

Income volatility in Canada: New survey data

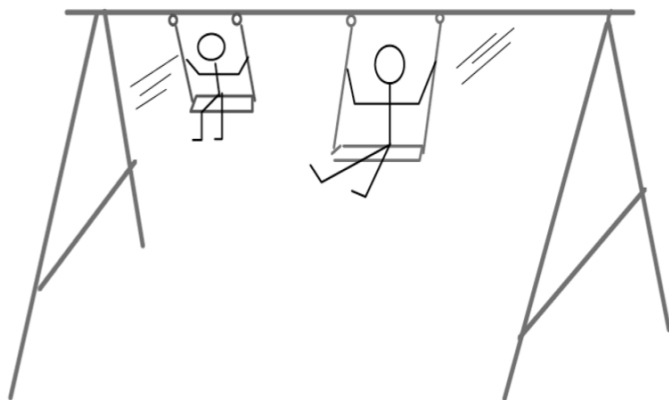
Remarks to the 2018 ABLE Learning Conference
Vancouver

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These slides are for discussion at the conference and are not for citation without the authors' written consent.

Why does volatility matter?

Higher volatility may =



- ✗ Trouble making ends meet
- ✗ Less planning
- ✗ Less saving
- ✗ More financial exclusion
- ✗ Missed payments
- ✗ Worse outcomes for children
- ✗ Risk of depression
- ✗ Risk of divorce

Studies to date in Canada



Mostly year-to-year instability

- overall instability has risen since late 1990s,
- men face greater long-term instability,
- women face greater short-term instability,
- younger workers, single mothers, and lower income households at greater risk,
- public benefits (like EI and welfare) reduce instability but overall tax and transfer system doing less today to offset fluctuations in market incomes.

TD Bank Group study only prior study to look at within-year volatility

New evidence! *(forthcoming)*



CPA conceived new survey of household finances.

Data analyzed by:

- Dr. Jennifer Robson
(Political Management),
&
- Dr. Johanna Peetz
(Psychology)

Data collected online in 2015

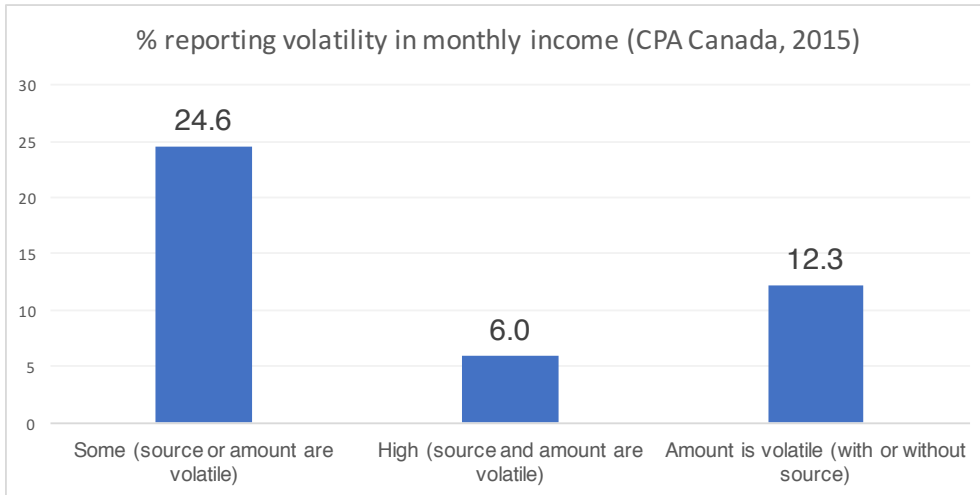
n = 3,502 adults
balanced for age,
gender, income,
region



“What best describes the nature of your household income?”

1. Amounts of income are relatively stable and income source is dependable over a longer- term
2. Amounts of income are relatively stable; however income source is not very dependable over a longer-term
3. Amounts of income change substantially from month to month but income source is dependable over a longer-term
4. Amounts of income change substantially from month to month and income source is not very dependable over a longer-term
5. Don't know
6. Prefer not to say

How widespread is income volatility?



Gender	Women	13.5
	Men	11.2
Age	Youth (18-24)	9.6
	Working age (25-64)	12.6
	Senior (65+)	11.7
Region	BC	13.3
	AB	13.1
	SK & MB	10.8
	ON	11.6
	QC	13.0
	Atlantic	11.7
Income	Under \$30K	12.9
	\$30K to under \$50K	15.1
	\$50K to under \$70K	12.3
	\$70K to under \$100K	11.0
	\$100K and above	8.1
	Respondent is self-employed	12.2
	Employment income	12.1
Social assistance	15.1	

1/4 report any volatility

1/8 report “substantial” volatility (amount)

Gender and income differences matter

Only modest income (\$30k-\$50k) predicted high volatility

Is volatility (on its own) associated with lower financial well-being?

Correlation	Made an emergency RRSP withdrawal (household)	No emergency savings (household)	Carrying credit card debt (household)	Carrying payday loan debt (household)	Fell behind on a bill by 2+ months in last year (household)	Subjective financial strain (reporting real problems) in last year (household)	Subjective low financial health (household)
Income volatility *working age adults only *							
Income volatility (ordinal)	0.0212	-0.0129	-0.0229	0.0247	0.0492	0.0453	0.0134
Amount only	0.0202	0.0025	-0.0209	0.0079	0.034	0.0079	-0.0045
	n=1,343	n=2,079	n=2,198	n=2,198	n=2,179	n=2,198	n=2,198

What about taking other factors into account?

What are the odds of experiencing some indicator of lower financial well-being?

Working age adults only

Account for:

Household income (total, pre-tax)

Household size

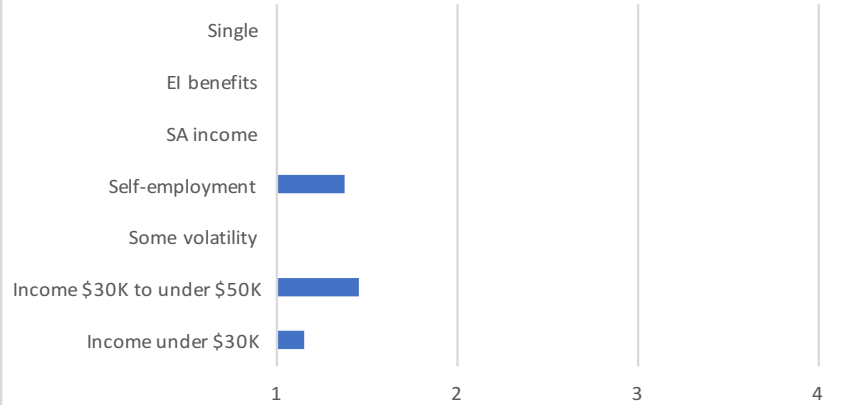
Marital status

Income source (self-employment, EI, SA)

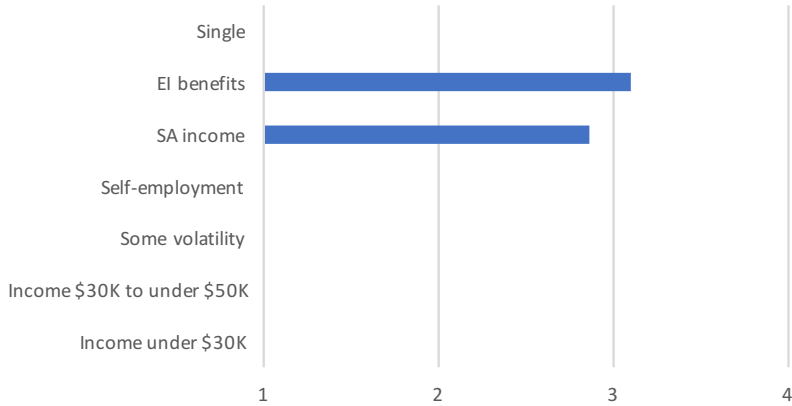
Odds of making a taxable RRSP withdrawal



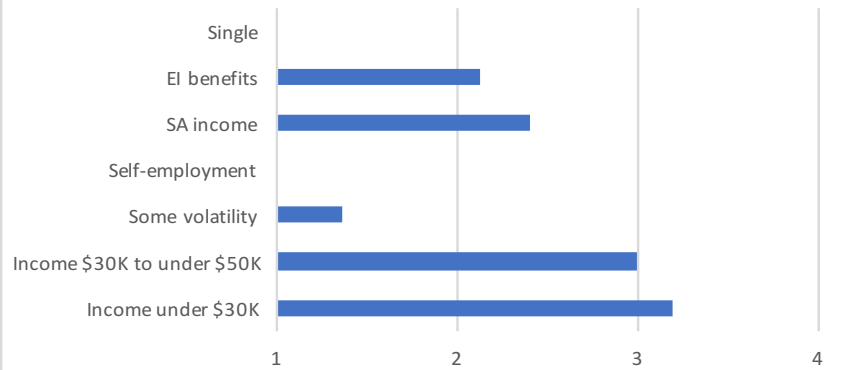
Odds of carrying credit card debt



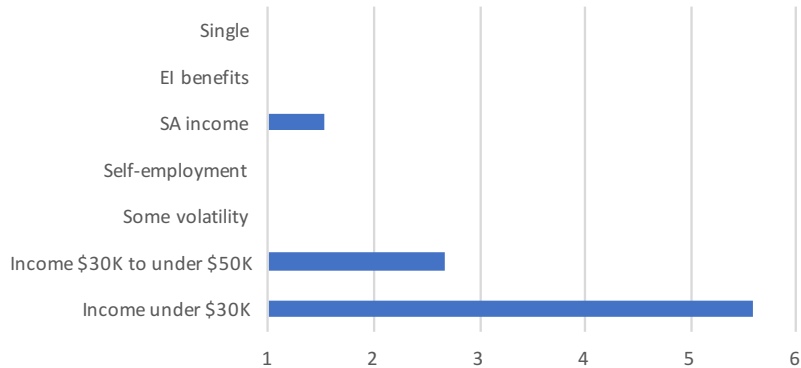
Odds of carrying payday loan debt



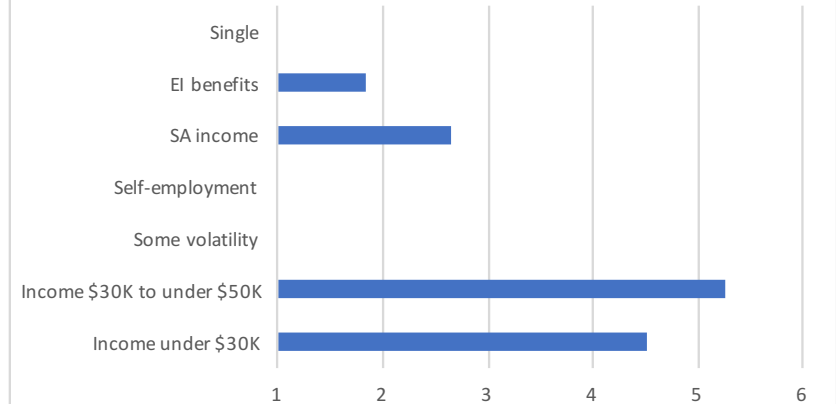
Odds of falling behind (2+ months in last 12) on bills



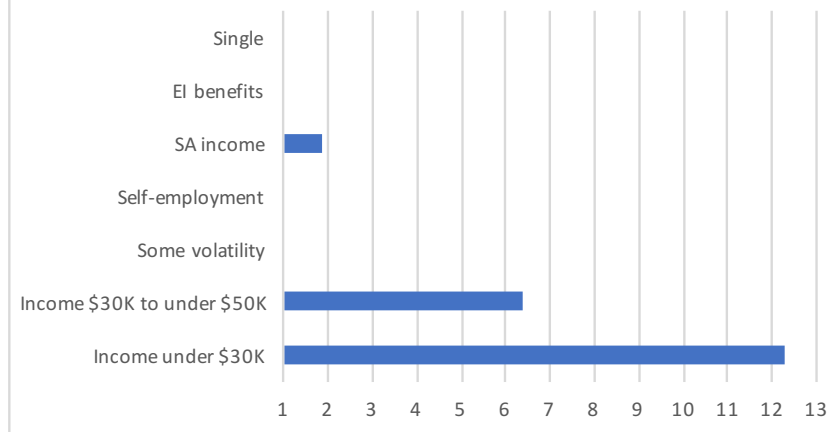
Odds of not having any cash savings for emergencies



Odds of reporting financial strain



Odds of reporting finances are difficult



To sum up...

Within year volatility is reported by small but noteworthy share of adult respondents

Not clear negative financial outcomes are driven by volatility – other factors matter

Taking volatility into account, EI and SA **increase** risk of lower financial well-being.

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