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Employee Financial Wellness Programs: Differences in Reach by Financial Circumstances

Workplace-based Employee Financial Wellness Programs (EFWPs) aim to strengthen employees' financial well-being through services such as financial coaching, payroll advances and short-term installment loans, credit counseling, debt management, and online financial management tools. Although EFWPs are a fast-growing part of employee benefit packages, offerings vary widely in service type and delivery method across employers, and little research has assessed their efficacy and reach.[1] Our prior research[2] indicates significant differences among employees, including by race/ethnicity[3], regarding their awareness, utilization, and self-reported benefits from EFWP services. This brief adds to this research by examining these differences in EFWP reach by employees' financial circumstances.

EFWPs appeal to employers as tools to help employees experiencing challenging financial circumstances attain stability. A recent survey of employers found that many offered EFWPs to help their employees with financial struggles, and also to boost employee performance, increase retention, and decrease absenteeism. Employers also noted that they started offering EFWPs because managers lacked tools to help their employees cope with an unexpected event such as a vehicle-breakdown.[2]

Among low- to moderate-income (LMI) households, these types of financial shocks are common. A survey of LMI households found that 66% reported experiencing at least one financial shock, such as unexpected medical expenses or a dip in income, within a six-month period.[4] Another survey found that, following a shock, over two-thirds of LMI households experienced material hardship[5] - difficulty meeting basic needs, such as food, medical care, and housing.[6] Financial shocks pose particular challenges for LMI households, most of which lack emergency savings to cope with these events.[7]

LMI households also struggle with debt. Compared to higher-income households, LMI households are less likely to have debt-to-income ratios of 40% or less, and are more likely to experience debt delinquency.[8] Reduced income and medical expenses are key reasons why individuals seek credit counseling to resolve debt problems.[9] Lower or non-existent credit scores limit access to affordable credit for LMI households[10],which are more likely than higher-income households to use expensive and predatory forms of credit, such as payday loans.[11]

EFWP services hold the promise of making it easier for LMI households to access financial products and services that can help them better manage limited resources and cope with economic uncertainty. Given LMI households' limited liquid assets, difficulties with debt, and vulnerability to financial shocks and hardships, it is important to understand whether these financial circumstances are associated with awareness and use of EFWP services, including benefits gained. This information may prove useful for employers in selecting EFWP services that will help LMI employees better manage their financial challenges.

Methods

Sample Characteristics

The data in this study were gathered through the 2016 Household Financial Survey (HFS) of LMI tax filers as part of Refund-to-Savings (R2S), a collaborative initiative among Washington University in St. Louis, Intuit Corporation, and

Duke University to test behavioral interventions to encourage LMI online tax filers to save all or part of their refunds. The study sample included 16,650 HFS respondents who indicated they were employed either full- or part-time and thus had the potential to be offered an EFWP (see Table 1). Awareness of, utilization of, and self-reported benefits from seven different types of EFWP services were examined: payroll advances/ short-term loans, financial coaching (in-person), financial coaching (phone), financial management classes, online financial management tools, credit counseling, and debt management services. This report breaks down these responses by financial circumstances using bivariate analyses for each type of EFWP service and multivariate analyses using sampling weights and covariance control.[12]

Financial Circumstances

Financial circumstances reflected respondents' experiences of material hardships and financial shocks in the previous six months. Material hardship was measured as a binary variable based on whether the respondent had experienced any of the following eight circumstances: having difficulty covering expenses, skipping rent, skipping a bill payment, skipping medical care, skipping dental care, skipping prescription medications, experiencing food insecurity, or over-drafting a bank account. Financial shocks were measured as a binary variable based on whether the respondent had experienced any of eight types of financial shocks including: loss of employment, an unexpected household appliance repair, an unexpected vehicle repair, an unexpected legal fee or expense, an unexpected medical expense, an unexpected reduction in income, expenses due to a natural disaster, or experiencing a crime that affected one's finances or property.

Findings

Table 1 shows the demographic characteristics of the sample. More than half of the respondents were full-time employees, and slightly less than half had a college degree or higher. Females comprised a slightly larger proportion of respondents. The sample was young and mostly white.

Table 1
Sample Demographic Characteristics (N = 16,650)

	% or Mean (SD)
Race/ethnicity	
White, not Hispanic	72
Black, not Hispanic	7
Hispanic	10
Asian, not Hispanic	5
Multiracial	4
Native American or Pacific Islander	1
Other	1
Age	31.60 (11.94)
Gender	
Male	48
Female	51
Other	1
Marital Status	
Single, never married	73
Married	12
Separate	2
Divorced	12
Widowed	1
Educational Attainment	
High school diploma or less	15
Some college	38
College degree	30
Some graduate or professional school	7
Graduate or professional degree	10
Employment Status	
Full-time	58
Part-time	42

Table 2
Sample Financial Characteristics (N = 16,650)

	% or Mean (SD)
Liquid Assets	3,310 (6,530)
Liquid Liability (Debt)	2,454 (4,880)
Liquid Net Worth	855 (8,451)
Homeownership	
Yes	25
No	75
Car Ownership	
Yes	73
No	27
Banked	
Yes	75
No	25
Health Insurance	
Insured	89
Uninsured	11

The overwhelming majority of respondents were single and never married.

As indicated in Table 2, about 75% of respondents reported that they did not own a home, yet nearly three quarters (73%) owned cars. Most respondents had health insurance and bank accounts.

The sample had average liquid net worth (the difference between liquid assets and liabilities(debt)) of $855, yet this amount varied greatly across age groups (Figure 1). Employees age 35 to 64 had less in liquid assets, more liquid liability (debt), and hence, negative liquid net worth. Conversely, employees age 18-34 and employees age 65 and older had positive liquid net worth. Most employees (82%) had liquid assets for emergencies less than the recommended three months' worth of income regardless of age group.[13]

More than half of the respondents (53%) reported experiencing a financial shock and 61% reported experiencing at least one type of material hardship in the past six months. Respondents reported an average of two different types of material hardship and nearly a quarter (24%) said they experienced four or more types of hardship.

Awareness

Awareness was measured as the proportion of respondents who indicated knowing whether or not their employers offered an EFWP service (vs. not knowing) in response to the question, "Please indicate whether your employer offers each of these services and if so, if you have ever used it." Knowing whether or not these services exist at their workplace may reflect an employee's desire for personal financial assistance,

Figure 1

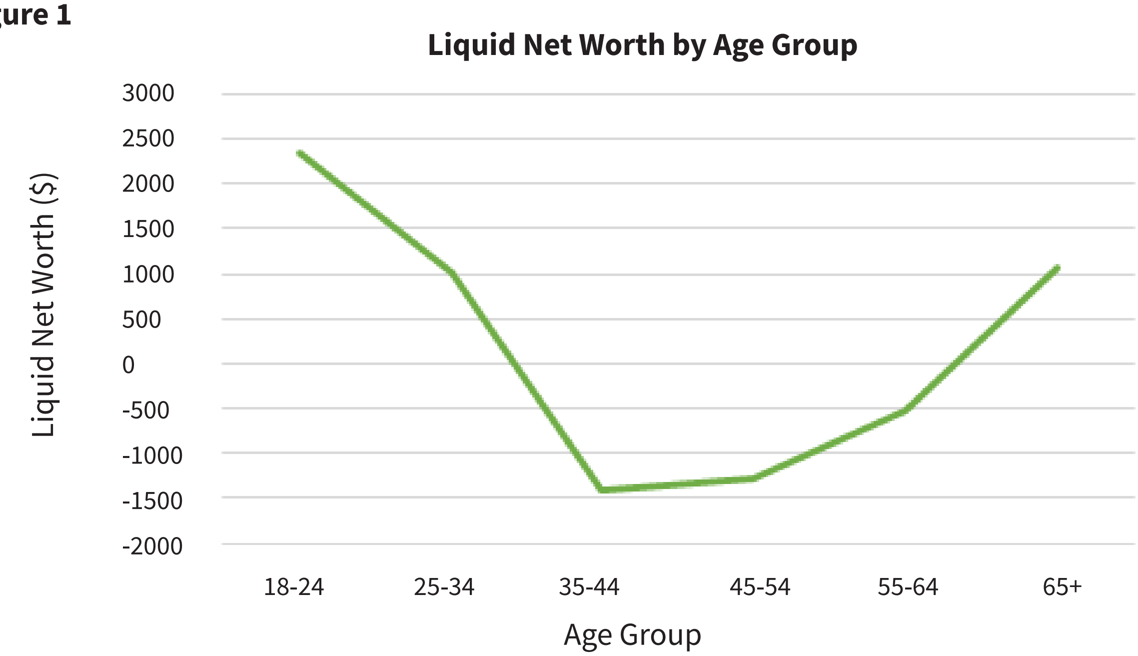
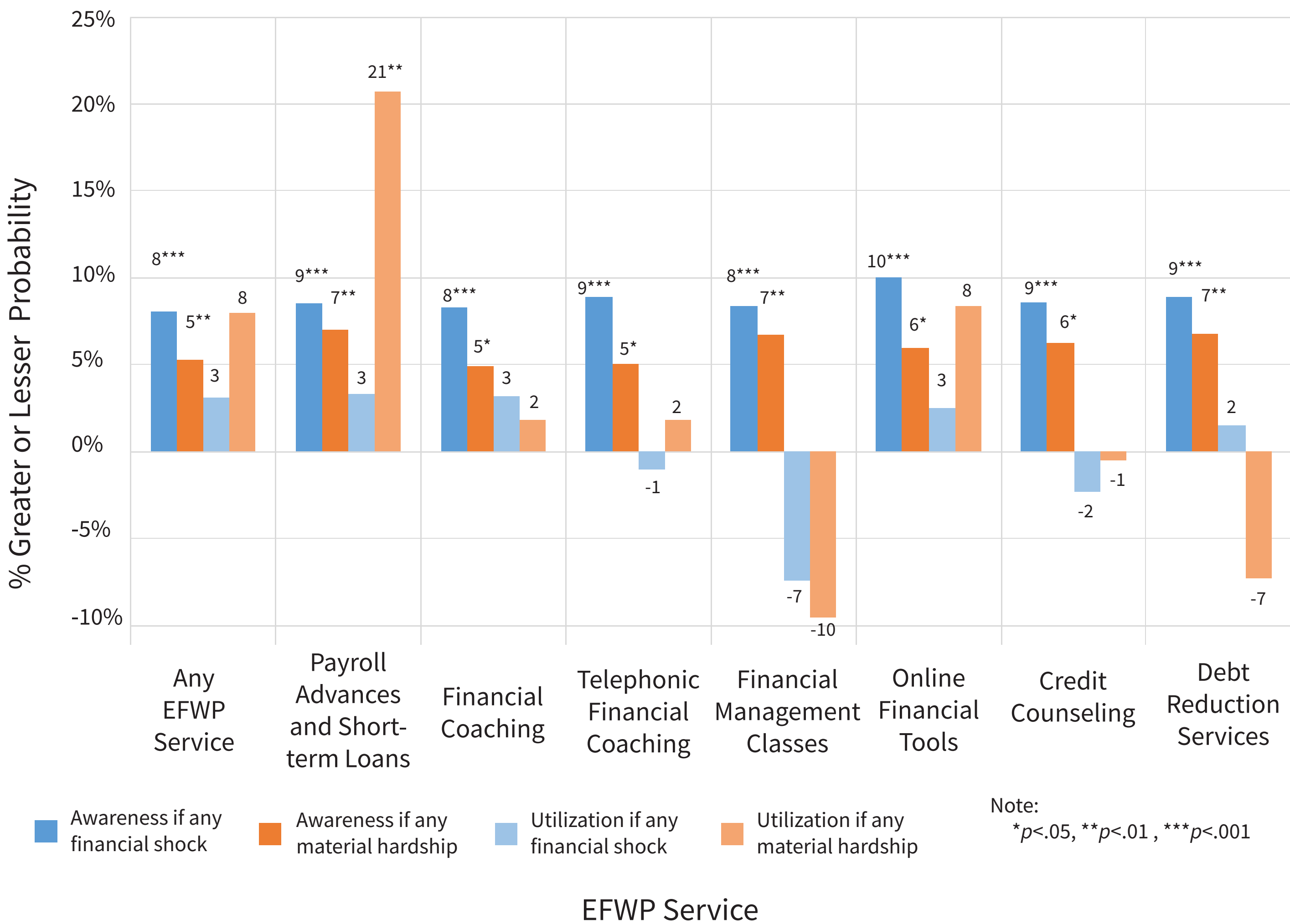


Figure 2

Differences in Probability of EFWP Service Awareness and Use by Material Hardship



how well services are marketed internally, and the potential to use these services.

Most services had an awareness rate of between 60% and 64%. Yet, patterns of differing awareness emerged according to employee financial circumstances. Employees' experiences with material hardship and financial shocks meant greater awareness of EFWP services in the workplace (Figure 2).

For each of the seven services assessed, employees who had experienced any shock in the past six months were more likely to be aware of whether their employer offered the service (Figure 2) and had an 8.1% greater likelihood ($p < .001$) of knowing about any EFWP service offering than employees who had not experienced a shock. Similarly, employees who had experienced a material hardship were more likely to be aware of whether their employer offered each of the seven different EFWP services. Hardship was associated with a 5.3% ($p < .01$) greater likelihood of knowing about the offering of any EFWP service.

Utilization

Utilization was evaluated as the share of respondents who were aware that their employer offered an EFWP service and then reported using that service. Overall availability of EFWP services was very low with the proportion of respondents whose employers offered each EFWP service (out of those who knew whether or not their employer offered the service) ranging from only 4% to 10%.

Difficult financial circumstances were associated with EFWP service use. Employees who used EFWPs experienced an average of two different types of material hardship in the previous six months compared to just one among those who did not use EFWPs. Significant differences also appeared regarding employees' use of EFWP services based on the experience of a financial shock in the previous six months. Over half (54%) of employees who used an EFWP service experienced a shock compared to 30% of employees who did not use a service ($p < .001$).

However, after controlling for other factors such as age and liquid assets, neither material hardship nor financial shocks were associated with a greater probability of using any EFWP service. This was true also when examining each EFWP service, except that material hardship was associated with a 21% greater likelihood of using payroll advances or short-term loans ($p < .01$) (see Figure 2).

Benefits

Benefits were assessed by the question, "For any of the above services that you have used, how has this service(s) affected you as an employee?" followed by four possible benefits: "Helped me concentrate more on my job," "Made me feel better about being an employee of my company or organization," "Made me feel better about coming to work," and "Reduced the amount of time I missed from work due to personal financial issues." Of the employees who used EFWPs, 68% reported that they received at least one of these benefits.

For EFWP services generally, there were no statistically significant differences in reported benefit from service use between employees who had experienced a financial shock and those who had not, after controlling for other factors such as gender and financial habits. Reported benefits for users of each individual service could not be adequately assessed due to small sample sizes related to low utilization rates.

Conclusions and Implications

In reporting their awareness and use of EFWP services, as well as benefits gained, employees who experienced challenging financial circumstances differed in specific ways from employees who had more stability. We found that employees who had recently experienced financial shocks were more likely than other employees to be aware of all seven EFWP services examined, but no more likely to use them or report benefits from using them. Similarly, hardships were associated with greater awareness of EFWP services but not greater use of an EFWP service nor greater likelihood of reporting benefit from use. However, when looked at by individual services, having experienced a material hardship was associated with a higher likelihood of using one of the seven EFWP services: payroll advances and short-term loans. Hardships such as skipping medical care or having difficulty covering expenses indicate adversity. These adverse experiences may motivate employees to seek EFWP services. In particular, payroll advances and short-term loans offer employees the ability to cover these necessary expenses in the absence of emergency savings or access to other forms of affordable credit.

In contrast, neither financial shocks nor material hardship were associated with use of other EFWP services such as financial management classes and coaching, which aim to help employees better manage the money they have. Most employees did not have enough in liquid assets to cover an unexpected financial shock and employees between 35 and 65 years-old had more debt than savings. Employees struggling to cope with unexpected events and/or to afford basic needs may not find money management-oriented services helpful given these circumstances, and may not turn to credit counseling or debt management services until they are in very serious financial trouble.[10] An alternative explanation is that these other types of EFWP services are desired by employees experiencing shocks and/or hardships, but were difficult to access and use.

Before selecting which types of services to offer, employers should examine the needs of employees and the goals they have for EFWP service provision. Not all EFWPs demonstrate equal value for employees with challenging financial circumstances and the types of financial difficulties employees face should inform which EFWP services employers choose to offer. Certain EFWP services, such as payroll advances and short-term loans, may be important for employees who need periodic access to credit to meet basic needs. Although we did not find any significant connections between financial shocks and EFWP use for any of the services we examined, another service that we did not look at, assistance with building emergency savings, could be more useful for employees when they experience financial shocks. For EFWP services to truly aid employees in weathering financial challenges, employees must have access to the specific services best suited to their needs.

End Notes

1. Hannon, Covington, Despard, Frank-Miller, & Grinstein-Weiss (2017).
2. Frank-Miller, Covington, Despard, Hannon, & Grinstein-Weiss (2017).
3. Fox-Dichter, Despard, Frank-Miller, & Germain (2018).
4. Grinstein-Weiss, Russell, Tucker, & Comer (2014).
5. Pew Charitable Trusts (2015).
6. Beverly (2001).
7. FINRA Investor Education Foundation (2016).
8. Kim, Wilmarth, & Henager (2017).
9. Moulton & Roll (2016).
10. Birkenmaier & Curley (2009).
11. Burhouse et al. (2016).
12. Probit regression with sampling weights based on the 2016 American Community Survey. Covariates included age; race/ethnicity; gender; number of children; education; full or part-time employment status; occupation; liquid assets; liquid liabilities; home, car, and bank account ownership; health insurance status; financial shocks; material hardships; and budgeting, spending, debt payment, and saving habits.
13. We used the 2016 federal poverty guidelines to calculate that for a household of three, $5,040 equates to the three months of saved income this emergency savings amount describes.

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Disclaimer

Statistical compilations disclosed in this document relate directly to the bona fide research of, and public policy discussions concerning savings behavior as it relates to tax compliance. Compilations are anonymous and do not disclose information containing data from fewer than 10 tax returns or reflect taxpayer-level data with the prior explicit consent from taxpayers. Compilations follow Intuit's protocols to help ensure the privacy and confidentiality of customer tax data. The views and opinions expressed in this brief are those of the authors and do not necessarily reflect the views and opinions of the funders.

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