Designing the safety net

Reflections on the Compton Pledge

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New York University

Toward an Inclusive Recovery: Improving financial security panel
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Household financial challenges during the year

- Low income
- Illiquidity
- Volatility
Financial Diaries Methods

For a full year, 235 households allowed us to track every dollar they earned, saved, borrowed, shared, and spent.
Becky and Jeremy

- Annual income: $35,000
- Four children
- Rural Ohio
- 131% of (supplemental) poverty line
- Poor five months

**Monthly Income and Spending (without tax time)**

- **Income**
- **Spending**

<table>
<thead>
<tr>
<th>Month</th>
<th>Income</th>
<th>Spending</th>
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<tbody>
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<td>August, 2012</td>
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U.S. Financial Diaries
Income and Spending Volatility
2015 Survey of Household Economics and Decision-making (SHED)

Federal Reserve, SHED 2015. Sample size n=5,542
Transfers: How and when?

2 distinct financial problems

**Smoothing:** How to stretch money for times with low income?

**Spiking:** How to aggregate resources for meaningfully large purchases?
Monthly transfers
UBI proposals/pilots. Social security, SNAP (food stamps)
## Smoothing

Stretching resources to cover times when income is low.

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Pay Frequency
United States. Private Employers, 2020

62% of workers:
Every 2 weeks (biweekly) +
twice a month (semi-monthly)

Monthly = 5%

Chart 1. Frequency of pay period in the CES survey, February 2020

Percent

Weekly 43.0
Biweekly 33.3
Semimonthly 19.0
Monthly 4.7


Spiking
Aggregating resources for meaningfully large purchases
Annual transfers
Earned Income Tax Credit
Compton, California

- 95,000 residents
- “Acutely faces many of the issues that have defined the national conversation about racial injustice and structural inequality.”
- 30% of residents are Black and 68% are Latino
- High rates of unemployment (22% since Covid), poor pay, ineligible for government assistance. Reliance on food banks.
- Median household income = $53,000. Per capita income = $17,000
- Poverty rate = 23% (All US: 10.5%)
Mayor Aja Brown
• Held office 2013-2021

• People just need money
• No strings attached
• Trust people to choose priorities
• Priority on disadvantaged communities
Independent Evaluation
Principal Investigators

Sidhya Balakrishnan, Jain Family Institute
Sewin Chan, New York University
Sara Constantino, Princeton University
Johannes Haushofer, Stockholm University
Jonathan Morduch, New York University
Compton Pledge Transfers

Transfers:

<table>
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<th>Children</th>
<th>Annual Sum</th>
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<tr>
<td>0</td>
<td>$3600</td>
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<tr>
<td>1</td>
<td>$5400</td>
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<td>2+</td>
<td>$7200</td>
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Eligibility

• Below 220% of the federal poverty line.
  • 2021 Federal poverty line for 4-person household = $26,500.
    • $7200 / $26,500 = 27%
• Do not need to be a citizen
• Age 23 - 57
• Working with groups that support immigrants, recently incarcerated people, low-wage workers
• Not using SSI, SSDI

Pilot: 2 years
Compton Pledge
2100 households. Example of a 2 adult/2+ child household. 2 years duration.

698 households

$7200 per year
(= $1800/quarter)

4 lump sums
349 households

Control group
1402 households

$7200 per year
(= $600/month)

Every 2 weeks
349 households
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