Wages Have Failed to Match Inflation, 65% of Employed Consumers are Living Paycheck to Paycheck

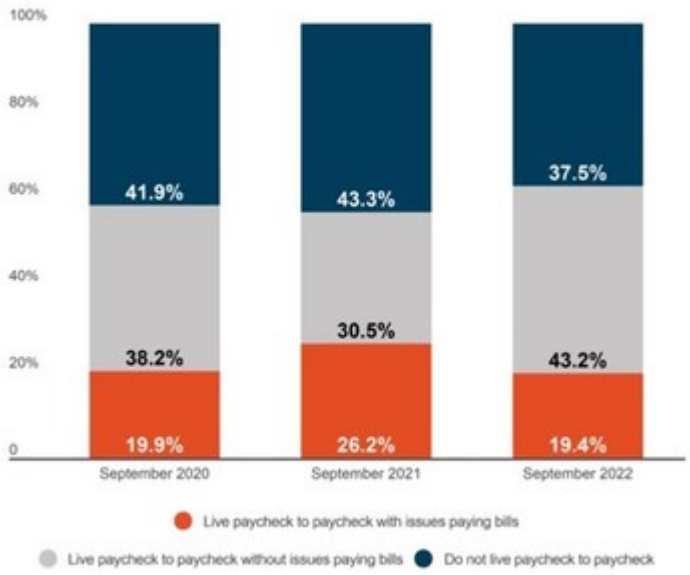
October 24, 2022

Over the past 12 months, wages have increased by 4.9% while inflation rose by over 8.2%

81% of households have more than one breadwinner, yet 4 in 10 have only one significant household source of income

64% of consumers are very or extremely concerned about current and near-future economic conditions

SAN FRANCISCO, Oct. 24, 2022 /PRNewswire/ -- LendingClub Corporation (NYSE: LC), the parent company of LendingClub Bank, America's leading digital marketplace bank, today released findings from the 15th edition of the Reality Check: Paycheck-To-Paycheck research series, conducted in partnership with PYMNTS.com. The Employment Edition provides an overview of consumers' employment characteristics, changes and expectations and how they affect their financial lifestyles.



Today's Paycheck-To-Paycheck Landscape

As inflation continues to outpace wages, the share of consumers living paycheck to paycheck nears a historic high. Sixty-three percent of consumers were living paycheck to paycheck as of September 2022, compared to 57% in September 2021 and the recent high of 64% in March 2022. Financial strain is also extending to groups historically used to managing their budgets comfortably. The share of paycheck-to-paycheck consumers has spiked among mid- to high-income earners, with 63% and 49%, respectively, claiming to live paycheck to paycheck, up from 57% and 38%, respectively, a year ago.

Living Paycheck to Paycheck as an Employee

Sixty-five percent of employed consumers were living paycheck to paycheck in September 2022 —a 5 percentage point rise from a year ago. Among those of working age, consumers who live paycheck to paycheck comfortably are the most likely to be employed. In fact, inactive workers make up a significant share of those who do not live paycheck to paycheck.

"The five-percentage point increase in employed consumers living paycheck-to-paycheck from last year is an indication of how consumers are not able to keep up with the pace that inflation is increasing," says Anuj Nayar, LendingClub's Financial Health

Officer. "Being employed is no longer enough for the everyday American. Wage growth has been inadequate, leaving more consumers than ever with little to nothing left over after managing monthly expenses."

Financially struggling consumers are disproportionally concentrated in the retail and services segments. Twenty-six percent of financially struggling consumers have more than one employer. Less than four in 10 consumers think their current jobs meet their wage expectations. Even high-income consumers are likely to say their current jobs do not meet their salary expectations.

Dissatisfaction about wage expectations is a strong differentiator in willingness to switch. Three in 10 workers are likely to change their jobs over the next six months. Those financially struggling evidence the highest turnover rates, with four in 10 not very or not extremely likely to be at their current jobs six months from now.

However, while many consumers have switched jobs to upscale their paychecks in the past, the report shows optimism about finding a new job that fits both wage demands and an employee's qualifications is generally low. Regardless of demographic, only 34% of consumers find it very or extremely likely that they will find such a job in the next three months.

The report also shows the benefits of staying with a job for a longer period, consumers with more than five years in their current position are 20% more likely to have above-average credit scores than the average consumer. Their average savings are 18% higher.

Inflation v. Wages

Despite the low unemployment rates, average hourly earnings have failed to match the rate of inflation, increasing by 4.9% over the 12 months preceding September 2022. Inflation rose by over 8.2% in that same period. Forty-eight percent of workers state their incomes have remained unchanged over the course of last year. Just 14% say their earnings grew on par with or above inflation in that same period. At 11%, women are less likely to cite such wage increases, while 18% of men do. As little as 10% of struggling paycheck-to-paycheck consumers cite inflation-matching wage increases; while 16% of both paycheck-to-paycheck consumers who are not struggling and consumers not living paycheck-to-paycheck cite the same.

Regardless of a consumer's financial lifestyle, households are highly likely to have multiple sources of income and are currently vulnerable to swings in labor market conditions. While 19% of respondents stated they were the sole income provider in their household, 40% of respondents said their income represented three-quarters or more of their households' total earnings.

Even as the Federal Reserve doubles down on efforts to combat rising prices, consumers believe it will take until mid-2024 to tame inflation. Sixty-two percent of all consumers believe a recession will come in under a year and 48% of all consumers believe that we are already in a recession. Sixty-four percent of consumers are very or extremely concerned about current and near-future economic conditions. With the potential for at least two more years of high inflation on the horizon, jobs prospects curbed by the fear of a recession and the additional stress of the year ending, financial distress could reach an all-time high by the end of 2022.

"With inflationary pressures not expected to subside anytime soon, living paycheck to paycheck has become the norm." Nayar added, "Many are pessimistic about their odds of increasing their paycheck by switching jobs and some households will become more vulnerable to swings in labor market conditions. This could cause many to struggle with the upcoming Holiday season."

To view the full report, visit: https://www.pymnts.com/study/reality-check-paycheck-to-paycheck-income-budget-inflation-employment/

Methodology

New Reality Check: The Paycheck-To-Paycheck Report — The Employment Edition is based on a census-balanced survey of 3,942 U.S. consumers that was conducted from Sept. 9 to Sept. 23 as well as analysis of other economic data. The Paycheck-To-Paycheck series expands on existing data published by government agencies such as the Federal Reserve System and the Bureau of Labor Statistics to provide a deep look into the elements that lie at the backbone of the American consumer's financial wellness: income, savings, debt and spending choices. Our sample was balanced to match the U.S. adult population in a set of key demographic variables: 51% of respondents identified as female, 31% were college-educated and 36% declared incomes of more than $100,000 per year.

About LendingClub

LendingClub Corporation (NYSE: LC) is the parent company of LendingClub Bank, National Association, Member FDIC. LendingClub Bank is the leading digital marketplace bank in the U.S., where members can access a broad range of financial products and services designed to help them pay less when borrowing and earn more when saving. Based on more than 150 billion cells of data and over $75 billion in loans, our advanced credit decisioning and machine-learning models are used across the customer lifecycle to expand seamless access to credit for our members, while generating compelling risk-adjusted returns for our loan investors. Since 2007, more than 4 million members have joined the Club to help reach their financial goals. For more information about LendingClub, visit https://www.lendingclub.com.

CONTACT:

For Investors: IR@lendingclub.com

Media Contact: Press@lendingclub.com

PYMNTS Contact: information@PYMNTS.com



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