1,000** over the four-month period, with 40% experiencing three or more.[5]



76%

In addition to those lower-cost hardships, **76% experienced a financial hardship of more than $1,000,** with 32% experiencing three or more hardships.

Funds were primarily used to cover daily needs.

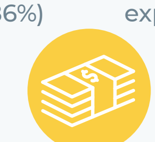


Of those who experienced financial hardship, **60% used the stipend funds as a way to cover the expense.**

The top financial hardships were classified as:

Rent or utilities expenses (86%)

Auto-related expenses (76%)



Being unable to pay for basic expenses (57%)

[3] The Gig Wage stipends payments were taxed; to keep the take home pay close to the total $1,000 we increased the weekly payment

[4] The sample size was too small for Cohort 1, results not included

[5] 25 Cohort 2 participants completed the survey (78%)

Of the **79%** who said that their financial emergency prevented them from working, **45%** reported that the stipend helped them to start working again.

Demand for weekly stipends was high and suggests that the weekly funding helped to reduce stress.

100%

of respondents agree (57% strongly agree) that receiving stipend funds made them feel less stressed about their finances.[6]

100%

of respondents agree (64% strongly agree) that accessing stipend funds again in the future would make them feel more confident in their ability to pay for emergencies.

When asked about their experience receiving the stipend, participants most often referenced reduced stress and being able to better manage expenses.

"The stipend helped me feed my family, pay for gas to get back and forth to work and doctor's appointments, helped with paying some bills, and took care of some expenses for our children. [...] It really helped in our time of need."

"Headaches, sick feeling in your gut, and acne are all symptoms from being stressed about finances."

"The relief from stressing about how to pay for everything was a weightlifter."

"This last four months has been a struggle for sure...without the stipend, it would have been much more stressful trying to get the regular things."

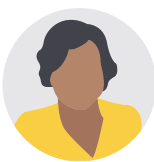
[6] Agree encompasses Somewhat Agree, Agree, and Strongly Agree

For some, the additional funds could not offset financial insecurity.

"The extra cash has come in handy, but I never could foresee my engine failing on my car. This has really hurt my situation; can't deliver, can't work, can't earn needed extra money."

"I appreciated participating in this because the extra money each week helped a lot. I lost my job in March and now have a new job but am recovering. So, the extra money helped and I wish this lasted longer."

Though Commonwealth designed the weekly stipend program to mimic a raise, some considered the funds similar to a guaranteed income, separate from their paycheck.



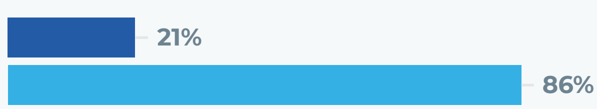
"I greatly appreciated the stipend funds - primarily because I would budget without them (I prefer to use low/pessimistic budgeting estimates just in case there is some type of financial emergency, unexpected expense, etc.) so when [the stipend] would post they almost always helped me cover an unexpected expense, a basic living expense, or an unexpected fee."

Not everyone who experienced a hardship cited the stipend in how they covered the hardship. In future research, Commonwealth will explore how the perception of funds impacts what the funds are earmarked for and how perception changes with the stipend amount.

Emergency Grant

In the emergency grant program, participants could make multiple requests, up to $1,000 total, in grant funds over the four-month period. When experiencing financial hardship, grant participants could make a request for funds through an online form distributed during onboarding. Once approved, the requested funds were delivered through the partner's platform. Across both cohorts, 49 participants enrolled in the grant program. Response to the initial offer varied across cohorts. Additional breakdown by cohort can be found in Appendix C.

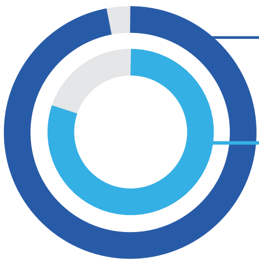
59% of participants across both cohorts requested a grant. All grants were approved and the funds were distributed within 1-2 days.



Cohort 2 made more requests and requested earlier on in the program. **21% of participants requested a grant in Cohort 1** compared to **86% of participants in Cohort 2**. For Cohort 1, grants were requested evenly over the first three months of the program. For Cohort 2, 90% of grants were requested in the first month, with 60% requests made in the first week, further evidence that Cohort 2 was in a worse financial position.

FINANCIAL HARDSHIPS

Demand for grant funding was high and needed right away.



97% of grant recipients requested the full $1,000 with **80%** requesting the full amount in their initial request.

The endline survey results for Cohort 2 suggest $1,000 was not sufficient to cover the entirety of financial hardships that participants were managing during the program.[7]

Of those who completed the final survey, everyone experienced at least one financial hardship less than or equal to $1,000, with **67%** experiencing three or more.[8]

In addition to those lower-cost hardships, **87%** of participants also experienced a financial hardship of more than $1,000, with **42%** experiencing three or more hardships.

[7] The sample size was too small for Cohort 1, results not included

[8] 24 Cohort 2 participants completed the survey (83%)

Grant requests typically covered known expenses, suggesting these expenses had been put off because resources were unavailable.

Based on the grant applications, participants' indicated their primary reason as:

Housing (33%)

Auto (19%)

Utilities (11%)

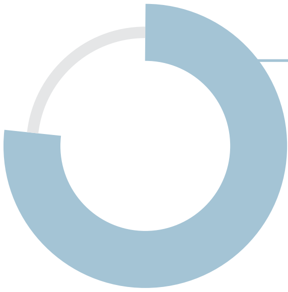
Unpaid Bills (9%)

Similarly, when asked in the endline to classify the hardships faced during the four-month program, participants cited rent/utilities (85%), auto-related (69%), and being unable to pay for basic expenses (62%).

For those who requested a grant, the emergency expense **prevented 62% from working**, putting them further behind financially and in a worse position to manage future expenses.

For many, additional support was necessary in order to get back to work. **Only 38%** reported the grant helped them to start working again. Those who were unable to cover a hardship with a grant utilized higher social and financial cost sources including borrowing from friends and family, using credit cards or short-term payday loans, or pawning/selling something they owned.

Although a desired tool for managing a hardship, $1,000 often was not enough to reduce financial stress.



77%

of respondents agree (54% strongly agree) that **receiving a grant made them feel less stressed about their finances**

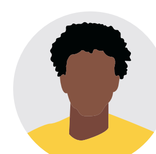
92%

of respondents agree (85% strongly agree) that **accessing a grant again in the future would make them feel more confident in their ability to pay for emergencies**

For many, the grant came as a saving grace:

"The grant process felt like magic, honestly. It was amazing to see [the] $1,000 deposit in my account, no strings attached, just help, and what my family really needed. It was such a big help... I rarely if ever have seen that much money appear in my account, ready for me to use it. I used the $1,000 to finish paying for my car repair, I filled up my kitchen with food for my children, and I paid my water and gas bills and all the late fees along with them."

"I broke down and cried. It gave me a lot of hope, and I told so many people about it. [I] felt blessed and relieved."

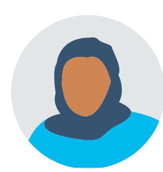


For others, $1,000 was not enough to manage the constant insecurity.

"I used the funds to help fix my car. However, the expense was more than I expected. I had to take out a loan for the other $1,000 so it had put me in the hole quite a bit."

"I was happy to receive it but it was short-lived because immediately it was gone."

"I still am experiencing the same problems."



Emergency Loan

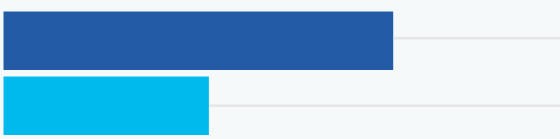
In the emergency loan program, participants had access to a pre-approved loan at a 5% interest rate through the Rhode Island-based Community Development Financial Institution (CDFI) Capital Good Fund. Over the four-month period, participants could request one loan between $300 and $1,000. Participants have a three-month deferment before making payments on the loan, which must be repaid within the year. Capital Good Fund reports payments made on the loan to all three credit reporting agencies, including late payments. For delinquent accounts, Commonwealth covers the remaining principal to prevent further negative action on credit reports.

Across both cohorts, 20 participants completed the loan application. The nature of requests was similar for both cohorts. Breakdown by cohort can be found in Appendix D.

Loans were pre-approved and the funds were distributed within 2-3 days after the loan was closed (once all requested documents were received and signed off by the applicant). Similar to the grant program, Cohort 2 made more requests and made requests earlier on in the program. In Cohort 1, 31% of participants applied for a loan, compared to 72% of participants in Cohort 2. For Cohort 1, the majority of loan applications were submitted in the second month of the program (November). For Cohort 2, the majority of loan applications were submitted in the first month of the program (March).

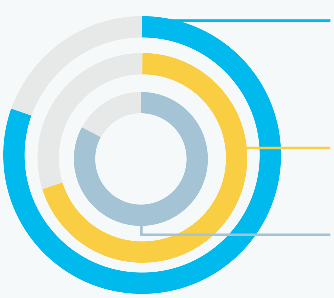
FINANCIAL HARDSHIPS

The cohorts varied in how much they applied for in loan funding.



86% of Cohort 1 loan participants applied for the full $1,000, compared to **46%** of Cohort 2 participants.

Similar to the emergency grant program, the endline survey results for Cohort 2 suggest $1,000 was not sufficient to cover the entirety of financial hardships that participants were managing during the program.[9]



Of those who completed the final survey, **80% experienced at least one financial hardship less than or equal to $1,000.**[10]

Additionally, **70% experienced at least one financial hardship of more than $1,000.**

A majority **(83%) used a loan to cover the hardship.**

[9] The sample size was too small for Cohort 1, results not included

[10] 10 Cohort 2 participants completed the survey (77%)

Participants used the loan to catch up on bills and to manage present living expenses. Based on the loan applications, participants applied for a loan to manage basic living expenses such as:

Unpaid bills expense (27%)

COVID-related expense (15%)

Rent/housing expense (12%)

When asked in the endline to classify the hardships faced during the four-month program, participants cited rent/utilities expenses (66%) and auto-related expenses (66%).

CREDIT SCORE

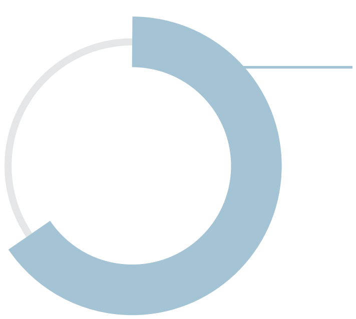
Applicants were preapproved for a 5% interest loan, regardless of credit score.[11] Scores primarily ranged between 400 and 600, well below the score typically required to qualify for a personal loan. This allowed emergency loan applicants to access cheaper credit than they could find through a financial institution or alternative lender, if they were able to access credit at all.

SIMPLICITY

Compared to the weekly stipend and emergency grant programs, the loan program had fewer participants who felt less stressed after the loan and who believed accessing a loan again in the future would make them more confident in their ability to pay for emergencies.

66%

of respondents agree (strongly or somewhat) that receiving an emergency loan made them feel less stressed about their finances.[12]



66%

of respondents strongly agree that accessing an emergency loan again in the future would make them feel more confident in their ability to pay for emergencies.

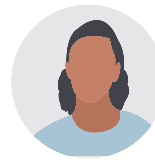
[11] Capital Good Fund soft-pulled or reviewed credit score information of applicants at the start of the loan process. The credit pull did not affect the applicant's credit score and the score was not used to determine eligibility. Credit scores are meant to indicate a higher risk for default so lenders charge a higher interest rate in order to recover some of the original loan in the event of delinquency.

[12] Of Cohort 2; sample size for Cohort 1 was too small to report

When asked about their experience in the program, respondents referenced the simplicity and ease in applying for and receiving the loan. Often, participants utilized the loan program when lower-cost alternatives were unavailable.

"I have severe anxiety so I'm always worried about my finances. I loved the ease I was able to apply for this loan and get it."

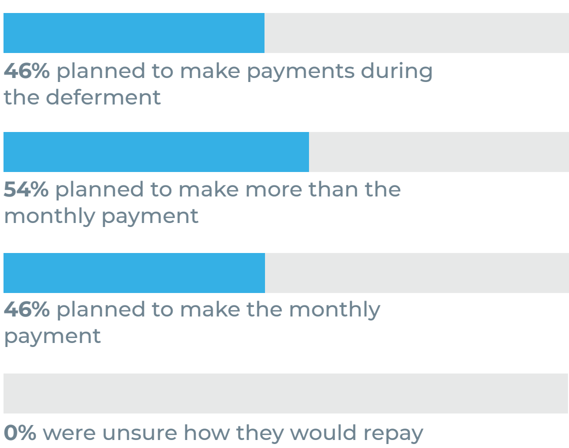
"The loan processing was smooth and simple. I used the funds for my wife's deductible for medication."

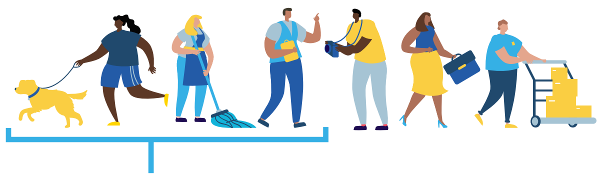


"It was a huge help and relief. It was easy to apply and received my funds quickly."

"I felt like everything was working against people like me until this opportunity came along and it helped somewhat. At least I am starting to see light at the end of the tunnel."

When asked about intent to repay the loan:[13]





About half of both cohorts (50% in Cohort 1, 56% in Cohort 2) reported that the loan did not cover their full costs. To cover the remaining portion, participants withdrew money from checking and savings accounts, asked family and friends to help cover the remaining portion, set up a payment plan, or reported they were not able to cover it.[14]

Although 66% of recipients said the emergency loan made them feel less stressed about their finances, early indications suggest paying back the loans will be a challenge. Only 25% are in good standing. The remaining 75% are in bad standing, having failed to make payments. While Commonwealth will repay any delinquent loans to prevent negative action on participants' credit scores, the insight suggests that the challenge to pay was not a result of timing in the short-term. Participants who could not manage the hardship may struggle to manage it for the next few months.

[13] n=13

[14] Cohort 1: 4 survey respondents, 57% of applicants; Cohort 2: 9 survey respondents, 69% of applicants

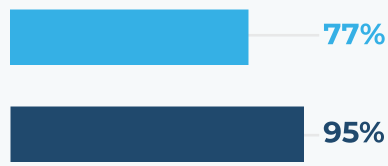
Financial Benefits Project Insights

In evaluating the three programs, Commonwealth found the following insights:

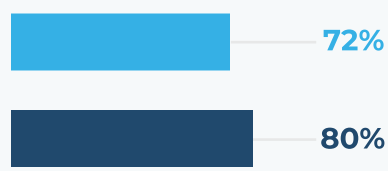
- Hardships were frequent, expected, and expensive, and demand for support was high
- Interventions were used to cover basic needs
- $1,000 produced a positive short-term impact

Hardships were frequent, expected, and expensive, and demand for support was high

At the close of the program, most participants experienced some form of financial hardship. Typically, these hardships were expected; participants needed support to pay rent and utilities expenses as well as for unpaid bills. For many, it was standard to experience multiple hardships over the four-month period: 77% of Cohort 1 and 95% of Cohort 2 had a financial hardship equal to or less than $1,000 over the pre-pilot period, and 72% of Cohort 1 and 80% of Cohort 2 had a financial hardship of more than $1,000.[15] Though the interventions helped participants to cover some costs and avoid more negative repercussions, multiple emergencies can quickly erode progress made back towards financial stability. While the degree of demand varied by program, participants agreed that access to income volatility benefits would help reduce financial stress and that accessing a benefit again in the future would make them feel more confident in their ability to pay for emergencies.



77% of Cohort 1 and **95% of Cohort 2** had a financial hardship equal to or less than $1,000 over the pre-pilot period.



72% of Cohort 1 and **80% of Cohort 2** had a financial hardship of more than $1,000.

Interventions were used to cover basic needs

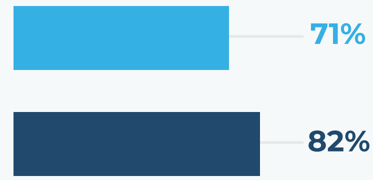
Across all three interventions, respondents described their top financial hardships to be rent or utilities expenses, auto-related expenses, or being unable to pay for basic expenses. For many, the interventions were a way to catch up on past needs, rather than covering a volatile dip.

[15] Cohort 1 sample size: 43; Cohort 2 sample size: 62

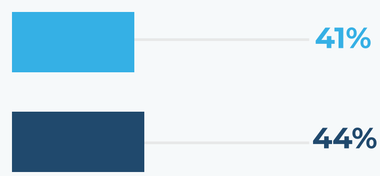
$1,000 produced a positive short-term impact

Although regularly confronting hardships, at the start of the program most participants did not have the resources to manage a $1,000 expense (71% of Cohort 1 and 82% of Cohort 2). Additionally, 41% of Cohort 1 and 44% of Cohort 2 reported $0 in savings. For many, the $1,000 interventions provided short-term relief. Given the size and frequency of hardships, $1,000 in a four-month period was typically not substantial enough to produce a lasting impact for the participants. Participants ended the program with low CFPB scores and high reported stress with Cohort 2 continuing to report lower measures than Cohort 1. CFPB scores saw no statistical improvement over the course of the program and a majority of participants continued to be stressed by their finances.[16] Volatility remained an issue with 68% of Cohort 1 and 72% of Cohort 2 experiencing some form of income volatility and 65% of Cohort 1 and 69% of Cohort 2 experiencing some form of expense volatility.

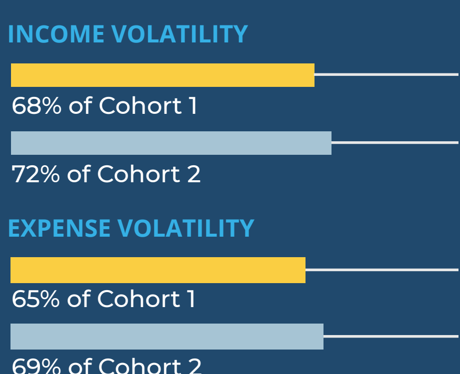
Additionally, participants ended the pre-pilot with generally low savings balances. As emergency savings are designed to be drawn down and refilled, low balances are not always a concern. However, combined with low financial wellbeing and frequent hardships, low balances can be a challenge for managing the next hardship. The majority of participants ended the program with less than $1,000 in savings (81% in Cohort 1, 85% in Cohort 2). One third of Cohort 1 and one half of Cohort 2 reported $0 in savings at the close of the program. Future research will explore who was in a better position to refill their savings as a result of the interventions. For loan recipients, further delinquency is expected.



Although regularly confronting hardships, at the start of the program most participants did not have the resources to manage a $1,000 expense (**71% of Cohort 1** and **82% of Cohort 2**).



41% of Cohort 1 and **44% of Cohort 2** reported $0 in savings.



Volatility remained an issue with **68% of Cohort 1 and 72% of Cohort 2 experiencing some form of income volatility** and **65% of Cohort 1 and 69% of Cohort 2 experiencing some form of expense volatility**

[16] No statistical difference between baseline and endline

Intervention Design Recommendations

Integrate Interventions into a Holistic Solution

Interventions help users manage current financial hardships, without turning to costly alternatives. In order to be successful long-term when addressing financial insecurity, these solutions should be included in a network of supports (i.e., building emergency savings, earning a livable income, health insurance, stable work hours) to reduce future hardships and build financial capability.

Focus on Delivery

Think beyond which benefits are offered to how benefits are delivered. Ensure a trusted source facilitates communication and implementation. Simplicity is crucial for a user deciding how best to manage a hardship. Include clear terms on the details of the benefit and simplify the process for requesting funds. How quickly a user can access funds in an emergency will determine if and when they take up the benefits.

Intervention-Specific Recommendations

WEEKLY STIPEND

- Understand how users perceive the weekly stipend. This will depend on the stipend amount, duration of the program, and the delivery (i.e., Is it distributed alongside a paycheck? Is it delivered through a separate app or stored in a separate account?).
- To support future capability, employ messaging and mechanisms to encourage users to save a portion of the weekly payment.
- Regular delivery of payments, without missed weeks or inconsistency, helps to build trust in the program.

EMERGENCY GRANT

- Maintain the balance between delivering funds quickly and proper documentation.
- Securely tracking who makes a request, how much is requested, when a request arises, and for what purpose will help with reporting on key outcomes and evaluating the program's success.
- Use effective and simple communication around the grant's guidelines, if any, and provide an easily accessible platform to make the requests.

EMERGENCY LOAN

- Provide resources for users to understand when a loan is the best option for their request and what alternatives are available.
- Given more complete information, trust that the user will make the best decision for their financial circumstance.
- Remove unnecessary barriers to access through reducing requirements and paperwork.
- Clearly outline the repayment process and consequences of missed payments or inability to repay, and share pertinent information at multiple points throughout the lifetime of the loan.

Conclusion

With the gig workforce expected to grow in the next few years, it is important that benefits are designed with the specific financial needs of workers earning LMI in mind. As the nature of emergencies include unmanageable hardships and traditionally unexpected events, income volatility benefits may provide crucial short-term support and reduce financial stress.

Building on the initial insights from the Financial Benefits Project, Commonwealth is exploring how to expand benefit offerings for workers earning LMI. The research will evaluate tools to support both immediate financial security (such as earned wage access and reimagined Health Savings Accounts) and to build wealth over time (such as student loan repayment and flexible retirement). Commonwealth will continue to identify how to best design, deliver, and message these tools to support long-term impact on employee financial wellbeing.

We are actively engaging with innovators, fintechs, financial services firms, industry experts, employers, and policymakers. To learn more about how your organization can partner with us to discover new data, receive expert insights, and strategize to improve the financial security and opportunity, contact us or sign up for our newsletter. We look forward to working together towards a more equitable financial future for people living on low- to-moderate incomes.

Appendix

Appendix A - Methodology

Cohort 1 had a narrow scope relative to both industry and geography; eligible participants worked as healthcare contractors in Texas. The criteria for Cohort 2 were loosened to include gig workers in various industries and any U.S. geographic location in an effort to increase enrollment.

Commonwealth collected demographic data and details about the gig workers' financial security at baseline and revisited at endline. Participants were surveyed every other week to collect data on bi-weekly volatility. Additionally, researchers surveyed grant and loan recipients following the receipt of funds.

In addition to testing the effects of income volatility benefits, Commonwealth evaluated data collection methods for research with households living on LMI. Researchers delivered surveys through multiple platforms including email, Interactive Voice Response phone calls, and text-based messaging (WhatsApp and Facebook Messenger).

Participants were most likely to complete research activities when interacting with a researcher in real time. Having someone available to answer questions helped to build trust in the program and sustain engagement in the research. Response rates were higher when participants had greater flexibility for when they completed the bi-weekly surveys.

After receiving the offer to join the program, participants had one week to actively accept the offer and enroll. Both cohorts received an email reminder to complete the sign-up midway through the enrollment period. Prior to phase 2, the email correspondence was shortened, the language was simplified, and the messaging better addressed concerns about the project's legitimacy. There is mixed evidence that the revisions were successful. The enrollment rate was lower for the second cohort for the emergency grant and the emergency loan programs but higher for the weekly stipend program.

For both cohorts, recruitment was a challenge. Of the 650 potential participants who received the initial outreach in phase 1, 9% successfully onboarded into the project compared to only 2% of the 4,600 who received the initial outreach in phase 2. In follow-up interviews, participants from both cohorts recall hesitancy in enrolling in the project, believing it to be a scam. This was similar to what participants reported thinking during Commonwealth's previous research with the Workers Strength Fund. The "too good to be true" nature remains a risk for future work, and ensuring that a trusted source manages both communication to participants and delivery of the benefits is fundamental to the success of similar projects.

Appendix B - Comparison of Cohorts

On average, Cohort 2 began the program in a worse financial position than Cohort 1:

- 89% of Cohort 2 report Very Low to Medium Low CFPB Financial Well-Being scores compared to 45% of Cohort 1
- 92% of Cohort 2 found it "difficult to get by financially" or were "just getting by financially," compared to 46% of Cohort 1
- 52% of Cohort 2 reported they always "feel stressed about their finances," compared to 20% of Cohort 1

However, both cohorts began the program with a similar financial profile. Participants in both cohorts earned incomes below $70,000, the security of which varies by geography. Texas has a lower cost of living compared to the U.S. average but Cohort 1 typically had larger household sizes, spreading income across more members. Both cohorts had similar savings balances. At the start of the program, 71% of Cohort 1 report $1,000 or less in savings, with 41% reporting $0. For Cohort 2, 82% report $1,000 or less in savings, with 44% reporting $0. Additionally, in both cohorts a majority experienced some form of income or expense volatility.

Recruitment differences likely contributed to the disparity. Cohort 1 was recruited from a single employer in a specific geographic area, Texas. Further, though Cohort 1 employees were considered contract and temporary workers, many spent close to 40 hours working with the same employer without the guarantee of a set schedule or set wage. The availability and potential earnings from gigs varied week to week. For Cohort 1, financial insecurity may have been driven by schedule instability and limited access to various workplace benefits (i.e., retirement, healthcare, etc.).

Cohort 2 was geographically and employment diverse meaning the cost of living varied. Cohort 1 was introduced to the implementing partner, Gig Wage, through working for their employer, whereas Cohort 2 was introduced through Steady, a platform to connect to one-off jobs, typically utilized by people struggling to get by.

Additionally, phase 1 of the project took place in the Fall of 2021 when a number of COVID-19 related supports were in place (e.g., rental support, monthly child tax credit payments). During phase 2, in the Spring of 2022, supports had been reduced. COVID-19 played a role in why participants felt financially insecure: 39% of Cohort 2 report that they felt financially secure before COVID-19 but now no longer do, compared to 21% from Cohort 1. Loss of Child Tax Credit (CTC) payments may have been another factor in the financial difference between cohorts. 66% of Cohort 2 were not eligible to receive the CTC, and only 30% of eligible recipients received the payments each month.

Appendix C - Reasons for Grant Request

Total (Both Cohorts)

Grant Reasons	Count	Percent
Housing Expense	18	33.33%
Auto Expense	10	18.52%
Utility Expense	6	11.11%
Unpaid Bills Expense	5	9.26%
Medical Expense	4	7.41%
COVID-Related Expense	3	5.56%
Loss of Work Hours Expense	2	3.70%
Food Expense	2	3.70%
Childcare Expense	2	3.70%
Loss of Family Member Expense	1	1.85%
Other-Pay Off Personal Loan	1	1.85%
Totals	**54**	

Cohort 1

Grant Reasons	Count	Percent
Housing Expense	3	37.5%
Auto Expense	2	25%
Medical Expense	1	12.5%
Unpaid Bills Expense	1	12.5%
Utility Expense	1	12.5%
Totals	**8**	

Cohort 2

Grant Reasons	Count	Percent
Housing Expense	15	32.61%
Auto Expense	8	17.39%
Utility Expense	5	10.87%
Unpaid Bills Expense	4	8.70%
Medical Expense	3	6.52%
COVID-Related Expense	3	6.52%
Loss of Work Hours Expense	2	4.35%
Food Expense	2	4.35%
Child Care Expense	2	4.35%
Loss of Family Member Expense	1	2.17%
Other-Pay Off Personal Loan	1	2.17%
Totals	**54**	

Appendix D - Reasons for Loan Request

Cohort 1

Loan Reasons	Count	Percent
Unpaid Bills Expense	2	25.00%
Housing Expense	1	12.50%
Medical Expense	1	12.50%
Utility Expense	1	12.50%
Loss of Family Member Expense	1	12.50%
Moving Expenses	1	12.50%
Other: General Crisis Relief	1	12.50%
Totals	**8**	

Cohort 2

Loan Reasons	Count	Percent
Unpaid Bills Expense	7	28.00%
COVID-Related Expense	5	20.00%
Loss of Work Hours Expense	3	12.00%
Rent Expense	3	12.00%
Auto Expense	3	12.00%
Loss of Family Member Expense	1	4.00%
Unemployment Expense	1	4.00%
Utility Expense	1	4.00%
Child Care Expense	1	4.00%
Totals	**25**	

Appendix

Additional Analysis of Steady Cohort

Executive Summary

As detailed in this report, Commonwealth launched the Financial Benefits Project pre-pilot to further explore the financial needs of gig workers and to outline recommendations for employer benefits that reduce the impact of income volatility. In combination with schedule stability and predictable wages, income volatility benefits have the potential to help workers earning low to moderate incomes (LMI) manage from day to day, particularly given the reduction of COVID-19 support.

To complement our survey findings from the project, we worked with Steady, one of our pre-pilot partners, to gather additional data on the effectiveness of these interventions. The interventions that were randomly assigned to participants were:

- A weekly stipend over the course of pilot period totalling $1,000;
- An emergency cash grant available for request of up to $1,000; and
- A one-time, low-interest loan available for request of up to $1,000.

Through consented connectivity with the deposit accounts of pilot participants, Steady was able to offer a real-time view of their financial health, with benchmarks across two control groups selected from their member base. This appendix will outline data gathered and analyzed by Steady, assessing income trends, income health, and spending trends.

Steady reviewed the pre-, during, and post-program financial health of participants, assessing a ten-month period that included the three months in which the Financial Benefits Project was active. They also included two control groups that mirrored the program cohort:

1. Non-National Control Group: Participants who were offered to be part of the pre-pilot
   - Filled out a screener survey
   - Did not actually enroll themselves into the full pre-pilot
   - Did not receive any of the three interventions
2. National Control Group: Non-participants from Steady's member base
   - Matched to each of the program participants by state and income (2021 total income within $100 of pre-pilot participants)

The additional data gathered supports the same claims made in our main report and also showcased additional positive impacts from the benefits that were provided.

Key Findings

INCOME TRENDS

- Getting emergency cash, when you need it, can stave off further financial events.
- The relationship between W-2 and 1099 income is reliably inverse—when participants lose income from their W-2 jobs, they need to pick up 1099 work to supplement.

INCOME HEALTH

- Direct cash interventions can immediately decrease the need to use predatory products, such as payday loans or cash advances.
- However, overall usage of these products is higher for those who earn more income (i.e., for those who have more income that they need to access ahead of payday). This demonstrates the general inadequacy of wages for workers living on low incomes.

SPENDING TRENDS

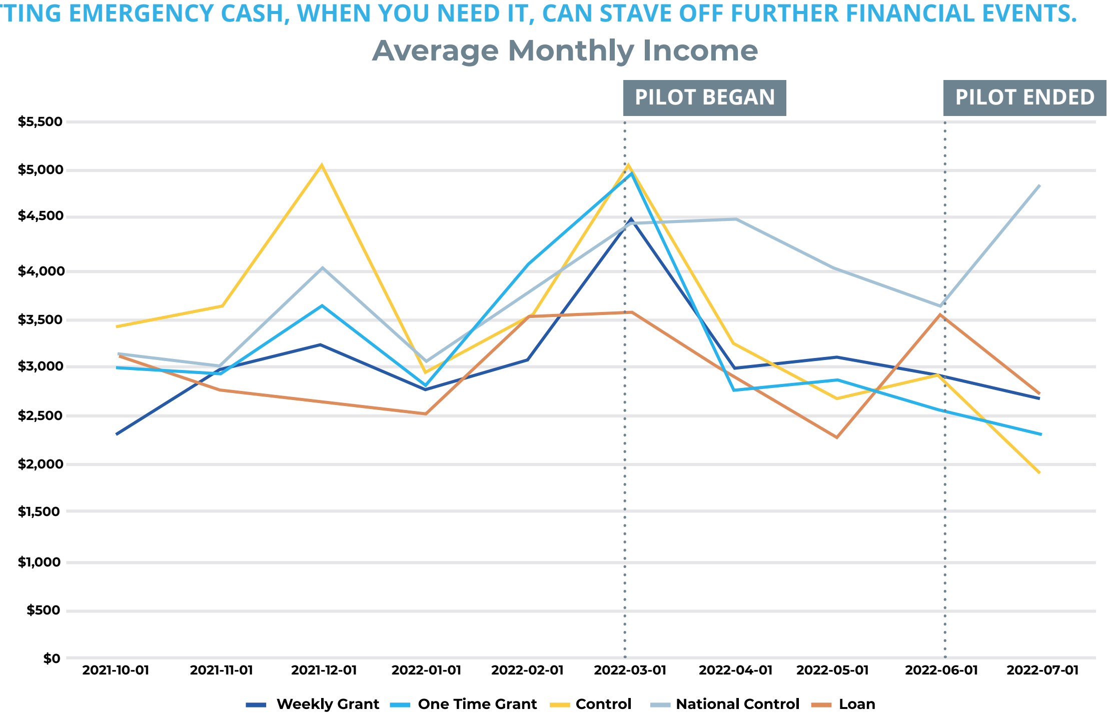
- The weekly grant participants were more likely to spend less on their credit cards and avoid overextending credit in order to pay for their monthly expenses, which also led to avoiding the further accumulation of credit card debt and high interest rates.
- All of the experimental groups kept their monthly outflows (spending) below their monthly inflows (income).

While in most of the categories above the national control group fared better than others, the interventions offered to the pre-pilot participants had some positive impacts in all three areas overall. This is promising to see at this stage and gives us more reason to continue testing these interventions as the next step to the pre-pilot.

Income Trends

One of the key findings in our initial report was that $1,000 produced a positive short-term impact in relation to the financial challenges that these participants faced. We saw a similar impact with the additional data analysis done by Steady.

GETTING EMERGENCY CASH, WHEN YOU NEED IT, CAN STAVE OFF FURTHER FINANCIAL EVENTS.



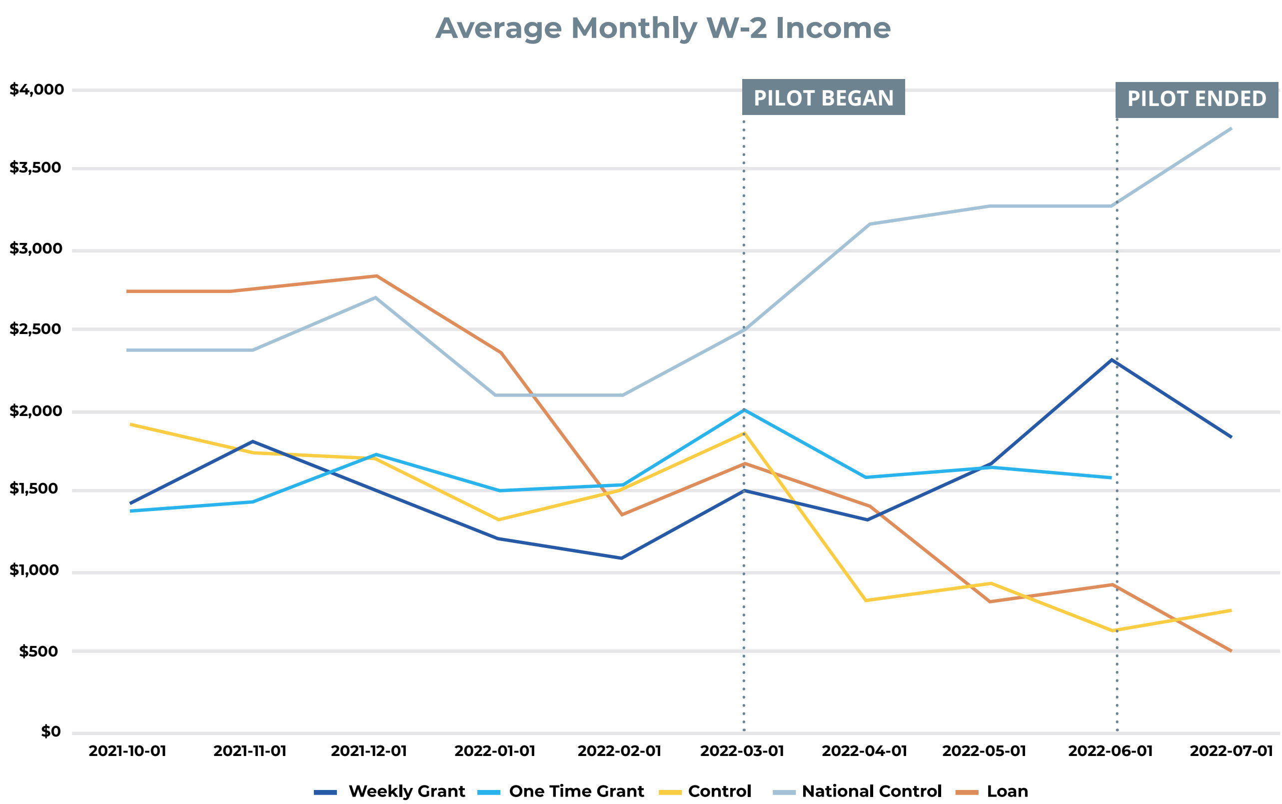
The above chart shows the average monthly income trends among the different intervention groups and the two control groups. While all experimental groups experienced an overall downward trajectory in income during the pilot period, it is important to recognize significant differences between the groups.

All intervention groups received a jump in monthly average income in March 2022, including the non-national control group since they received an incentive to complete a screener survey. March 2022 marks the launch of the pre-pilot and the injection of cash into a participant's budget and income.

By the end of the pilot period in June 2022, participants' average monthly income had gone down, and did not continue to go up like the national average did. However, when comparing the interventions groups to the non-national control group, there is a positive impact on average monthly income after the interventions were introduced.

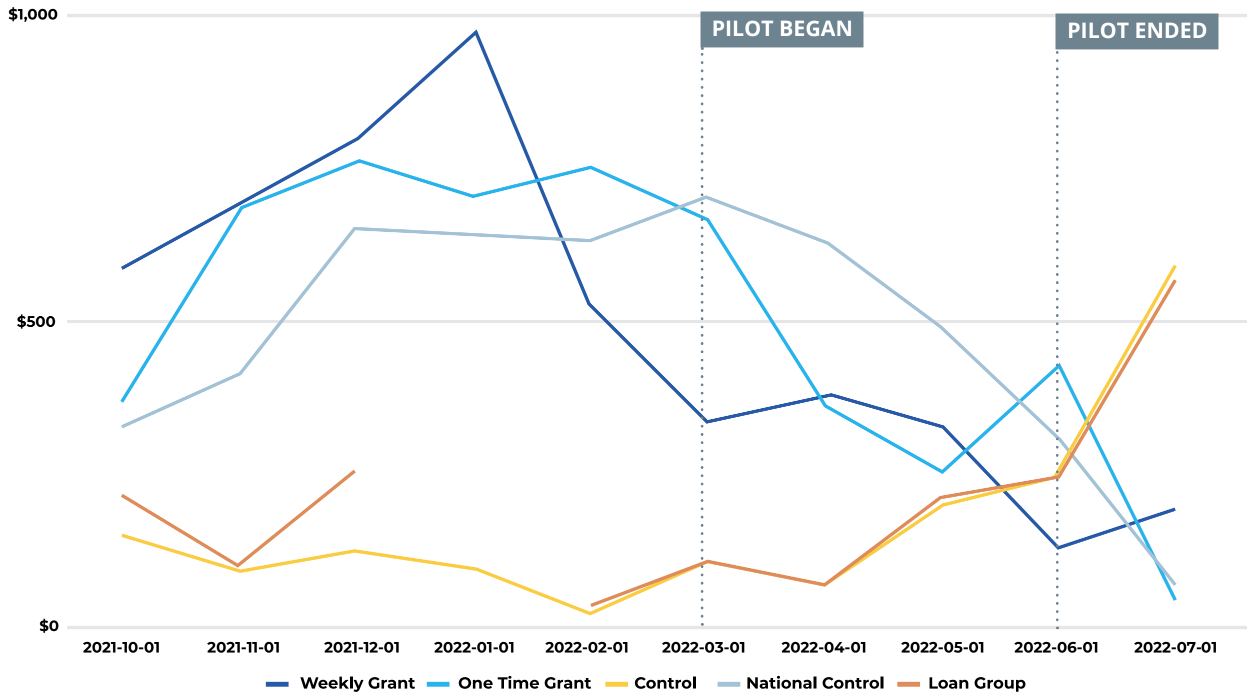
At the end of July, the non-national control group had a monthly average income of $1,889; the weekly stipend group ended with $2,683; the loan group ended with $2,695; and the one-time cash grant group had $2,298. In other words, the group that did not receive a cash infusion ended up with significantly lower earned income four months later than each of the groups that did. These results help prove out the overall thesis of the project—getting emergency cash, when you need it, can stave off further financial events. Even if not at parity with the national control, these experimental groups were able to maintain higher levels of overall income in the four months after receiving their grants.

EMERGENCY CASH RECEIVED ALSO HAS AN INVERSE EFFECT ON THE RELATIONSHIP BETWEEN W-2 AND 1099 INCOME.



While this project aimed to specifically serve gig earners (i.e., those who earn 1099 income), we found in our recruiting that many of the 1099 earners who participated also earned income from W-2 jobs. Typically, workers who have part-time W-2 jobs or shift-based jobs (in which they might not have full-time shifts allocated in a given week) often turn to gig work to supplement that income. For the purposes of this project, we still considered them gig workers, and we reported on the relationship between 1099 and W-2 income.

Average Monthly 1099 Income



While surveying participants in our original report, we asked how much emergencies brought on interruptions to their ability to work, and how much our interventions helped them get back to work. Steady reviewed how sources of income were changing during the pre-pilot to observe any correlation.

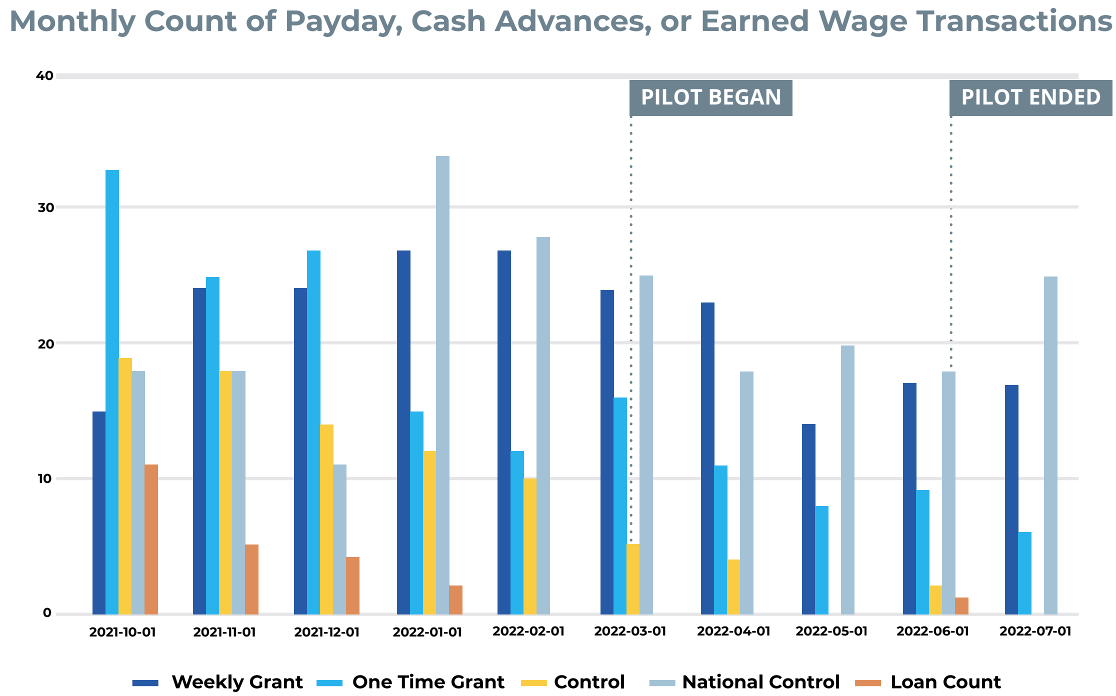
From our original report, we found that getting back to work highly depended on which intervention participants were receiving.

- Seventy-nine percent of participants who received the weekly stipend said that their financial emergency prevented them from working; of those, 45% reported that the stipend helped them to start working again.
- Sixty two percent of the participants who requested a one-time cash grant said that expenses from emergencies they experienced prevented them from working; of those, 38% of them reported the grant helped them to start working again.

The first chart here shows that these two groups maintained a relatively consistent level of W-2 income throughout the experimental period, with a slight increase at the end. The non-national control group (i.e., those who received no intervention) and loan group actually experienced the opposite: their W-2 income significantly declined as their 1099 income significantly increased. The survey results from the original report and these data on 1099 and W-2 income changes demonstrate the impact of the direct cash intervention in helping get participants back to work when an emergency happens. This allows them to keep W-2 income steady and decreases the need to pick up gig or 1099 income to make up for declining W-2 income. As for the opposite occuring with the loan intervention group, it is possible (since the loan has a repayment component to it) that the relationship between 1099 and W-2 income is more complicated, as we know from our main report that 75% of participants who applied for a loan are in bad standing, meaning they have failed to make payments.

Income Health

DIRECT CASH INTERVENTIONS CAN IMMEDIATELY DECREASE THE NEED TO USE PREDATORY PRODUCTS, SUCH AS PAYDAY LOANS OR CASH ADVANCES.



This chart shows the monthly count (i.e., usage of payday, cash advance, or earned wage transactions). It illustrates two key points: (1) the count, or usage, of these products decreased after the cash infusion; and (2) the overall count is higher for those groups who are earning more.

It is evident from this chart that as income goes up, the frequency or use of these products goes down. For both the weekly stipend and the one-time cash grant groups, the monthly usage declines after the experiment began in March, though for the one-time grant, this decline preceded March (i.e., it was low for January and February). The national control group's usage also went down, which is in keeping with the income trend results, which shows their income was climbing during this period.

HOWEVER, OVERALL USAGE OF THESE PRODUCTS IS HIGHER FOR THOSE WHO EARN MORE INCOME.

It is also clear that overall frequency (not whether it is increasing or decreasing) is inversely related to income: the national control group, who had highest incomes, also had highest use of these products; conversely, the non-national control group shows the lowest overall usage of all groups. This shows that the usage of these products actually indicates higher income earning, at least among people earning low incomes. The mechanism, while counterintuitive, is clear—those with the lowest overall income are not accessing products that provide advances on incomes, and those with the highest monthly count of these products have the most income that they are attempting to access ahead of payday. This is significant in that it shows the inadequacy of wages for workers earning low incomes—even those earning at the upper brackets of low income still require the use of potentially predatory products to make ends meet.

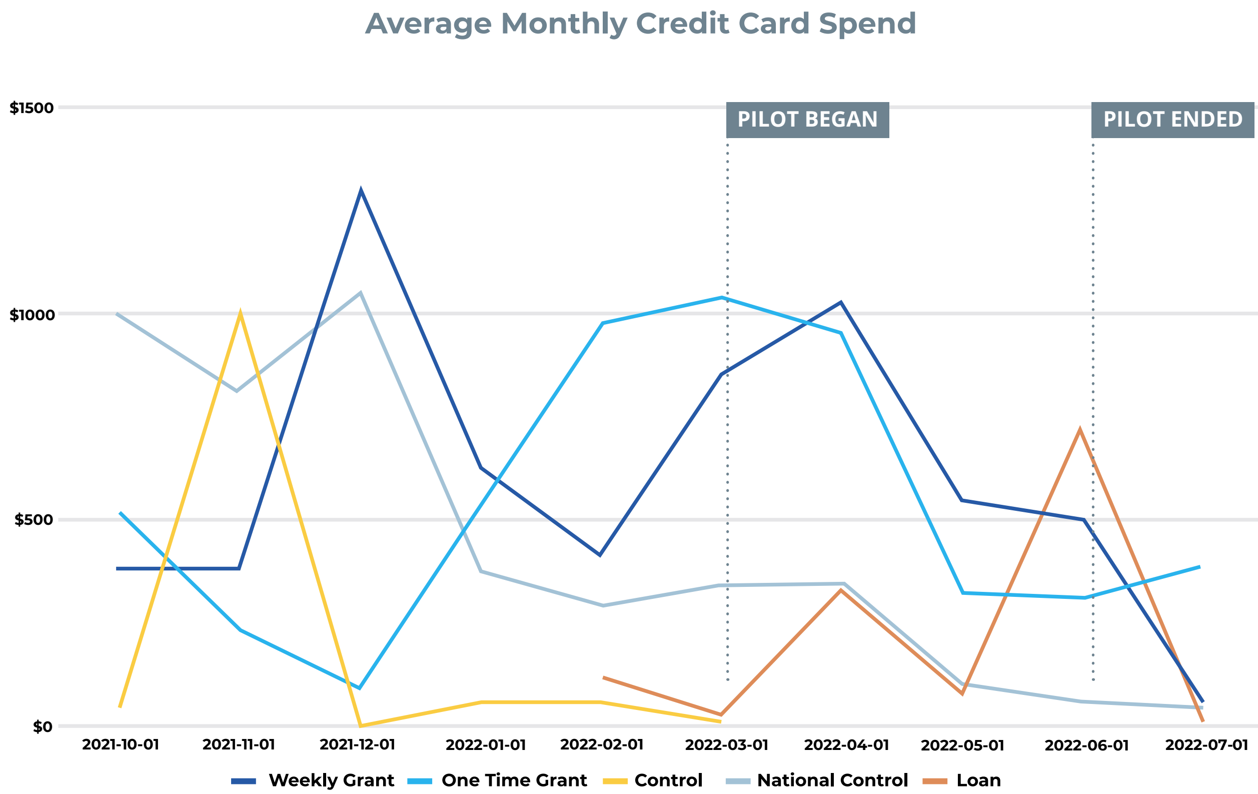
Notes

In this section, we review how income health performed for those who were part of the interventions. There is insufficient data for loan participants, so they are not discussed in detail here.

The data does not break down these products individually, but looks at overall usage of these, and thus we cannot say which product was being used at what time, and can only make an educated inference as to what might be happening.

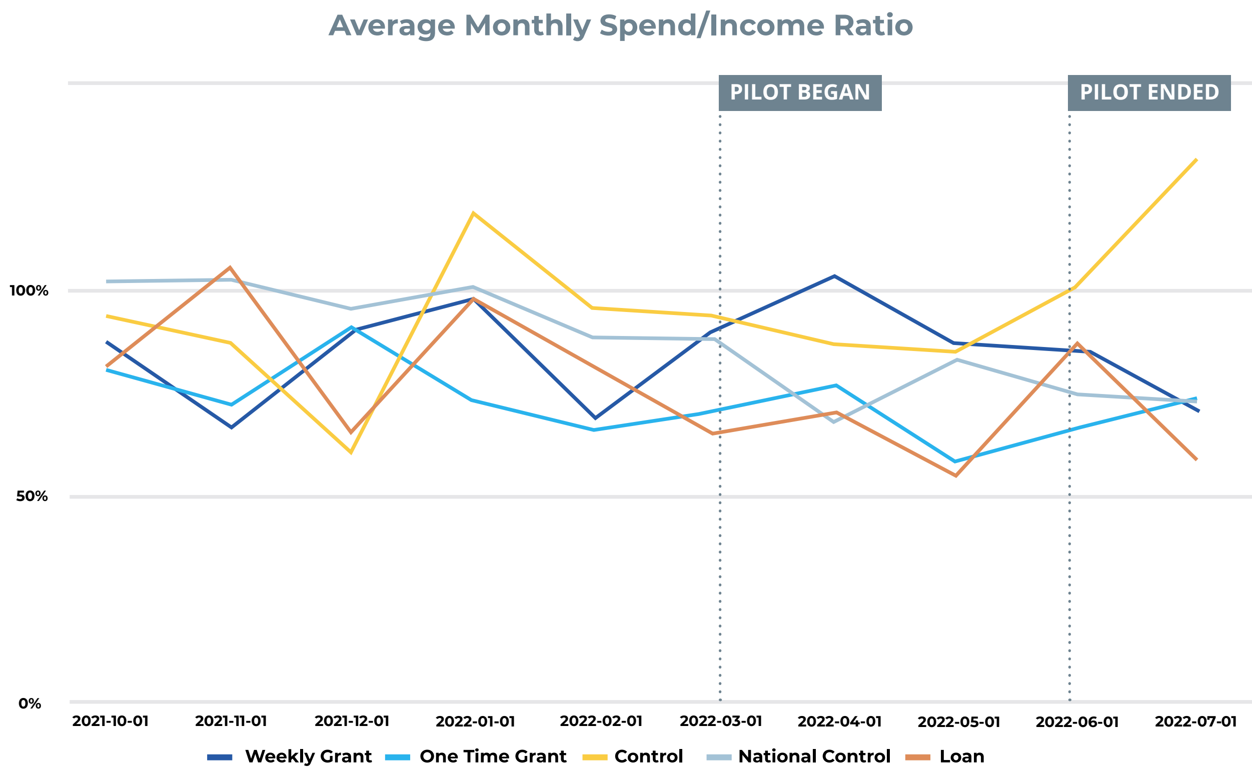
Spending Trends

THE WEEKLY GRANT PARTICIPANTS WERE MORE LIKELY TO SPEND LESS ON THEIR CREDIT CARDS AND AVOID OVEREXTENDING CREDIT IN ORDER TO PAY FOR THEIR MONTHLY EXPENSES, WHICH ALSO LED TO AVOIDING THE FURTHER ACCUMULATION OF CREDIT CARD DEBT AND HIGH INTEREST RATES.



Our initial report found that participants primarily used funds to cover rent and utilities, auto-related expenses, and medical expenses. Because the funds were used to help cover these larger expenses, participants seemed to rely less on credit card spending. Specifically, the weekly stipend participants did not need to overextend on credit in order to pay for their monthly expenses, avoiding the further accumulation of credit card debt and high interest rates. The decreasing trend of credit card spend was also similar for the one-time stipend participants, with a particularly steep decline in credit card payments after the receipt of the grant. However, the decline bottoms out around two months after receiving the grant and stays relatively high for the remainder of the experimental period at around $392 in the month of July, compared to the weekly stipend group at $56. Overall, receiving cash grants decreased participants' reliance on credit spend.

ALL OF THE EXPERIMENTAL GROUPS KEPT THEIR MONTHLY OUTFLOWS (SPENDING) BELOW THEIR MONTHLY INFLOWS (INCOME).



During the tracking period, all intervention groups kept their monthly outflows below their monthly inflows. For the weekly and one-time stipend participants, receiving stabilizing support helped them manage their spend relative to their income. The opposite was true for the control group, who without an intervention, saw a significant increase in their spend relative to income. The positive trend for the intervention groups could be a result of different mechanisms. For example, these groups may have had a heightened attention to their finances because of the stipend, or they might have maintained the same level of spending but saw increased income. Either way, the presence of the intervention still resulted in positive trends when compared to the control group. Receiving cash grants, whether by weekly stipend or one-time grants, helped participants to manage their monthly spend to income ratio.

Conclusion & Next Steps

These additional findings and data reviewed by Steady are helpful to understand what other effects the interventions had on the financial lives of gig workers. We learned that:

- The weekly stipend had the largest impact on emergency expenses with the one-time grant also providing positive support for participants. This is in line with the findings from the original report that 83% of those receiving the regular weekly stipend remained engaged in the pilot. The one-time cash grant and weekly stipend groups had the most consistent level of W-2 income throughout the experimental period, further suggesting that these interventions were the most beneficial for participants.
- Among workers earning low incomes, the higher the income, the greater the usage of products such as payday loans, cash advances, and earned wage access; however, the introduction of direct cash can still decrease the reliance on these products.

- Participants primarily used funds for larger expenses such as rent and utilities, auto-related expenses, and medical expenses, which resulted in both decreased trends in credit card spending and positive spend to income ratios. This data suggests that having income assistance can soften the negative impacts of the income volatility of gig workers.

These results are being published in the hopes of encouraging platforms, employers, or programs to offer diverse support for people living on LMI. The data presented on income trends, income health, and spending trends shows that getting emergency cash, when you need it, can stave off further financial events. However, as stated in the original report, $1,000 was not enough to make lasting, impactful changes for participants. Our current data suggests that future pilots or tests would need to use a larger sum for grants and stipends to better understand the impacts of such benefits.

This research provided helpful insights on the design of benefits, which can be used to ensure that the specific financial needs of workers earning LMI are kept in mind. With the current research being done with only a small cohort of participants, the next steps are to conduct research with a larger group to observe consistencies or changes in pattern. If there are interested groups looking to scale such a project, please email our team at info@buildcommonwealth.org.

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