



Knowing Better, Doing Better

**HR EXECUTIVES' PERSPECTIVES
ON EMPLOYEE FINANCIAL HEALTH**

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EXECUTIVE SUMMARY

In the past several years, employers have begun thinking about their employees' financial health in more deliberate and strategic ways. Financial health initiatives have become more common in the workplace, and employees increasingly expect this type of support from their employers.¹ But how do employers know if the solutions they offer are addressing their employees' needs? How aware are human resources (HR) executives and decision-makers of the specific pain points their employees face in their financial lives? And when faced with an uncertain economic future, how can employers make more targeted, high-impact benefits decisions?

To begin to answer these questions, the Financial Health Network conducted a survey of 770 HR executives from mid-size and large companies across eight

industries in July 2020. The survey aimed to better understand how aware employers are of their employees' financial health struggles, the actions companies have taken to incorporate financial health into their human capital strategies, and how businesses are making financial health benefits decisions during the current crisis and beyond.

The research reveals an overwhelming level of perceived awareness on the part of employers, which has grown deeper as a result of COVID-19. But while companies are taking some measurable action and remain invested in supporting employee financial health, there remains a gap between employee needs and existing benefits solutions. Employers, though motivated by employee engagement and demand, rely on a limited set of metrics to understand employees' needs.



¹ *Better for Employees, Better for Business: The Case for Employers to Invest in Employee Financial Health*, Financial Health Network, 2019.

Key Findings

- 1 A majority of employers consider themselves aware of the financial health challenges of their employees and are taking action to address these challenges.**

 - 86% of employers consider themselves aware of their employees' financial health challenges.
 - 82% of employers incorporate financial health into their HR departments' strategic plans or plan to do so in the next year.
 - 60% of employers report that employee demand is a top factor when making investment decisions about financial health benefits, even more than budgetary concerns (49%).

- 2 Employers are maintaining or increasing their investment in financial health benefits as a result of COVID-19.**

 - Employers are seeing evidence of hardship among their employees since the start of the pandemic: 46% of employers report an increase in requests for 401(k) loans and hardship withdrawals, and 27% report increased requests for pay advances.
 - 56% of companies are planning to spend about the same on financial health benefits over the next two years in response to COVID-19, while 29% are planning to spend more. Those that have seen evidence of hardship (as defined above) are much more likely to say they plan to spend more (40%) than those who have not seen evidence of hardship (16%).

- 3 Employer awareness of employee financial health challenges is largely based on limited metrics, contributing to a gap between employee needs and solutions.**

 - The most common ways of assessing employee financial health are through 401(k) metrics (75%) and health-related insurance claims (69%), which offer only a limited view into an employee's financial needs.
 - The most common types of benefits offered do not address many of the financial health challenges that employees face.

Employers have an opportunity to be more deliberate in how they steward their efforts, energy, and investment in support of their employees. Companies are increasingly aware of, and want to be responsive to, their employees' financial health challenges. Through an holistic approach to understanding the needs of their employees, employers have an opportunity to invest resources in more effective and impactful solutions.

INTRODUCTION

In the past few years, employee financial health has evolved from something only a handful of employers thought much about into an organizational strategy where many companies are now investing time and resources. For example, in 2019, more than half of employers offered some kind of financial wellness program, compared with only 24% in 2015.²

But how do employers know if the solutions they offer are addressing their employees' needs? How aware are human resources (HR) executives and decision-makers of the specific pain points their employees face in their financial lives?

And when faced with an uncertain economic future, how can employers make more targeted, high-impact benefits decisions?

To begin to answer these questions, the Financial Health Network conducted a survey of HR executives. The survey aimed to better understand how aware employers are about their employees' financial health struggles, the actions companies have taken to incorporate financial health into their human capital strategies, and how businesses are making financial health benefits decisions during the current crisis and beyond.



² [2019 Workplace Benefits Report: Expanding the financial wellness conversation](#), Bank of America Corporation, 2019.

METHODOLOGY

The survey consisted of 27 questions and was administered online in July 2020 to senior HR executives from midsize and large companies by Beresford Research, a custom market research firm specializing in senior executive and business leader surveys and interviews. Respondents were selected to be representative of various industries.

The survey drew a response from 770 executives across eight industries. Every respondent holds a VP position or above and has direct decision-making authority over their company's employee benefits strategy.

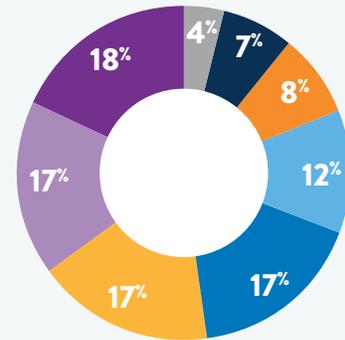
For the purposes of this report and in the survey, we define the terms "financial health" and "financial health benefits" in the following ways:

- **Financial health:** When your day-to-day financial system helps you to be resilient and pursue opportunities. This includes the ability to spend, save, borrow, and plan.
- **Financial health benefits:** Employee benefits that have a financial component, including but not limited to retirement plans; employee assistance programs (EAPs); voluntary financial benefits (such as student loan repayment, financial coaching or education, pay advances or personal loans); equity programs; paid time off programs; and health or other insurance benefits.

Throughout the report, we reference third-party sources that use the term "financial wellness." In this report, we use financial health and financial wellness interchangeably.

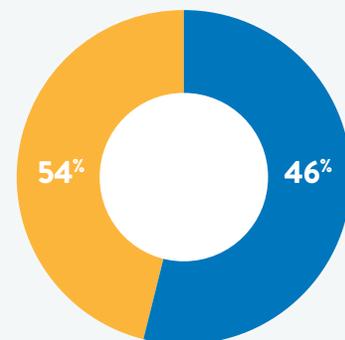
To supplement the quantitative survey data, Beresford Research conducted 15 post-survey interviews with HR decision-makers. This report includes several direct quotes from these interviews.

INDUSTRY TYPE



- Finance and Insurance
- Healthcare and Social Assistance
- Manufacturing
- Professional, Scientific, and Technical Services
- Retail Trade
- Information
- Transportation and Warehousing
- Accommodation and Food Services

EMPLOYER SIZE



- 500 - 2,499 employees
- 2,499 + employees

KEY FINDING ONE

A majority of employers consider themselves aware of the financial health challenges of their employees and are taking action to address these challenges.

The survey found that 86% of employers considered themselves aware of their employees' financial health challenges (Figure 1). The prevalence of employers who are aware of their employee financial health challenges aligns with an increasing number of financial wellness programs offered in the workplace. And the trend is moving quickly: According to one study, between 2018 and 2019, the number of companies who were actively implementing or interested in implementing a financial wellness initiative nearly doubled from 32% to 63%.³

Companies are translating this awareness into action by taking concrete steps toward addressing the financial health challenges of their workforce. Approximately 82% of employers incorporate financial health into their human resources departments' strategic plans or plan to in the next year, signaling an executive-level commitment to improving employee financial health (Figure 2).

Figure 1: Q5. To what extent do you agree with the following statement: "I am aware of the financial health challenges of my employees."

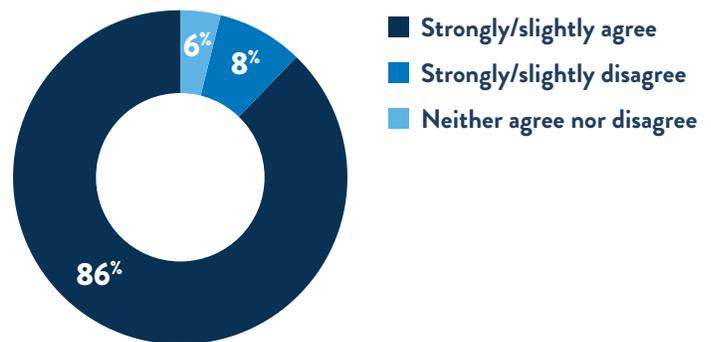
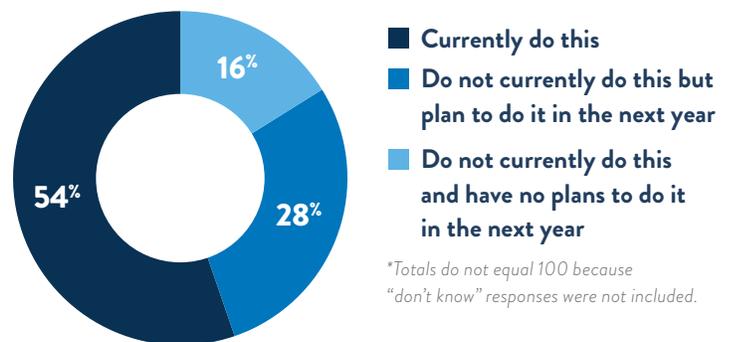


Figure 2: Q10. To what extent has your company taken steps to incorporate employee financial health into its human resources strategy?



*Totals do not equal 100 because "don't know" responses were not included.

³ 2019 Employer Approaches to Financial Wellbeing Solutions, Employee Benefits Research Institute, 2019.

For survey respondents, primary motivations for offering financial health benefits include trying to improve employee engagement, followed closely by believing it is the “right thing to do” and seeking to improve recruitment and retention. Much lower on the list were reducing absenteeism or lowering medical costs, which are often cited as key business justifications for providing these types of benefits (Figure 3).

Figure 3: Q19. What are your company’s primary motivations for offering financial health benefits? (Select up to three responses.)

We seek to improve employee engagement	42%
We believe it’s the right thing to do	41%
We seek to improve talent recruitment and retention	36%
We seek to decrease medical costs (e.g., healthcare, disability, workers’ compensation)	29%
Employees are asking for these types of benefits	28%
We seek to improve retirement outcomes (e.g., decreased leakage, higher participation rate)	25%
We are evolving our HR strategy towards a more holistic set of benefits	23%
We seek to reduce absenteeism	20%

“ We believe that if we take care of our employees, they will take care of the business. We want to continue to push more or expand things that are going to support our employees, and will drive better employee engagement.

VP HUMAN RESOURCES, RETAIL

While one might expect to see these motivations during times of financial stability, COVID-19 has shown that even during times of unprecedented economic uncertainty, employers prioritize their employees’ needs when making decisions about financial health benefits. For example, 60% of employers report that employee demand is the most important factor when making investment decisions about financial health benefits, even more than budgetary concerns (Figure 4).

Figure 4: Q18. When your company makes decisions about investing in financial health benefits, what factors are most important? (Select up to three responses.)

Employee demand	60%
Assessment of budget	49%
Assessment of competing benefit priorities	44%
Availability of staff resources to manage the benefit	39%
Leadership buy-in	33%

KEY FINDING TWO

Employers are maintaining or increasing their investment in financial health benefits as a result of COVID-19.

Employers are grappling with myriad shifts in the workplace as a result of COVID-19 and are working hard to be responsive to employee needs, including their financial health needs. In response to the pandemic, 56% of companies plan to spend the same on financial health benefits over the next two years, while 29% plan to spend more (Figure 5).

Companies that have observed evidence of hardship among employees since the beginning of the pandemic are much more likely to say that they will spend more on benefits than

those companies who have not (Figures 5 and 6). In this report, we define employee hardship as (1) increased demand for 401(k) loans or hardship withdrawals, (2) increased demand for pay advances, or (3) both. Eighty-three percent of employers that have seen evidence of hardship say that financial health is an important component of their employee engagement strategy post-COVID-19, compared with only 63% of employers that have not observed evidence of hardship (Figure 7).

Figure 5: Q20. In response to COVID-19, does your company plan to spend less, about the same, or more on financial health benefits over the next two years?

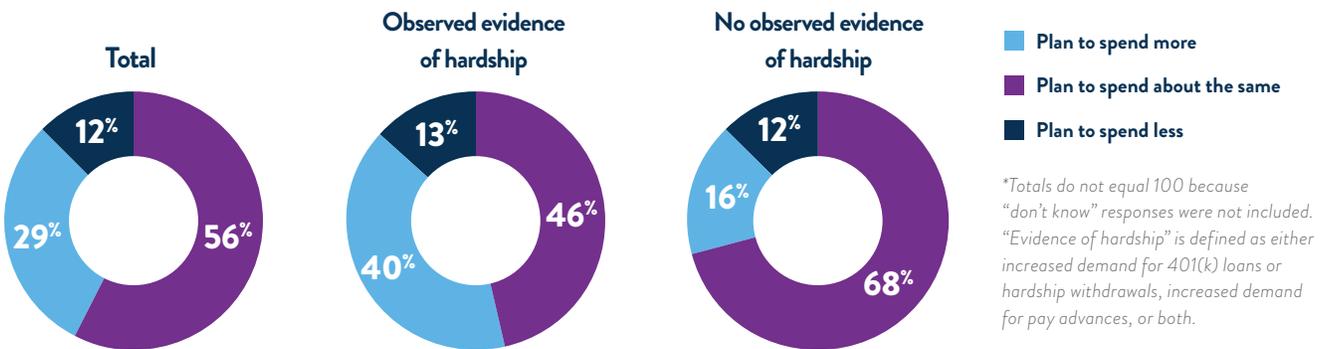


Figure 6: Q9. Have you observed changes in demand for the following since the COVID-19 pandemic?

	YES, AN INCREASE	NO CHANGE	YES, A DECREASE
401(k) loans or hardship withdrawals	46%	40%	12%
Pay advances	27%	60%	8%

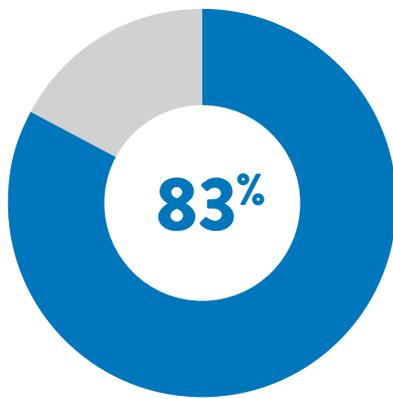
*Totals do not equal 100 because "don't know" responses were not included.

“

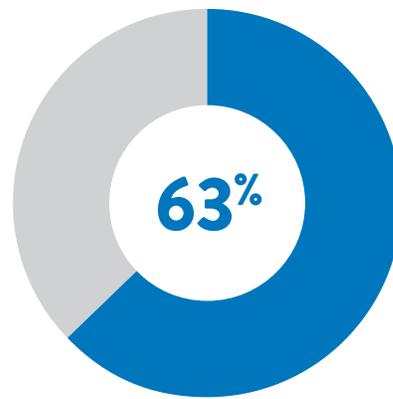
I think [offering financial health benefits is] consistent with our core values, and it’s in the spirit of doing the right thing for our employees, but it’s also about being competitive in the marketplace. We still want to make sure we have a compelling employment proposition to attract and retain talent. It’s really an engagement investment and a retention investment.

VP HUMAN RESOURCES, ACCOMMODATION AND FOOD SERVICES

Figure 7: Q23. To what extent do you agree with the following statement: “Financial health is an important component of our employee engagement strategy post-COVID-19.” (Strongly/Slightly Agree)



Observed evidence of hardship



No observed evidence of hardship

*“Evidence of hardship” is defined as either increased demand for 401(k) loans or hardship withdrawals, increased demand for pay advances, or both.

“

I think it’s made us just be more realistic about the environment that we’re in. People are struggling to make ends meet and it’s brought us back a little to worrying less about the long-term savings objectives and really helping employees think about managing the more immediate needs.

DIRECTOR OF BENEFITS,
FINANCIAL SERVICES



KEY FINDING THREE

Employer awareness of employee financial health challenges is largely based on limited metrics, contributing to a gap between employee needs and solutions.

Employees have diverse financial needs. In a previous survey, when asked where they need financial support, employees cited short-term goals such as emergency savings, budgeting, and managing debt, in addition to longer-term savings and planning.⁴ Yet, the most common benefits employers offer address longer-term financial needs (*Figure 8*). Benefits that address shorter-term needs, such as financial coaching or help with emergency savings, are far less common.

Figure 8: Q11. Does your company offer employees any of the following financial health benefits?

BENEFIT	% OF EMPLOYERS
401(k) or other retirement plan	70%
Health insurance	70%
Paid sick or family leave	67%
Life insurance	59%
Health savings accounts	58%
Short-term/long-term disability insurance	56%
Healthcare or dependent care flexible spending accounts	53%
Financial planning app/website (e.g., budgeting and savings tools, or micro-investing)	37%
Personalized coaching or credit counseling sessions with a financial professional	27%
Emergency savings fund through payroll deduction, with or without an employer match	24%
Access to accrued earned wages in advance of payday	21%
Low-cost personal loans that can be paid back via payroll	18%
Student loan solutions that offer evaluation tools and options for refinancing	17%

This table presents abbreviated data, based on those benefits offered by more than 50% of respondents as well as a selection of additional benefits. The full table is available in the Appendix.

⁴ *Better for Employees, Better for Business: The Case for Employers to Invest in Employee Financial Health*, Financial Health Network, 2019.

The gap between employee needs and benefits offered is linked to the ways in which companies diagnose, and thus understand, their employees' financial health. When asked how they assessed the financial health challenges of their employees, employers' most common responses were 401(k) metrics and health-related insurance claims (Figure 9).

“ [Assessments] are typically done annually. We have tried to increase the frequency even before the pandemic to at least twice a year... we're trying to see if there's any way to start doing that on a [more] real-time basis.

GLOBAL HUMAN CAPITAL LEADERSHIP,
PROFESSIONAL, SCIENTIFIC, AND
TECHNICAL SERVICES

Figure 9: Q6. Do you assess the financial health of your employees in any of the following ways, and if so, how often? (Select up to three responses.)

	ANNUALLY OR QUARTERLY	AD HOC/ONCE/ NEVER DO THIS
Examine 401(k) metrics, such as participation rates, contribution rates, or hardship withdrawals	75%	25%
Examine health-related data, such as insurance claims	69%	31%
Include financial health questions in employee surveys	63%	37%
Engage in informal conversations about financial health with employees or managers	60%	40%
Conduct employee focus groups focused on financial health	53%	47%
Track requests for paycheck advances	47%	53%
Track requests for personal loans (if applicable)	45%	55%

While the tracking of metrics based on these benefits is important, they provide too narrow a perspective on employees' financial health and financial health needs. Financial lives are more complex than these limited metrics might suggest. Further, more than a quarter of employers are only collecting this data once, on an ad-hoc basis, or not at all (Figure 9). Even among those organizations who are measuring employee financial health, most are not further disaggregating their data to understand the needs of specific employee groups and how those needs may vary (Figure 10).

Figure 10: Q7. Please indicate which of the following employee characteristics, if any, you analyze employee financial health data by? (Select all that apply.)

Job classification	64%
Age	61%
Income level	57%
Gender	45%
Geography	30%
Race/Ethnicity	30%
None of these	7%

OPPORTUNITY FOR EMPLOYERS

As employers increase their commitment to and investment in employee financial health, there is an opportunity to meet employees' needs more fully through an holistic and responsive set of benefits. Employers want to meet the needs of their workforce, and many are already incorporating financial health into their executive-level human resources strategies.

However, employers currently use a limited set of tools to understand their employees' financial health. To steward their human and financial resources more effectively, employers must begin leveraging tools that provide a more holistic view of their employees' challenges.

The Financial Health Network's [FinHealth Score® Toolkit](#) is an example of a tool designed to help employers and other organizations diagnose and track the financial health of their customers, clients, and employees. There is a wide spectrum of employee financial health challenges, and the use of a strategic measurement system can help employers make strategic benefits investment decisions.

As employees manage their financial lives through the current crisis and beyond, employers are poised to build on the growing momentum around investing in employee financial health.



Appendix

Q11. Does your company offer employees any of the following financial health benefits?

BENEFIT	% OF EMPLOYERS
401(k) or other retirement plan	70%
Health insurance	70%
Paid sick or family leave	67%
Life insurance	59%
Health savings accounts	58%
Short-term/long-term disability insurance	56%
Healthcare or dependent care flexible spending accounts	53%
Supplemental insurance (e.g., life, critical illness, etc.)	49%
Employee assistance program (EAP)	46%
Financial education resources	40%
Tuition reimbursement	37%
Financial planning app/website (e.g., budgeting and savings tools, or micro-investing)	37%
Personalized coaching or credit counseling sessions with a financial professional	27%
Education savings tools, such as 529 plans	25%
Emergency savings fund through payroll deduction, with or without an employer match	24%
Equity compensation	23%
Child- or eldercare assistance	23%
Employer contributions toward student loan repayment	22%
Access to accrued earned wages in advance of payday	21%
Low-cost personal loans that can be paid back via payroll	18%
Student loan solutions that offer evaluation tools and options for refinancing	17%
Tax preparation services	16%
Mortgage loan support	11%



The Financial Health Network is the leading authority on financial health. We are a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding, and proven best practices in support of improved financial health for all.

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