RESEARCH BRIEF

Navigating Precarity: How Low-Wage Workers Make Financial Decisions Amid Rising Costs, Benefit Cliffs, and Limited Employer Supports

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KEY FINDINGS

Employment does not guarantee financial stability.

Across work types and household situations, participants' incomes consistently fell short of basic living costs.

Rising costs squeeze already-tight budgets.

Inflation was felt most acutely in food, gas, and housing, forcing continuous and cumulative adjustments that narrowed participants' options over time.

Workers are financial strategists.

Participants demonstrated careful budgeting, avoidance of high-risk debt products, and sophisticated tracking of benefit eligibility.

Public benefits are critical, but complicated.

Programs like SNAP and Medicaid filled critical gaps that wages could not, but access was unpredictable, administratively burdensome, and subject to fluctuations in availability.

Benefit cliffs create rational disincentives.

Participants understood the trade-offs in income eligibility acutely: earning slightly more could mean losing benefits before achieving actual financial security, producing a system that penalizes incremental progress.

Employer benefits are often inaccessible in practice.

Even when health and retirement benefits were available, factors such as high premiums, part-time eligibility rules, or the relative accessibility of public insurance often created significant barriers to participation. Schedule flexibility emerged as the most immediately valuable employer support.

BACKGROUND

Employment has long been understood as the primary pathway to financial stability in the United States. Yet for many low- and moderate-income workers, employment alone does not guarantee economic security. Over the past two decades, the structure of work has shifted toward greater volatility, with growth in gig work, part-time employment, and nontraditional arrangements that often lack employer-sponsored benefits (Kalleberg, 2011; U.S. Bureau of Labor Statistics [BLS], 2023). While unemployment rates may appear low (fluctuating between 3.7% and 4.1% in 2025; BLS, 2026), measures of income volatility and employment precarity suggest a more complex reality beneath aggregate labor statistics (Sullivan, 2025).

Low-wage workers are disproportionately exposed to unpredictable schedules, fluctuating hours, and limited access to employer-provided benefits such as paid leave, health insurance, and retirement plans (BLS, 2023). At the same time, real wages at the bottom of the distribution have struggled to keep pace with rising housing, food, transportation, and health care costs, particularly during the recent inflationary period (Autor et al., 2023). Even modest cost increases can destabilize households operating with minimal financial buffers. Federal Reserve data consistently show that a substantial share of households report difficulty covering a $400 emergency expense without borrowing or selling assets (Board of Governors of the Federal Reserve System, 2023).

In this environment, public benefits play a critical stabilizing role. Programs such as SNAP, Medicaid, and housing assistance reduce material hardship and improve health and economic outcomes (Hoynes & Schanzenbach, 2018). However, eligibility thresholds, reporting requirements, and benefit phase-outs can create complex tradeoffs for workers whose incomes fluctuate. Research on "benefit cliffs" demonstrates that small increases in earnings may trigger disproportionate reductions in public assistance, leading to temporary or even net losses in household resources (Moffitt, 2015; Richardson & Blizard, 2021). For workers already managing variable hours or gig income, these dynamics can shape employment decisions in ways that appear counterintuitive but are economically rational.

Simultaneously, financial service markets have evolved rapidly. Fintech platforms, earned wage access programs, buy-now-pay-later products, and cash advance apps have expanded as tools for short-term liquidity management. While some of these products offer lower-cost alternatives to traditional payday lending, evidence suggests that fee structures, repeat usage patterns, and opaque terms can still expose financially vulnerable households to risk (Consumer Financial Protection Bureau [CFPB], 2022). The growth of these tools reflects both innovation and unmet demand: many workers face recurring cash shortfalls between paychecks due to income volatility and rising expenses (Farrell & Greig, 2015).

Caregiving responsibilities further shape financial decision-making. Parents and caregivers often must prioritize schedule flexibility over wage growth, particularly in the absence of affordable childcare or paid leave (Ballentine et al., 2022; Laughlin, 2013). Employment decisions are therefore embedded in broader household dynamics, including children's needs, health conditions, and transportation constraints. For many workers, financial choices cannot be disentangled from caregiving obligations.

Taken together, these structural factors—volatile employment arrangements, rising living costs, fragmented benefits systems, and evolving financial products—create a complex decision-making environment for low-wage workers. Understanding how workers navigate these systems in practice requires qualitative inquiry that centers lived experience. In this study, we present findings from qualitative interviews with clients of Neighborhood Trust, a nonprofit that provides financial coaching, access to financial products and services, and connections to community resources. This study contributes to that understanding by examining how low-income workers make employment, benefit, and financial product decisions amid persistent precarity.

> *"Gas, rent, utilities… it's just a lot. I have cut down a lot of different spending I would normally do so that I can… just be able to maintain."*
>
> — Study Participant

METHODS

This study draws on four semi-structured qualitative interviews conducted with participants affiliated with Neighborhood Trust. Interviews were designed to explore how low- and moderate-income workers navigate financial decision-making amid rising costs, employment precarity, public benefits, and financial products. Interviews lasted approximately 30–60 minutes and were conducted using a consistent interview guide covering employment experiences, cost-of-living pressures, benefit use, and financial coping strategies. All participants provided informed consent and received a $25 gift card. Interviews were recorded and transcribed for analysis.

We employed an AI-adapted phenomenological analytic approach to center participants' lived experiences while leveraging multiple forms of analytic interpretation (Creswell & Poth, 2017; Hamilton et al., 2023). Two human coders and a large language model (LLM) independently reviewed transcripts to identify emergent themes grounded in participants' narratives. The research team then engaged in a triangulation process, comparing and refining these independently generated themes to develop a shared codebook. The final themes reflect consensus across human and AI-assisted analyses, with an emphasis on capturing participants' lived financial experiences.

> **Neighborhood Trust Financial Partners**
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> Neighborhood Trust Financial Partners (often referred to as Neighborhood Trust) is a national nonprofit social enterprise dedicated to providing financial empowerment and security to low-income workers. Their primary goal is to help individuals escape predatory debt, improve their credit scores, and build long-term savings. To achieve this, they offer a suite of services including TrustPlus, a workplace financial wellness benefit that pairs employees with personal financial coaches, and Pathways to Financial Empowerment, which helps credit unions integrate financial coaching into their own member services.

FINDINGS

Income Insufficiency

Even among full-time employees, income consistently fell short of everyday expenses. One participant, working full-time in healthcare administration, described the cumulative weight of everyday costs: "*Gas, rent, utilities… it's just a lot. I have cut down a lot of different spending I would normally do so that I can… just be able to maintain.*" Similarly, a retail worker linked her need for public benefits directly to low wages: "*This job right here, because it's paying so low, it caused me to have to apply for [benefits].*" A delivery driver described needing to intensify labor in short bursts to meet basic needs: *"When I need more money… I have to go hard. I have to do it all day. There's no breaks. There's no timeouts. Do what you got to do."* Participants also discussed the emotional weight of this gap between work and financial security. One participant seeking employment and navigating debt described feeling *"in a hole right now."*

> *"This job right here, because it's paying so low, it caused me to have to apply for [benefits]."*
>
> — Retail Worker

Persistent Cost-of-Living Pressures

Participants consistently described rising costs as an ongoing, intensifying pressure that reshapes everyday decision-making. Inflation was experienced most acutely through essentials—food, gas, and housing—where even small increases had immediate consequences for already tight budgets. One participant reflected on the sharp rise in food prices, noting, *"The market we used to go to, we don't go there anymore because of the cost… now we go to Aldi."* Another emphasized the strain of transportation costs in gig-based work: *"The gas prices are like, oh my gosh… I remember gas used to be a $1.99."* These rising costs were not easily absorbed; instead, they required participants to continuously adjust where and how they spent money, often narrowing their options over time.

Strategic Financial Adaptation

Participants described an ongoing process of actively managing limited resources through deliberate and often complex financial strategies. Budgeting was central to this process, with participants closely tracking expenses, adjusting spending, and seeking out lower-cost options. One participant explained how she optimizes routine expenses by planning ahead, comparison shopping, and clipping coupons: *"I plan ahead a lot… I also shop around."* Participants also identified sources of support that helped stabilize this process, including family members, community programs, and financial counseling. One participant described relying on both personal and structured support systems: *"I go to my mom…and I've enrolled in an eight-week job readiness program… to get back on my feet."*

Public Benefits as Both Lifeline and Limitation

Across the four interviews, participants felt that public benefits function as both a safety net and a source of instability. Participants consistently described programs such as SNAP and Medicaid as essential to survival rather than as supplemental support. One participant explained that without SNAP, she and her mom *"would have to rely on the food pantries,"* while another described Medicaid as the reason she doesn't "*have to pay for my prescriptions or my medical appointments."* Even when participants had some income, benefits filled critical gaps, particularly around food and healthcare costs.

At the same time, access to these programs is unpredictable and conditional. Eligibility for benefits often depends on paperwork, income verification, and shifting qualifying rules. One participant described being *"in limbo"* during a government delay, waiting nearly a month for SNAP to be loaded onto her card and wondering, *"Are you guys gonna add them? Yes? No? Maybe?"* Another called the disability verification process *"mindboggling."* Even when benefits were approved, there was an undercurrent of anxiety due to political uncertainty, potential delays, sudden pauses, or the possibility of losing coverage if income changed.

> *"Are you guys gonna add them? Yes? No? Maybe?"*
>
> — Participant describing SNAP delays during government shutdown

Income and Benefit Tradeoffs

Participants were highly aware of the tradeoffs between earned income and benefit eligibility. Several described losing SNAP when working full-time because agencies determined they *"make too much,"* despite ongoing financial strain. As one participant put it plainly, *"Once they can see how much you make — nope."* When employment ended, benefits required formal verification before reinstatement, creating gaps where individuals had neither wages nor assistance. None of the participants explicitly stated they declined work hours, but they clearly understood the eligibility thresholds and the risks of exceeding them. One described the need to notify agencies immediately when work status changed because *"they can see how much you make. You can't hide that."* For people with unstable hours, temporary disability, or gig-based work, this creates ongoing uncertainty. A raise or new job doesn't automatically translate into stability, as it can also trigger benefit loss before financial security is actually achieved.

Cautious Usage of Debt

In these interviews, debt was framed not as consumption-driven but as emergency management. Credit cards were used primarily for unavoidable expenses, such as veterinary emergencies, groceries during benefit delays, or essential household costs. One participant explained charging a large vet bill because *“she was sick and I didn’t want to see her suffering*.” Another emphasized that credit should be used only “*if you feel like you’re in dire straits*.” Participants warned against casual borrowing, urging others to *“pay attention to the APR rates”* and “*don’t make debts for yourself* ” as well. Additionally, participants demonstrated financial caution, even while experiencing hardship. Payday loans, cash advance apps, and buy-now-pay-later services were largely avoided: *“I’ve heard of them — I just leave them alone.”*

Employer Benefits and Workplace Supports

For participants in this study, employer-provided benefits were neither a given nor a uniform experience. Access was shaped by the types of work available, the affordability of enrollment, and the extent to which offerings aligned with the realities of precarious, low-wage employment. Two dimensions emerged as especially meaningful: whether benefits were actually usable given their cost, and the degree to which schedule flexibility functioned as a benefit in its own right.

Even when employer-sponsored benefits existed on paper, cost remained the primary factor determining whether participants could actually use them. Several participants held employer health insurance coverage in reserve—a contingency to fall back on if public insurance eligibility changed—rather than as an active resource. One participant, employed full-time, described her company's HMO as *"really dope,"* noting that it covered a portion of out-of-pocket costs and that she had *"never worked for a company that does that."* Yet she had not enrolled, relying instead on Medicaid so long as it remained available. Another participant made a similar calculation, opting out of her employer's health plan because the premium would be *"taking a little bit more out of my account"*—a deduction she could not absorb on her current income.

Schedule flexibility, by contrast, emerged as an immediately and concretely valuable benefit. For one participant, her employer's informal flexibility was a practical lifeline: on the day of the interview, she was working from home because her infant daughter's asthma had flared and she could not go to daycare. Beyond the caregiving dimension, she framed the arrangement in direct financial terms—her workplace was 45 minutes away, and every remote day reduced her gas costs. For another, flexibility took the form of being able to pick up additional hours when a colleague was absent, quietly expanding her earnings without any formal policy behind it.

Uneven Healthcare Quality

Across the four interviews, participants’ answers painted a picture of healthcare access as a patchwork system in which insurance type determines not only cost but also options and experience. Medicaid was described as essential because it relieved immediate financial barriers, and one participant emphasized that she doesn’t *“have to pay for my prescriptions or my medical appointments,”* which enabled ongoing care. At the same time, coverage came with limits. Participants also recognized that insurance type shapes not only cost but treatment quality and provider access. One mother explained, *“I have noticed that sometimes providers* *may just treat you differently or talk to you differently based upon the insurance you have. And I have witnessed that not only being insured by state Medicaid, but also working in doctors' offices. I've seen how they treat different patients."* Rather than describing healthcare as universally accessible, participants framed it as dependent on maintaining the "right" coverage at the "right" income level, reinforcing how uneven the system feels in practice.

> *"I have noticed that sometimes providers, they may just treat you differently or talk to you differently based upon the insurance you have."*
>
> — Healthcare Administration Worker

CONCLUSIONS & IMPLICATIONS

While a relatively small sample, this study includes low-income workers across the life spectrum: a mother balancing remote work while caring for a young child, a young delivery driver navigating gig-based income, a grandmother working part-time in retail due to insufficient retirement savings, and a mid-career worker living with family following a layoff. This diversity of circumstance strengthens the conceptual range of the findings, even as the sample size limits generalizability. All participants were affiliated with Neighborhood Trust, meaning they had already engaged with financial counseling services—a factor that may have shaped their degree of financial awareness and strategic thinking relative to the broader low-income working population. Future research with larger and more varied samples would be needed to test the transferability of these themes.

These four interviews do not reveal financial mismanagement. They reveal financial strain operating within structurally constrained systems. Across employment type, age, and household composition, participants demonstrated consistent foresight, caution, and adaptability; budgeting carefully, avoiding high-risk debt products, and monitoring benefit eligibility thresholds with precision. What limited their ability to build stability was not behavior but structure: wages that fell short of basic costs, benefits that penalized small income gains, employer offerings that were expensive to use, and public programs that were difficult to navigate and easy to lose.

FOR POLICYMAKERS	FOR EMPLOYERS	FOR FINANCIAL PROVIDERS
• Smoother benefit phase-outs to reduce cliff effects • Reduced administrative burden for program access • Greater benefit continuity during income transitions	• Predictable scheduling and accessible remote work • Emergency savings and liquidity tools • Affordable health and retirement benefit design	• Clear fee transparency on all products • Liquidity products aligned with irregular income • Products designed for gig and part-time workers

Several implications follow for the practitioners, employers, and policymakers who shape these systems. For policymakers, the benefit cliff dynamic that participants described, where a modest income increase triggers disproportionate benefit loss, represents a significant design flaw.

Participants understood these thresholds–and the risks of losing their benefits if they increased their earnings–clearly. Smoother benefit phase-outs, reduced administrative burden, and greater continuity of coverage during income transitions would better reflect the economic realities workers are actually navigating.

For employers, the findings point to two underappreciated levers. First, schedule flexibility—whether formal or informal—emerged as one of the most concretely valuable supports participants described, enabling caregiving, reducing commute costs, and allowing workers to manage household demands without sacrificing income. Predictable scheduling, paid sick leave, and accessible remote work options may carry as much practical weight as traditional benefits. Second, benefits that exist on paper but create barriers to participation provide limited protection. Many low-wage workers currently rely on Medicaid's zero-premium, low-copay structure, accepting tradeoffs in provider choice in exchange for cost certainty. As policy changes, such as new Medicaid work requirements, push more workers toward employer-sponsored coverage, the transition will represent a significant premium shock for those least able to absorb it. Employers can soften this by designing wage-tiered premium structures that scale costs to income—ensuring that health coverage becomes more accessible precisely when workers need it most.

For financial service providers and organizations like Neighborhood Trust, participants' cautious, deliberate approach to debt and financial products suggests both an opportunity and a responsibility. Workers were not naive about the risks of buy-now-pay-later products, cash advance apps, or high-APR credit—they avoided them largely on principle. What they lacked were accessible, low-cost liquidity options aligned with the irregular income patterns that define gig and part-time work. Products designed around predictable paychecks do not serve workers whose earnings shift week to week. Employers are uniquely positioned to fill this gap. Employer-sponsored small-dollar loan programs—such as those modeled by the Community Impact Fund—offer zero-interest credit as a workplace benefit, while employer-paid earned wage access programs allow workers to draw on wages already earned without fees or interest. Unlike consumer-facing cash advance apps, which often rely on manipulative design and compounding costs, employer-anchored products align the incentive structure with worker well-being rather than repeat usage.

Ultimately, these interviews affirm that the financial decisions of low-wage workers are shaped far more by the architecture of the systems around them than by individual choices. Policy, employer practice, and financial product design all function as either constraints or supports, and workers experience the difference acutely.

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