

Timely and Well-Targeted Financial Assistance during COVID-19

A program for hotel employees in New Orleans

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The Social Policy Institute (SPI) at Washington University in St. Louis partnered with PerkUp Financial Health LLC, a financial services technology company, to study an emergency financial assistance program offered to employees of three hotels in New Orleans, LA who have been affected by the COVID-19 pandemic. PerkUp serves as a technology hub for a collaboration of non-profit partners that deliver financial support services and innovative products to employees of participating companies. The array of financial health services available through the PerkUp platform provides a financial safety net for the most financially vulnerable employees.

PerkUp Café program

During the summer of 2020, the PerkUp team partnered with the managers of three hotels and philanthropic organizations to design the PerkUp Café program, which provided hotel workers up to \$600 in financial assistance, delivered in \$200 monthly installments from November 2020 to January 2021. Financial assistance was delivered in the form of VISA gift cards, which employees could use with any merchants that accept VISA. To receive assistance, employees were required to register for the program through the PerkUp digital platform and demonstrate a reduction in income as a result of COVID-19. Each month the recipients were required to complete a brief survey when they requested a gift card.

Objectives

The objectives of this study were to understand:

1. The characteristics and financial needs of hotel employees impacted by COVID-19.
2. How employees used financial assistance.
3. Changes in employees' financial circumstances after receiving financial assistance.

Methods

To achieve study objectives, the research team analyzed data from two sources:

- 1) A monthly survey that employees completed concerning their characteristics and financial circumstances
- 2) Aggregated transaction data from the VISA gift cards provided to employees

The study sample included 1,056 hotel employees who received assistance and completed required surveys. A total of 11 employees who indicated that their employment situation was unaffected by COVID-19 were excluded from the sample.

Findings

Employee characteristics

In terms of how employees were affected by COVID-19, 57% were furloughed, 30% laid off, and 13% experienced reductions in their hours and/or pay. Most workers (71%) received unemployment assistance and this same percentage remained unemployed as of fall 2020. Prior to the pandemic, 68% were working full-time with the hotel and 79% had health insurance. Over half (55%) of employees had one or more dependents in the home and the average size of households was 2.62, with a range of 1 to 10 persons. Additional characteristics are reflected in Table 1 below:

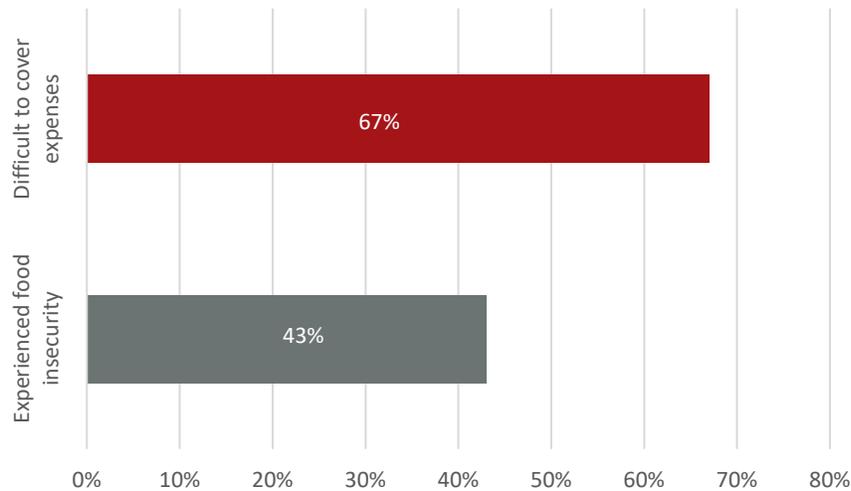
Table 1. Employee characteristics (N=1,056)

<i>Employment Status</i>	
Employed	29%
Furloughed	45%
Laid off	26%
<i>Job Type</i>	
Frontline	82%
Professional/managerial	18%
<i>Gender</i>	
Female	55%
Male	45%
Other/non-binary	<1%
<i>Marital Status</i>	
Single	52%
Married/partnered	32%
Divorced/separated	13%
Widow(er)	2%
<i>Race</i>	
Black	61%
White	25%
Other races	14%
<i>Hispanic ethnicity</i>	11%

Financial challenges of employees

When they applied to receive their first gift card, employees were asked: "In the past 30 days, how often did the food you bought not last and you didn't have money to get more / how difficult was it for you to cover your expenses and pay all your bills?" In response over half of respondents responded positively. Results indicate food insecurity and difficulty paying bills was greater among hotel workers compared to the general population. As a point of reference, only 10% of U.S. households said that over the prior three months they often lacked enough food and 15% of households said they skipped paying a bill or paid a bill late¹ in response to a survey also fielded in the fall of 2020.

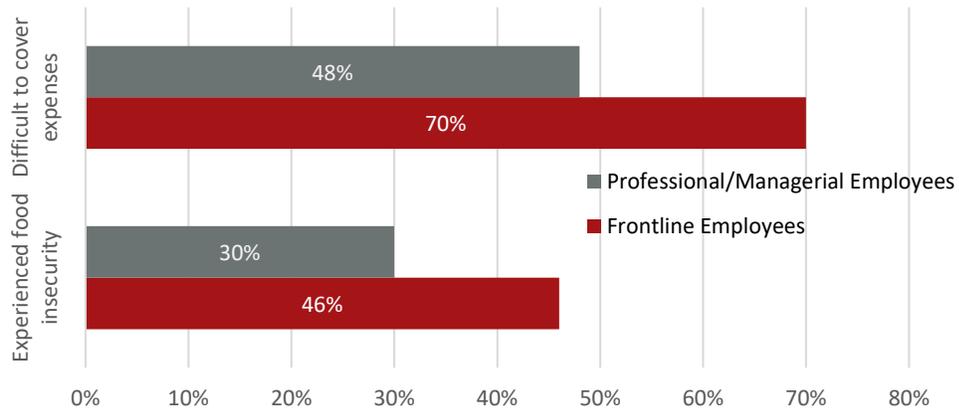
Financial challenges experienced in last 30 days



Financial needs differed based on certain employee characteristics. Results indicate frontline workers experienced more food insecurity ($p < .001$) and difficulty paying bills ($p < .001$) compared to professional and managerial employees.

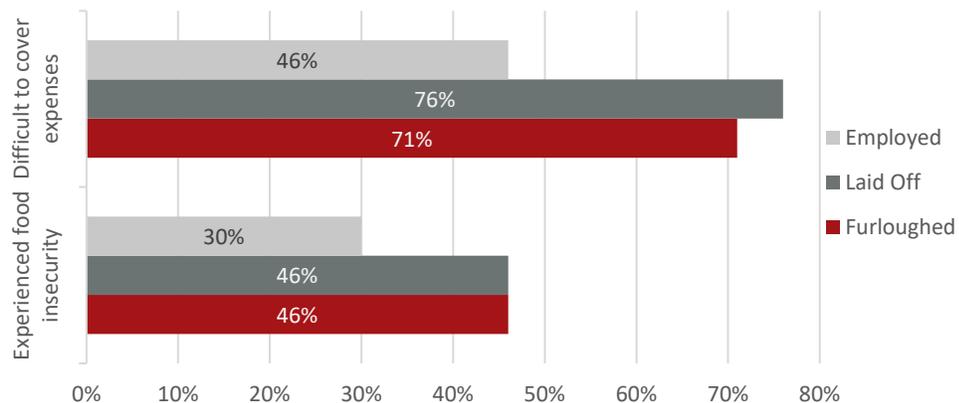
¹ Wave 3 of the Economic Effects of COVID-19 on U.S. Households survey administered by the Social Policy Institute in November-December 2020.

Financial challenges: Frontline vs. professional/managerial employees



By employment status, results indicate furloughed and laid off workers experienced more food insecurity ($p < .001$) and difficulty paying bills ($p < .001$) compared to employed workers.

Financial challenges: Employment status

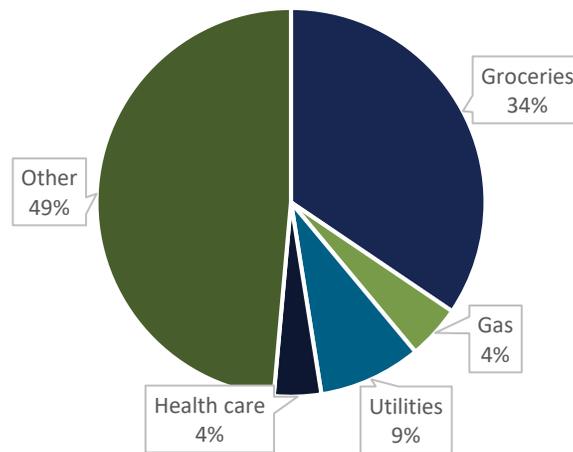


By race, food insecurity was highest among Black workers (54%) compared to employees of other races (31%) ($p < .001$). Similarly, 78% of Black employees said it was very difficult to pay bills ($p < .001$) compared to 54% of other race employees. Also, employees with one or more dependents had a higher rate of food insecurity (46%) than employees without dependents (39%) ($p < .05$). There were no differences in food insecurity and difficulty paying bills based on gender identity or according to whether the employee received unemployment assistance.

How employees used financial assistance

PerkUp Café emergency assistance was delivered to hotel workers using VISA gift cards. This allowed PerkUp to gather aggregated transaction data that indicated the different merchants where workers used their cards. A total of \$560,631.20 was spent by workers. As reflected in the chart below, the most common use of cards was for groceries:

PerkUp Café gift card spending



The "other" category included a wide range of purchases – clothing, shoes, hair care, department stores, home goods, entertainment, hardware, lawn and garden, household appliances and restaurants. While the four named categories – groceries, gas, utilities and health care – all clearly represent basic needs, much of the spending in the "other" category could also be considered important households needs, such as for home repair and improvement, shoes and kitchen equipment.

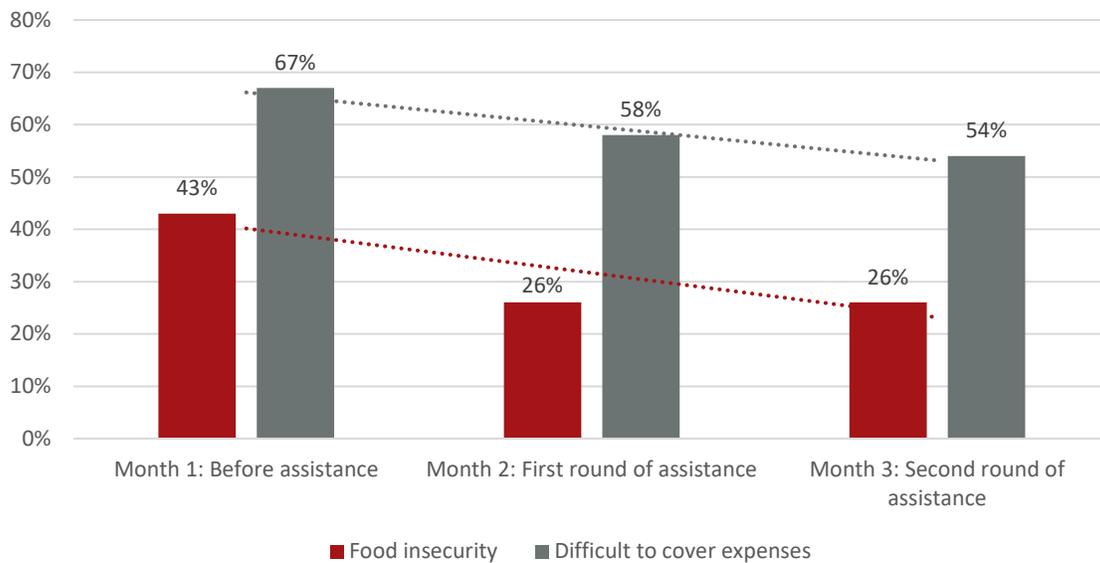
In addition, only 17% of spending was in two categories that could be considered non-essential – food and drink (restaurants, bars, alcohol sales) and entertainment (e.g., movie theaters, book stores, sporting goods). Within the category of food and drink, 26% of spending (4% of all spending) was on fast food, which might be considered as essential in providing meals for household members. Spending in the sub-category of alcohol sales (bars, package stores) was only 1.1%.

Changes in financial circumstances of employees

The proportion of workers who said they often experienced food insecurity dropped by 17 percentage points, from 43% before workers received their cards, to 26% in the month after receiving their first card. This proportion remained at 26% in the last month of assistance. Over a fifth (21%) of workers who said they often experienced food insecurity before receiving their cards said they did not have food insecurity the

following month. Similarly, 67% of workers said they often had difficulty paying bills before they received their cards, which dropped to 58% in the next month, and 54% in the last month of assistance. Nearly a fifth (17%) of workers who said they had trouble with bills before receiving their cards said they did not have difficulty the following month.

Changes in financial circumstances of employees

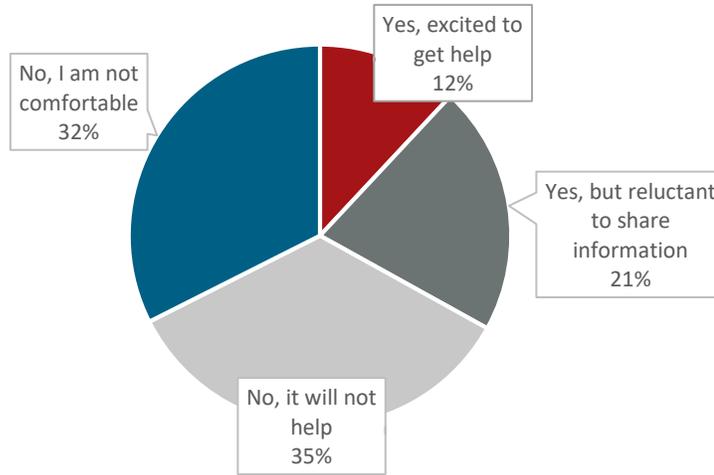


In the month after they began receiving assistance, 39% of workers said the assistance made it easier to manage expenses, 37% to avoid increasing debt, 13% to hang on to their savings, 33% to worry less about money, and 28% to help cope with COVID-19. In the last month of assistance, these perceived benefits were maintained: 45% of workers said the assistance made it easier to manage expenses, 40% to avoid increasing debt, 12% to hang on to their savings, 30% to worry less about money, and 28% to help cope with the impact of COVID-19.

Interest in additional services

In the second survey – administered after the first round of financial assistance was given, employees were asked whether they would be interested in receiving help from a financial coach through PerkUp. A third of employees said they are interested, though many are concerned about privacy.

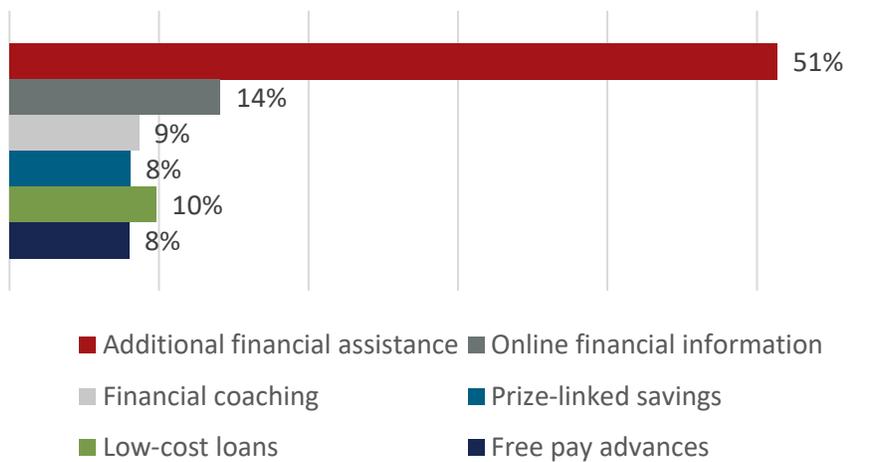
Interest in financial coaching



There were no differences among employees concerning interest in using financial coaching by gender, position type, dependents in the household, or having received unemployment assistance. However, a greater proportion of Black employees (37%) expressed interest than employees of other races (28%) ($p < .01$).

In the final survey, employees were asked whether they would be interested in various services at the conclusion of the PerkUp Café program. Interest was greatest for receiving additional financial assistance, though employees were interested in several other services:

Interest in additional services



Discussion

From this study, we reach four conclusions. First, the PerkUp Café program was well targeted. Hotel workers had very high levels of financial difficulties compared to a national sample. This finding suggests that emergency assistance programs like PerkUp Café can be delivered efficiently – offering help to those who need it without going through an onerous process of eligibility determination. Certain groups of employees struggle more than others including Black and frontline employees, those with dependents, and employees who were still furloughed or laid off. These groups of workers had especially high levels of need that were well targeted by the program. In the event of a future economic downturn, community-based philanthropic efforts may benefit from partnering with local employers to offer assistance directly to employees who have been furloughed or laid off.

Second, the PerkUp Café program offered in the fall of 2020 was well timed. Under the CARES Act, extended unemployment assistance benefits expired at the end of July 2020² and the second round of economic relief payments from the federal government did not arrive until December 2020.³ Timing this private assistance during a period of less government assistance may have increased the impact of the intervention.

Third, though employees could use their gift cards anywhere where VISA is accepted as a form of payment, most spending was on essential needs and only a small proportion of spending could be considered non-essential. This suggests that when workers experiencing financial distress are given the freedom to choose how to spend community financial assistance, they can be trusted to focus on basic needs. This finding has important implications. While donors and charitable organizations often offer in-kind assistance in order to ensure that money is spent on basic needs, our and other research suggests that what financially distressed households need most is the flexibility afforded by cash.⁴ Cash is also generally easier to distribute. Given these benefits, similarly-situated emergency assistance programs may consider cash payments in order to serve clients' basic needs.

Fourth, the PerkUp Café program appears to have made a measurable difference in alleviating financial distress. Employees reported less food insecurity and difficulty with paying bills following the receipt of assistance and reported a host of other benefits, such as avoiding going further into debt.

The PerkUp Café program was unique in that a financial services technology company organized and implemented a community financial assistance program to a group of economically vulnerable employees. One innovative feature of this program is that it was organized to reach employees of more than one company whereas the companies individually might be reluctant to start their own employee assistance

² CARES Act. (2020). Retrieved May 19, 2021 from <https://www.congress.gov/bill/116th-congress/house-bill/748>

³ Treasury and IRS begin delivering second round of Economic Impact Payments to millions of Americans. (2020). Retrieved May 19, 2021 from <https://www.irs.gov/newsroom/treasury-and-irs-begin-delivering-second-round-of-economic-impact-payments-to-millions-of-americans>

⁴ Edin, K. & Shaefer, L. (2015). *\$2.00 a Day: Living on almost nothing in America*. Houghton Mifflin Harcourt.

funds (EAFs). Other community-based organizations may be well-suited to replicate this model and deliver coordinated emergency financial assistance through multiple local employers.

Also, through the Café program, PerkUp has introduced itself as a company that is concerned about employee financial well-being and can offer additional financial products and services that employees can use once they go back to work. A challenge going forward will be for PerkUp to engage employees to consider how services other than financial assistance can help workers achieve greater financial security while also being available to mobilize community resources to continue to deliver well-targeted and timely financial assistance.