

CASE STUDY:

MAKING SENSE OF EMERGENCY CASH



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Summary

Over the last three years, The Workers Lab (TWL) has partnered across government, non-profits, for-profits, and unions to design, pilot, test, and grow emergency cash grant programs to help working people address financial emergencies. So far, these efforts have included:

- 1.** Establishment of the Workers Strength Fund design sprint to learn and inform the field on how to efficiently and effectively get emergency cash in the hands of workers in need, which led to the disbursement of more than \$350,000.
- 2.** Utilization of the learnings and infrastructure from the Workers Strength Fund to create The Workers Fund: COVID-19 Rapid Response, which delivered \$2.6 million in emergency cash to more than 12,600 workers in the early stages of the pandemic.
- 3.** Scaling of our findings by incubating a new social enterprise called Canary, which designed, built, and tested a new program that's prepared to offer emergency grants to employees at scale.



We are now embarking on the fourth stage of this work. We have partnered with Open Society Foundations (OSF) to run an experiment to investigate how emergency cash grants can help grow the ranks and build the power of worker organizations that give them out. Over the course of our work to-date, we have learned:

Emergency cash helps workers address unexpected financial crises in ways that public benefits are not currently structured to do. Workers use cash grants for rent, utility bills, auto repairs, medical expenses and moving costs.

Emergency cash helps alleviate financial stress and, in many cases, gets workers back to work. However, for cash grants to be most effective, especially for workers with low and/or volatile incomes, they should meet the full need created by workers' specific financial crisis.

Emergency cash can be an important way for organizations to engage workers in the advocacy efforts necessary to build worker power over the long-run.

This report provides more detail about these learnings and lessons to inform other innovators working to get money into the hands of people who need it, when they need it.

Workers are especially vulnerable in financial emergencies.

Growing inequality and the changing nature of work has made workers vulnerable to increased economic insecurity and exposure to financial shocks. Even before the pandemic, according to Bankrate's Financial Security Index, 59% of Americans would not be able to cover an emergency of \$1,000¹. The Federal Reserve Board has reported that 47% of Americans could not cover a \$400 emergency². The rise of the "gig economy" in recent years has exacerbated this trend as independent workers are more vulnerable to income volatility and lack access to the benefits tied to traditional employment, such as paid sick leave, health and disability insurance, and workers compensation.

The social safety net has failed to respond to these changing economic dynamics. Public assistance programs usually have application requirements that prohibit getting money to working people quickly. Even with covid-relief payments, the IRS had difficulty getting money out to Americans with incomes too low to file a tax return, especially if they don't have a bank account³. Outside of government, workers risk paying huge penalties going through payday lenders and other bad actors in the private sector when accessing emergency funds. As a result, many Americans are at risk of financial ruin over an unexpected car, housing, or medical expense.

¹ Dixon, Amanda. "Survey: Nearly 4 in 10 Americans would borrow money to cover a \$1K emergency." Bankrate.com

² "Report on the Economic Well-Being of U.S. Households in 2018." Board of Governors of the Federal Reserve. 2019.

³ DePillis, Lydia. "Millions Still Haven't Gotten Stimulus Checks, Including Many Who Need Them Most." Propublica.com.

Emergency cash can help workers address unexpected financial crises.

In 2018, The Workers Lab adapted Google's Design Sprint methodology to develop a tech-enabled solution to deliver emergency cash grants. This methodology creates a time-bound approach for solving problems and reducing risk when bringing a new product to market –from understanding, defining and deciding, to prototyping, validating and refining. In executing this Design Sprint, we had three goals: (1) develop solutions that can be realized, tested, and validated; (2) invite a diverse set of partners and participants to co-create solutions; and (3) meet the real-time financial needs of low-wage and low-earning working people.

We created a Design Sprint Team that included key partners and experts to guide the process, including:

- Commonwealth, a national nonprofit building financial security for financially vulnerable people
- Steady, a third-party app designed to connect workers to flex-work opportunities
- Workers Benefit Fund, an organization providing health and wellness benefits to gig workers
- Rachel Schneider, an expert on consumer finance and economic issues and the co-author of *The Financial Diaries: How American Families Cope in a World of Uncertainty*
- David Weil, an internationally recognized labor economist at Brandeis University who led the Department of Labor's Wage and Hour Division during the Obama administration.

Our team developed a paper prototype and completed three rounds of rapid prototyping. From November 2018 to March 2019, we ran an initial pre-pilot test to understand the feasibility of providing \$1,000 in cash grants to help gig workers manage emergency expenses, resulting in the Workers Strength Fund (WSF). This project generated concrete experience and knowledge about how these projects can be effectively implemented.

How were workers recruited?

To recruit workers, TWL partnered with Steady, a national online platform that helps people find gig jobs, and Drivers Benefits, which provides benefits to all drivers working for Black Car services in New York state. Commonwealth worked with both partners to design and distribute messages to over 7,000 select Steady and Drivers Benefits users about the WSF pilot. Workers were targeted in New York City, Dallas, Detroit, and San Francisco to ensure regional representation for the pilot.

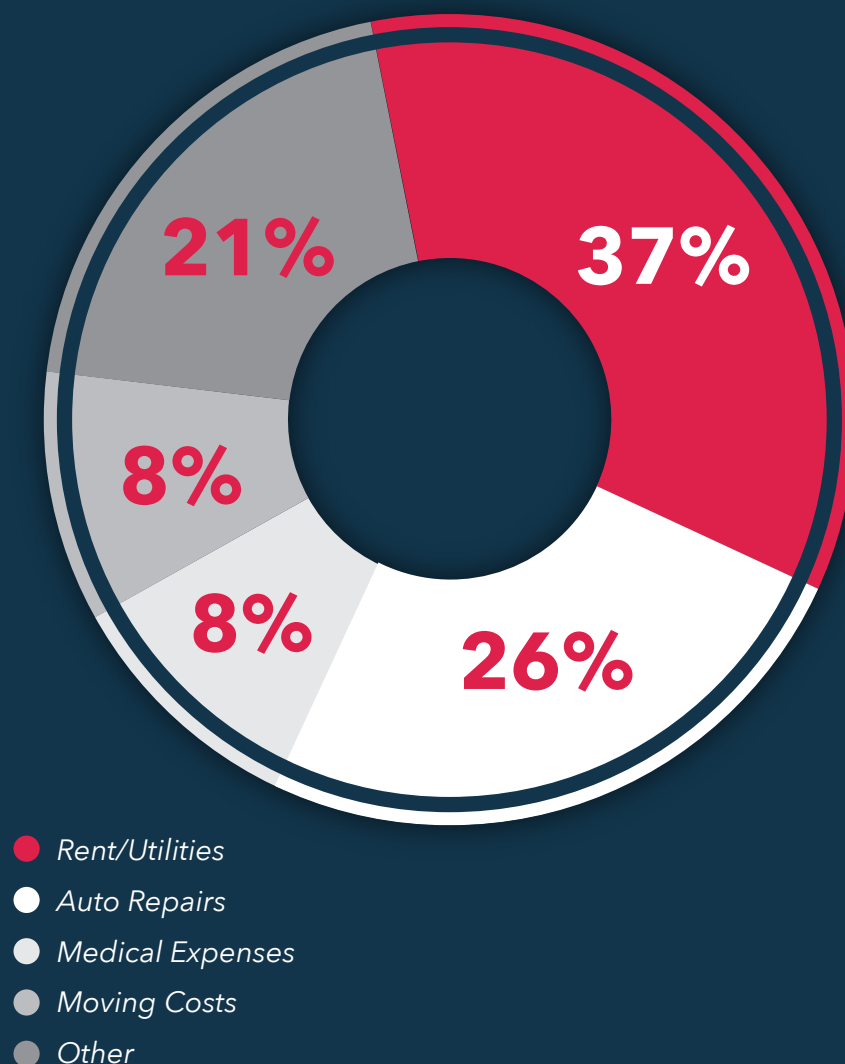
Who got emergency cash?

Using the WSF website, 485 workers created accounts and 350 received funds. Almost all recipients requested the full \$1,000, with 76% requesting the full amount on their first request, and 95% requesting the full \$1,000 within three months. The majority were Black/African American (41%) or white (32%), between the ages of 25 and 44 (75%), and single (73.1%). 75.3% of recipients had under \$40,000 in household income, and 90.5% made under \$60,000. The gender split was nearly even, with 53.5% identifying as female.

How was emergency cash used?

Workers used the cash grants most often for rent and/or utility bills (37%) and auto repairs (26%), followed by medical expenses (8%) and moving costs (8%). Other expenses included emergency home repairs, funeral expenses, credit card debt, and school or work supplies.

How cash grants were used



Emergency cash has a positive impact on workers' lives.

As part of its analysis of WSF, Commonwealth conducted surveys and interviews with workers who received emergency cash, giving us a better understanding of the positive impact, along with some shortfalls, of using this tool to address worker emergencies.

Emergency cash helped workers get back to work.

WSF played an important role in helping recipients continue working and earning income: 61% of surveyed recipients reported having been unable to work because of their cited emergency, and 75% of those who had been unable to work said they returned to work as a direct result of receiving funds. This impact was felt quickly, with 69% of workers returning to work within a week of receiving the funds; 86% of recipients were back to work within two weeks. Those with auto-related emergencies were 28% more likely to say their emergency had prevented them from working (reflecting many gig workers' dependence on a car for doing their work).

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Life has been really stressful for the last couple of months, and I felt like I had a knot in my chest every day. I just don't feel that anymore. It absolutely helped alleviate my stress.

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Cash grants had a substantial positive psychological impact.

Recipients - many of whom had been exposed to fraudulent financial offers or scams in the past - were initially skeptical of WSF. This skepticism quickly turned into joy and appreciation once recipients received funds. The relief, comfort, and general goodwill the fund inspired in workers was central to WSF's impact. Recipients almost universally reported feelings of significant relief, gratitude, and happiness when they first received funds from WSF. 96% said WSF made them less stressed about their finances. This lower stress level gave people breathing room to figure out their next steps.

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I had no other way - that was truly, truly a divine intervention.

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Supporting short-term stability is an important step, but more support is needed.

While emergency cash alone cannot solve workers' financial insecurity, they were tremendously helpful in the short run. Over two-thirds (71%) of fund recipients reported an immediate increase in financial security after receiving funds. After three or four weeks passed, however, only 37% reported an increase in financial security compared with right after the emergency occurred. A potential driver of this result is that over half of recipients (54%) had emergencies that exceeded the size of the WSF cash grant⁴. This shortfall was significant; a study on employer-sponsored hardship funds found that receiving the full amount needed to cover workers' hardships was critical to the fund achieving measurable financial impact⁵. For emergency cash grants to do the most that they can, especially for workers with low and/or volatile incomes and families to support, they should strive to meet the full need created by the emergency. They should also be part of a portfolio of supports, which will make them far more effective at achieving long-lasting results.

Emergency cash can be scaled to meet workers' needs in times of crisis.

The financial needs of workers that surfaced during the WSF pilots convinced The Workers Lab that a similar service should be provided to workers in a robust and ongoing way. Rachel Schneider, a key advisor to the WSF pilot, partnered with The Workers Lab to found Canary, a new social enterprise that is taking these learnings and the lessons of the WSF experience and bringing them to scale. The Canary team designed, built, and tested a new micro-grant program called the Grant Circle. In the of Fall 2019, Canary conducted a test of its program with five New York City based stores of a national retailer and a Michigan based call center with employees across the country. Learnings from this work informed Canary's design and technology development in early 2020, and Canary is now prepared to offer emergency grants to employees at scale.

Our experience with WSF also helped us respond quickly to the economic crisis created by the pandemic through The Workers Fund: COVID-19 Rapid Response⁶. Because of WSF, we had the trusted relationships, tested tools, and respected partners needed to be a financial first responder. Within weeks as mass unemployment soared, we were able to collect and distribute funds to workers facing sudden and devastating financial losses due to the pandemic. By the first week of April, before government assistance had kicked in for many, The Workers Fund was already filling the gap for gig workers who had seen a 50% drop in income by providing them with cash grants up to \$1,000. As of March 2021, we disbursed a total of \$2.6 MM to approximately 12,600 workers:



80% of workers who received emergency cash had annual incomes less than \$40K



65% of workers were trying to make ends meet by skipping meals



60% were borrowing money from friends and family

In addition to funds distributed through The Workers Fund, we also provided financial support through The Innovation Fund to worker advocacy organizations that have created and implemented emergency cash, and many other worker advocacy organizations started funds of their own.

4 Recipients reported that the average cost of the emergencies for which they requested funds was \$3,070.

5 Commonwealth, Aspen Institute. "Illuminating a Hidden Safety Net: Lessons from Research into Employee Hardship Funds." [AspenInstitute.org](https://www.aspeninstitute.org/).

6 Link to blog about this work once it is complete:
https://docs.google.com/document/d/1vcdAIGC_WjMfvnne4BkcXTE05SyJnqJKlyjkwpx8HiQ/edit

7 Groups included Adelante Alabama, Workers Defense Project, Massachusetts Immigrant Collaborative, Twin Cities Hospitality, One Fair Wage, and National Domestic Workers Alliance.

8 Provide link to blog once it is live:
<https://docs.google.com/document/d/1N4p9VPbNm1RrSS903N8FGbrgF-Jlpwi9aSAvtSHYSM/edit>

Emergency cash can boost worker engagement and organizing efforts.

Not only does emergency cash have value to individual recipients, it also has value as a tool to build worker power. Mutual aid has long been a part of labor movement activities, whether in the form of strike funds or more general support. In the pandemic, hundreds of millions of dollars were contributed by individuals and foundations to worker organizations, who distributed the funds to workers. This introduced critical new questions into TWL's cash grant work: can worker organizations leverage these grants to increase worker engagement and organizing over the long run, and if so, how?

To answer this question, in partnership and with support from the Open Society Foundation, TWL again partnered with Canary to begin a new project that will further explore the ways in which emergency cash can be used by advocacy organizations to increase worker power. In the first phase of this project, we interviewed six worker organizations that had created emergency funds for their members during the pandemic to get a better understanding of the strategies they used to increase worker engagement and organizing through these funds. Our initial interviews with these groups revealed the following lessons: ⁸

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Sometimes people need some basic help before they can engage in advocacy.

The script for services intake and organizing activation is different.

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Emergency cash can be a powerful way to build worker engagement.

Emergency cash grants helped drive recruitment through social media, local partnerships, volunteers, and word-of-mouth to reach people. As we learned with the Workers Strength Fund, cash grants built goodwill and created trust between recipients and the organizations that lasted past the grant.

While direct services can be an important part of advocacy work, initial engagement with workers requires a different approach.

Responding to what workers need today often requires direct services, including emergency cash, legal assistance, social service navigation, tele-health, and financial coaching. Being able to “show up” for people demonstrates organizations’ effectiveness and builds trust. Direct services conversations generate insights into what the advocacy agenda should be. However, initial communications about these services and organizing/advocacy sometimes have very different tones, time frames and requirements. When people are in need, they may not be ready to engage on these larger topics, so a longer-term engagement strategy is needed to bridge the conversations.

More resources are needed to effectively administer these programs on an ongoing basis.

Tracking and accounting for emergency cash applications, decisions, and payments required a major investment from national organizations and continues to be a pain-point for local ones. For example, the groups often had customer relations management (CRM) and other tools that they used for their organizing, but those tools didn’t work well for their emergency fund volunteers and fund selection committees. The payments were difficult to administer, especially for undocumented/unbanked individuals. Most of the organizations interviewed acknowledged needing significant resources in order to continue an emergency fund program over the long run.

And the work continues...

The Workers Labs will continue to explore emergency cash because our learning thus far illustrates how powerful it can be for so many workers. Workers need and deserve solutions to help them address life's ups and downs, and emergency cash offers them a chance to stay working and on track to meet their needs. Emergency cash also offers a lesson in resilience and hope: with just a small amount of help, workers are empowered to handle financial emergencies, which moves us toward a society where all workers are safe, healthy, secure, and free.



LEARNING HUB

The Workers Lab strives to create a culture and environment of experimentation and learning. Our Learning Hub allows us to continue to bring our community together to surface and share ideas, best practices and lift up experts so that we can all learn from each other.

Do you have resources you are looking for or want to share?

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