

# What Makes a Fair Sliding Scale: The Case of Meals on Wheels

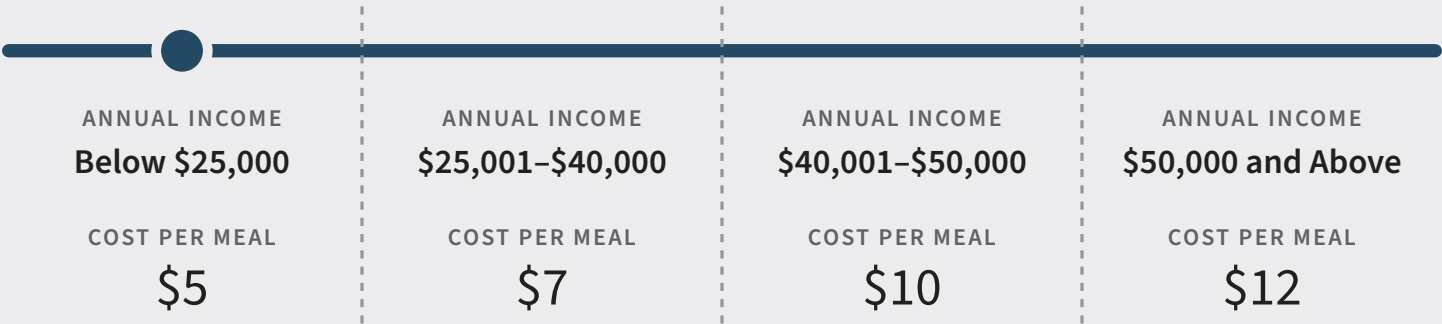
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Sliding scale payment plans are often used by charitable organizations as well as businesses to allow access to services by individuals and households with lower incomes, while still sustaining enough income to support future service.



Sliding scales base service fees on the level of income and/or wealth of the client, with clients with higher incomes paying a higher price and subsidizing services provided to clients with lower incomes who are charged a fee generally below service cost. Scales used by such organizations range from proportional payment plans to a simple fixed discount if income falls below a set threshold. Many food assistance programs, including some local Meals on Wheels affiliates, use sliding scales to partially fund their operations. Meals on Wheels provides home delivered meals to the elderly who may face mobility issues.

## Example of a Sliding Scale (New Dawn Meals on Wheels)



## Objectives

In this project, we seek to determine how the use of sliding scales influences demand for services among potential clients of the Meals on Wheels program. Our objective is to find information that would help to design fee schedules that are perceived to be “fair” by clients. To achieve this objective, we investigated how the structure of a sliding scale affected the perception of fairness by both individuals with low incomes and individuals with high incomes. We investigated the following questions:

1. Do individuals with low incomes and individuals with high incomes prefer scales in which *everyone* pays a positive amount (i.e. no one receives the service for free)?
2. Do individuals with high incomes prefer a payment scheme that is closer to charging all clients the same fee?
3. Do individuals with low incomes prefer a payment scheme with a larger difference in payment between income groups?

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# Findings

We conducted two surveys fielded by Qualtrics through their [national panel](#) to test our hypotheses:

	What We Asked	Who We Asked	What We Found
Survey One	In the first survey, participants were asked to consider participation in a meal program where they would be charged a fee per meal. They were then asked about a series of potential fee schedules. All charges would result in an average revenue of \$5 per meal to the organization, but fees for the low-income group ranged from \$0 to \$5 in different scales.	Individuals with half reporting an income greater than \$50k per year, and half reporting an income below this threshold (N=1,491).	Participants with lower incomes displayed strong preferences for paying more than \$0 for their meals. Individuals with higher incomes preferred that the lower price and the higher price be close in value.
Survey Two	A second group of survey participants were asked similar questions about their perception of fairness. In this context, we were looking for how being assigned to a low- or high-income group might change perceptions of fairness.	Individuals were asked for their income, and then randomly assigned to either be below or above a specified income threshold (N = 1,550).	In most cases, subjects in the low- and high-income groups agreed on the fairest scales, with low income preferring to pay non-zero amounts, and both groups preferring a substantial difference in price.

## What does this mean?

All individuals preferred a sliding scale where individuals with higher incomes paid slightly more than individuals with lower incomes, but no one received the service for free. It also means that individuals with lower incomes preferred a slightly bigger split between the low price and the high price (\$3-\$7) compared to individuals with higher incomes who preferred a slightly smaller split (\$4-\$6).

## Practical Implications

If your organization is interested to try a sliding scale that subsidized individuals with lower incomes, you may want to follow these tips:



1. Set prices higher for individuals with higher incomes.
  2. Ask individuals with lower incomes to pay something more than \$0.
  3. If you have two income brackets, set the higher price 20-40% higher than the lower price. For more income brackets, this split may serve as a starting point.

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