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Employee Financial Wellness Programs:

A Review of the Literature and Directions for Future Research

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Employee Financial Wellness Programs: A Review of the Literature and Directions for Future Research

Abstract

This is a literature review of studies that have examined the implementation of financial wellness programs in the workplace. The review suggests that employee financial wellness programs (EFWPs) have drawn on both existing and new methods to improve the financial security of employees. Although a number of studies have been conducted on employer-based financial education and retirement planning, evidence concerning the efficacy of EFWPs is limited. Moreover, the methodological shortcomings of studies in the workplace financial wellness field have limited evidence concerning returns on investment and impeded efforts to make best-practice recommendations. Thus, researchers should consider strengthening the evidence base for EFWPs by using experimental evaluation designs, improving measurement, and enhancing the use of administrative data. By better understanding the features, attractiveness, and benefits of EFWPs, researchers can develop and rigorously evaluate well-designed programs with the potential for large-scale implementation.

Key words: Employee financial wellness program, financial education, income, well-being

Project Overview

The Employee Financial Wellness Programs (EFWPs) project,[1] an exploratory study that began in 2015 as an initiative of the Center for Social Development at Washington University in St. Louis, is designed to generate evidence about such programs and to assess whether they offer a promising strategy for building financial security among low- and moderate-income (LMI) workers.

Through this descriptive cross-sectional study, the research team at the Center for Social Development seeks to answer the following questions:

1. To what extent does access to EFWPs improve employee perceptions of their financial wellness?
2. Among employers, what is the level of demand for and perceived value of offering EFWPs to employees?
3. What is the level of employee demand for EFWPs, and at what rate do employees—particularly LMI employees—use such programs if they are available?

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[1] *Financial wellness* refers to the "overall financial health of an individual" and is sometimes used interchangeably with "financial well-being" (Boston College Center for Work and Family, 2011, p. 7). *Employee financial wellness programs* are workplace-based programs that both "assess and support" the financial wellness of employees (Consumer Financial Protection Bureau, 2014, p. 9).

By pursuing answers to these questions, the study seeks to generate evidence on the characteristics of workplace financial wellness programs, the conditions under which employers and employees participate, and the motivations that lead them to do so. The Center for Social Development is collaborating with companies throughout the country to survey employers that offer or are interested in offering an EFWP. The center also will conduct interviews with a subsample of these employers and generate case studies based on those interviews. Participating employers will be asked to provide available administrative data, which the research team will use to estimate the effects of financial wellness programs. In addition, the Center for Social Development will gather individual-level survey data from employees by adding an EFWP module to the Household Financial Survey of the Refund to Savings Initiative.[2]

Background

American households struggle with finances

Despite modest economic growth following the Great Recession, American households continue to struggle financially. Younger workers grapple with unprecedented student-loan debt, middle-aged workers find it difficult to build retirement assets while raising their children, and baby boomers confront financial uncertainty as they near or enter retirement (MetLife, 2015). Almost two out of five American workers reported experiencing more financial strain 5 years after the most recent economic downturn ended than when it began (Society for Human Resource Management, 2014a). Financial concerns have ranked as the single greatest source of stress for Americans and pose a significant impediment to a healthy life (American Psychological Association, 2015). Over 25% of Americans reported feeling stressed about money most or all of the time, and a majority of Americans reported that their levels of stress have remained the same or increased in the past year (American Psychological Association, 2015).

The financial stress felt by many Americans is understandable given the real financial challenges they face. A survey by the American Payroll Association found that two thirds of Americans lived paycheck to paycheck (Forsyth, 2012). A 2015 Harris Poll elucidated a number of concerns about the financial well-being of U.S. households. In the previous 2 years, nonretirement saving decreased and close to one third of adults did not save for retirement. Credit is another source of financial trouble for many Americans. One in three households carried credit card debt from month to month, and most adults did not view their credit score or report in the past year (Harris Poll, 2015).

The financial distress also has been documented in studies of workers and workplaces. A 2015 Financial Finesse report found that nearly a quarter of employees rated their financial stress as high or overwhelming, and 84% attributed this stress primarily to a lack of control over finances (Robertson, Ward, & Davidson, 2015). Human resource professionals stated that employees were more likely to request a loan or hardship withdrawal from their defined contribution plan than they had been in previous years (Society for Human Resource Management, 2014a). Data from employees corroborate these findings: Nearly one in four reported making withdrawals from retirement plans for nonretirement expenses, and more than one third of employees reported thinking that they will make withdrawals in the future (PricewaterhouseCoopers, 2015). PayCheck Direct (2014) reported that employee estimates of financial stress were even higher than estimates

[2]For information on the Household Financial Survey and the Refund to Savings Initiative, see Grinstein-Weiss et al. (2015).

given by human resource directors. In an analysis of data from the Federal Reserve's Survey of Consumer Finances and the U.S. Census Bureau's Survey of Income and Program Participation, Fellowes and Willemin (2013) found that over 25% of households tapped funds from defined contribution plans for nonretirement needs, and the study identified an increase in the number of breaches for which a penalty was incurred. Seventy-five percent of households that completely cashed out their plans identified basic money management as the cause (Fellowes & Willemin, 2013).

With stagnating wages, rising job insecurity, and increasing health care costs, many American workers have failed to adequately save and plan for the future (PricewaterhouseCoopers, 2015). Findings from Bankrate's Financial Security Index survey show that almost half of Americans lacked enough savings to cover their expenses for 3 months and that more than one in four had no savings (Bell, 2016). Under half of households had enough liquid financial assets to replace a month's worth of income (Pew Charitable Trusts, 2015), and less than half could have covered an unanticipated $400 expense (Board of Governors of the Federal Reserve System, 2015). Without savings, individuals and families are less likely to withstand financial shocks and more likely to experience material hardship when unexpected expenses arise (Collins & Gjertson, 2013; Gjertson, 2016).

Challenges in managing finances

Ineffective financial management is a commonly cited contributor to the financial stress of U.S. households, and financially stressed Americans frequently report poor financial habits. As mentioned above, stress over finances is commonly attributed to lack of control over finances (Robertson et al., 2015). Approximately one third of employees with high or overwhelming financial stress did not contribute enough to their retirement plan to receive a full employer match, and less than half were able to allocate their assets as planned. In the 2015 Harris Poll cited above, more than one third of respondents who did not view their credit score in the past year said that they did not know why they should or did not think that they needed to view it.

Another study by Zhan, Anderson, and Scott (2006) assessed low-income populations' knowledge of basic financial management principles. They found substantial deficiencies in knowledge on such financial concepts as saving, investing, and benefits (public as well as employer-offered). Americans' lack of understanding of basic financial principles is especially troubling given the increasing complexity of consumer financial services; LMI households have little room for error in managing finances. In a comprehensive assessment of research on financial literacy in the United States, Lusardi and Mitchell (2013) identified several areas of knowledge that they consider necessary for financially well-informed decisions on saving and investment. Drawing on recent surveys that measure Americans' knowledge of these concepts, they concluded that most Americans were financially illiterate (Lusardi & Mitchell, 2013).

Individuals, families, and households with low or moderate income

As we have suggested, the financial situation is tenuous for many. Since 1979, most workers in the United States have experienced wage stagnation or decline (Bivens, Gould, Mishel, & Shierholz, 2014). Households in the bottom fifth of the income distribution increasingly depend on wage-related income to survive. Income supports from nonwage sources (e.g., Temporary Assistance for Needy Families) have become increasingly scarce, and wages now provide most of the income received by low-income households (Bivens et al., 2014).

For low-income households, wage income is both insufficient and uncertain. Monthly wages are the exclusive source of income for only 36% of low-income households, and wages in low-income households vary by 20% for half of the year (Hannagan & Morduch, 2015). Moreover, low-wage workers in certain industries (e.g., construction and food service) are vulnerable to wage theft; minimum wage violations, underpayment, failure to pay overtime, and pressure to work off of the clock are common approaches to such theft (Bobo, 2011).

Lack of sufficient earnings is a key reason for the financial distress of low-income households. Compared with higher income counterparts, low-income households generally report greater levels of financial stress and more frequent engagement in unhealthy coping behaviors (American Psychological Association, 2015).

Emergency savings help LMI households cope with income shortfalls, expenditure shocks, and financial uncertainty (Collins & Gjertson, 2013), lessening the risk for material hardship (Gjertson, 2016). Yet, a recent study found that households in the two lowest income quintiles only had enough liquid savings to cover typical living expenses for nine and 15 days, respectively (Pew Charitable Trusts, 2015). Similarly, 85% of low-income households did not have enough savings to cover expenses for 3 months (McKernan, Ratcliffe, & Vinopal, 2009). Structural barriers, policy constraints, and psychological and behavioral biases make saving difficult for low-income households (Collins & Gjertson, 2013), which have little or no money left after covering basic needs and paying bills (Board of Governors of the Federal Reserve System, 2015; Fisher & Anong, 2012). One consequence of a lack of savings is dependence on high-cost payday loans to cover ordinary living expenses (Pew Charitable Trusts, 2012). It is estimated that 12 million Americans use payday loans each year. This is concerning to many researchers and policymakers because of the potentially harmful financial effects of such loans and of other high-cost, small-dollar loan products (e.g., auto-title, pawnshop, refund-anticipation, and bank-overdraft loans; Campen, 2012).

Employee Financial Wellness Programs

Recently, EFWPs have emerged as a distinct employee-benefit model that signifies a paradigm shift in both the intent and content of benefits. The traditional role of workplace benefits is changing as organizations adopt increasingly comprehensive approaches to promoting the financial wellness of employees. We have noted above the definition offered by the Boston College Center for Work and Family, which views financial wellness as an expression of the "overall financial health of an individual" (Boston College Center for Work and Family, 2011, p. 7). As reported in the 2014 proceedings of the Future of Financial Wellness conference, Vernon offered a comparable definition, stating that financial wellness is the "financial security to accomplish one's life goals" (Stanford Center on Longevity, 2014, p. 11). Financial wellness is influenced by personal characteristics, financial literacy, financial behavior, financial situation, and financial stressors (Boston College Center for Work and Family, 2011).

The term EFWP, by contrast, has been defined inconsistently in the field. It is often used to describe a range of financial products and services offered by employers; those offerings may or may not support the overall financial health of employees. It commonly refers exclusively to education on employee retirement and insurance benefits administered through large vendors. Indeed, this meaning seems consistent with preliminary findings from an unpublished study conducted by the Center for Social Development: When asked about their financial wellness offerings, many employers discussed their retirement and insurance plans and associated educational opportunities. In contrast, vendors of financial wellness programs and proponents of financial wellness benefits offered a more expansive definition of such programs. Differing from conventional financial education programs (e.g., financial literacy workshops) and typical workplace benefits (e.g., retirement- and insurance-plan education), EFWPs often blend elements in ways that "assess and support" the financial wellness of employees (Consumer Financial Protection Bureau, 2014, p. 9). The programs do not offer a uniform array of services applied indiscriminately to populations with diverse financial needs; rather, they are personalized, data driven, and aimed at behavioral change (HelloWallet, 2015).

Financial education in the workplace

Over the last two decades, the field of financial education grew with efforts to combat financial illiteracy and improve the financial situation of workers. This growth has significantly influenced EFWPs. In 2008, Mandell published an overview of workplace financial-education programs, drawing upon literature reviews, interviews with consumers and providers of the programs, and analyses of several national employer surveys. Mandell found that most financial-education services offered by employers were exclusively related to retirement benefits. However, around 10% of businesses reported offering other types of financial education to help employees manage debt, credit cards, and nonretirement investments such as homes and continuing education. These employers used a number of services and delivery methods with varying degrees of success. Some of the examined programs provided in-house education, and others outsourced services. Services were delivered through print media, electronic sources, and workshops.

The majority of employers today (81%) offer traditional retirement and investment plans, but 42% also offer financial literacy instruction on investing, and one in four offers training in basic budgeting (Society for Human Resource Management, 2014b). An additional 15% would consider offering financial literacy training for basic budgeting, and one in five employers that do not provide financial education reportedly planned to do so within a year (MetLife, 2015; Society for Human Resource Management, 2014a). These varied indicators of willingness suggest an increasingly broader variety in EFWPs.

New trends in financial wellness

Although EFWPs are often characterized as workplace-based financial education, this characterization fails to account for the full range of services and delivery methods that distinguish EFWPs from other employee benefits. Employers have recently begun offering financial services beyond education on financial literacy, retirement, and insurance benefits. Aon Hewitt (2015) identified the emergence of a norm in which employer-provided services include online financial guidance, account management, and access to financial planners and advisers. Alliant Credit Union recently conducted an online survey of human resource professionals to assess the types of financial services offered by employers in their financial wellness programs, and the survey showed the following:

- 65% offer retirement planning.
- 52% offer medical or health-care cost-planning programs.

- 44% offer confidential employee self-assessments of their finances.
- 41% offer tools for tracking progress toward financial goals.
- 38% offer investment planning programs.
- 35% offer targeted or customized financial education.
- 34% offer incentives or rewards for participation.
- 27% offer advice on privacy, security, or fraud protection.
- 26% offer saving for college programs.
- 23% offer programs for management of debt.
- 22% offer day-to-day financial guidance or budgeting. (Alliant Credit Union, 2015, p. 2)

Recently, the number of organizations offering financial wellness products has also increased. Mercer (n.d.) estimated that there are over 300 financial wellness vendors in the United States, but the components and delivery of these programs differs greatly. These vendors have adopted increasingly sophisticated, user-friendly, and goal-oriented approaches. Many offer financial coaching to help employees achieve self-determined financial goals (Consumer Financial Protection Bureau, 2014). Coaching is distinct from financial counseling, which typically focuses on crisis intervention and on the recipient's interaction with a financial counselor to resolve the recipient's problems. Representing a more holistic approach than financial counseling, financial coaching is designed to improve clients' long-term financial behavior by engaging them in financial goal setting and by developing plans of action to achieve these goals (Collins & O'Rourke, 2012). Similarly, EFWPs employ a variety of methods to deliver financial services. Notably, EFWPs have leveraged technology to increase access and ease of use. Mobile and online platforms have made EFWPs available to employees during and beyond the workday. They have also enabled the integration of financial services with other employee benefit programs (Grinstein-Weiss & Lass, 2013). Technology is being used to scale operations to large workforces, to garner employee interest, and to increase participation/usage. For example, Staples Inc. used technology to offer financial education to employees through educational games (Consumer Financial Protection Bureau, 2014). Competition between groups of employees fostered peer-to-peer interactions and collaboration while improving financial well-being.

A few programs have offered workplace-based small-dollar loans through employers or partnerships with financial institutions. For instance, eDuction, DFM, and FlexWage provided loans that enabled employers to validate and determine loan sizes as well as automate repayment through regular payroll deductions (Schneider & Koide, 2010; An Examination of the Availability of Credit for Consumers, 2011). Employers have sometimes partnered with credit unions to extend relatively low-interest loans that are paid back through employer payroll systems so that no cost is incurred by the employee. Some programs used these loans to encourage saving by giving employees the option to deposit payroll deductions into a savings account after the loan was repaid in full (Schneider & Koide, 2010; An Examination of the Availability of Credit for Consumers, 2011). Additionally, preliminary findings from an unpublished study by the Center for Social Development indicated that some employers offer informal small-dollar loans in the form of payroll advances. These loans appear to be available only to employees who specifically ask for help, and the loans are not promoted broadly. Further, some firms have formal emergency funds that employees could access through loans or grants when extraordinary expenses arose. Preliminary results also suggested that some employers see the option to directly deposit pay into savings accounts as a financial wellness program.

Although some EFWPs are presented as standalone offerings, financial wellness programs can also be delivered through employee assistance programs (EAPs). Originally designed for employees with substance abuse problems, EAPs have been around for decades. Employers have recently expanded the scope of EAP services to address other employee issues like personal finances, mental health, work stress, and stress from other sources. Life management, violence prevention, and financial consultation also have been offered through EAPs (Clark, 2015). Three fourths of employers offering financial education indicated that they provided access to it through EAPs (Society for Human Resource Management, 2014a). Contemporary EAPs also integrated services with other employer-sponsored benefits to provide simple, user-friendly, and easily administered offerings that addressed a multitude of employee needs. Seventy-five percent of companies with more than 250 employees and 97% of companies with at least 1,000 employees offered EAPs (EAP Benefits, n.d.).

Like standalone EFWPs, EAPs increasingly use new platforms and methods of delivery to engage employees. Examples include social media, live chat, text and email reminders, virtual meetings, mobile apps, and dynamic websites (Clark, 2015). Preliminary unpublished findings from employer interviews conducted by the Center for Social Development show that, when asked about their financial-wellness program offerings, many employers pointed to their EAP services. Specifically, their EAPs offered referrals to financial planning and debt counseling resources. Some provided limited consultations on budgeting and debt management. Respondents seemed to have sparse knowledge on the specific nature of these offerings or the frequency with which their employees used these services. In short, EFWPs are challenging traditional assumptions about the types of financial products that employers can offer to improve the financial wellness of employees and about the modes of delivery, but these products are often defined inconsistently in the field.

Interest in EFWPs

Employees and employers are expressing greater interest in EFWPs, although the reasons for this increase in demand are not well understood. Some research identifies employee demand for expanded financial-wellness services from employers. Workers in a study by Joo and Grable (2000) expressed preferences for alternative financial interventions (i.e., on debt management, investment planning, and financial counseling) over generalized financial education. Paycheck Direct (2014) found that 93% of employees enrolled in a financial wellness program planned to continue enrollment in the future. An Aon Hewitt (2015) survey found that 93% of employers were likely to expand financial wellness efforts beyond basic retirement decisions, and half believed that the significance of such programs is increasing. Eighty-two percent of organizations using EFWPs reported that financial wellness is important to their benefits program, and the vast majority (97%) planned to continue offering financial wellness benefits (PayCheck Direct, 2014).

Mandell's 2008 study of workplace financial education provided some insight into increased interest by highlighting characteristics distinctive of employers offering financial education. Those employers typically had at least 20 employees and were located in small towns in the Eastern, Southern, or Central United States. Compared with employers that did not offer financial education, they were more likely to report recent sales increases greater than 10% and to have female CEOs. The educational attainment of CEOs at organizations offering financial education was higher than that of CEOs at organizations not offering such programs. Preliminary results from an unpublished study by the Center for Social Development suggest that organizations may be more likely to offer robust financial wellness programs if they perceive themselves as having a social mission. These firms may also be likely to consider program expansions, particularly if the program is championed by a member of senior management.

However, preliminary findings also suggest that few companies have assessed or are planning to assess their employees' needs for such education. This is consistent with findings from the 2014 Survey on Financial Wellness and Education. Those results showed that only 16% of employers offering financial education had conducted a needs assessment for employees (Society for Human Resource Management, 2014a). Thus, the motivations of such employers remain unclear.

Theoretical Evidence

In the next sections, we summarize research on potential benefits of EFWPs and obstacles to their implementation, preliminary recommendations for best practices, and the actual outcomes of EFWPs. We follow this with a discussion of implications for the EFWP field and for future research. Appendices A and B summarize the purpose, structure, and relevant findings of key sources on EFWPs.

Potential benefits

Supporters of EFWPs contend that workplaces are a natural environment for employees to learn and employ financial skills. Workplaces make it possible to reach large numbers of employees with a single program, presenting attractive opportunities to scale financial wellness efforts (Urban Strategies Council, 2009). Seidman (2008) contends that, because the workplace is where income is generated, it is uniquely suited for asset-building interventions in which money can be directly allocated to savings or investments. Employers have relationships with banking institutions as well as established mechanisms for direct deposit, payroll deduction, and delivery of benefits. All of those features are accessible to employees through the workplace and make it an ideal setting for asset building (Seidman, 2008). Other advantages include comparative homogeneity among employees and consistent supervision of employee involvement: Such homogeneity facilitates concentrated large-scale efforts, and workplaces have human resource staff to monitor employee progress. Moreover, employers are able to leverage existing programs (Consumer Financial Protection Bureau, 2014) and technological systems, offering employees around-the-clock access to personalized financial tools (Grinstein-Weiss & Lass, 2013). Increased scale also lowers the costs of financial products for employees who would find much higher prices if they purchased services through the retail market (Aon Hewitt, 2015).

Potential benefits for employers

At the foundation of most EFWPs lies an investment in employees. Studies by Boxall (2003) and Lambert (2000) provide theoretical evidence on the advantage of investing in human resources. Considerable research documents the benefits of human resource investments by firms in the manufacturing sector, but Boxall (2003) found that such investments in the service sector might provide an even greater competitive advantage. Batt and Colvin (2011) observed that rates of turnover are lower among service sector employees whose employers provided long-term incentives like pensions than among counterparts not offered such incentives. Lambert's (2000) model illustrated the link from employee benefit programs to improved perceptions of organizational support. These studies offer preliminary evidence of the high return to be gained by organizations that implement competitive workplace-benefit programs.

A number of recent studies linked employee financial wellness to improved employer outcomes. Financial wellness has been linked to improved productivity (Center for Credit Union Innovation, 2002; Stanford Center on Longevity, 2014), reduced distractions (PricewaterhouseCoopers, 2015), increased engagement, and enhanced organizational commitment (Kim & Garman, 2003; Stanford Center on Longevity, 2014). It is positively associated with smooth employee exits from companies and thus with upward movement of midlevel employees (Stanford Center on Longevity, 2014). Financially well employees were more willing to take risks, and employers used financial wellness programs as tools for recruitment, talent management, and brand building as well as for increased shareholder capital (Stanford Center on Longevity, 2014). Many employers also implemented EFWPs to demonstrate corporate social responsibility (Consumer Financial Protection Bureau; 2014; Urban Strategies Council, 2009). In contrast, employee financial stress and financial emergencies were associated with absenteeism at work (Bagwell & Kim, 2003; Consumer Financial Protection Bureau, 2014; Joo & Garman, 1998; Society for Human Resource Management, 2014b).

Potential benefits for employees

Considerable evidence suggests that employee financial wellness can be beneficial to employees as well as employers. Studies by O'Neill, Sorhaindo, Xiao, and Garman (2005a, 2005b) found an association between health and financial stress. Similarly, Gerrans, Speelman, and Campitelli (2014) found that financial satisfaction mediates financial knowledge's relationships with status and personal well-being. The implications of this finding are that it may be possible to influence financial satisfaction by combining generous compensation (which affects financial status) with participation in EFWPs (which affect financial knowledge), and financial satisfaction may lead to a general sense of employee well-being. Grinstein-Weiss and Lass (2013) reported that successful financial wellness programs could offer opportunities for employees to improve their financial management, decision making, and credit scores; increase job stability, work satisfaction, and short- and long-term investments; and decrease debt and financial stress.

The goal of EFWPs is to help employees overcome their specific financial challenges by providing financial services that are more comprehensive than the standard array of retirement and education offerings. Standalone financial education does not address high-risk employer activities, such as real-time scheduling and lack of pay for sick leave, that could contribute to financial stress among employees. An analysis of the 2011 Leave Supplement of the American Time Use Survey demonstrated that 65% of full-time employees had sick pay coverage (Susser & Ziebarth, 2016). However, the rate was less than 20% among part-time employees, employees with hourly wages below $10, and workers employed in low paying industries like hospitality and leisure (Susser & Ziebarth, 2016). Moreover, just-in-time scheduling was prevalent among workers in low-income hourly jobs; split, shortened, and on-call shifts could result in erratic schedules and unpredictable income, making it difficult to manage household finances effectively (Schwartz, Wasser, Gillard, &

Paarlberg, 2015, p. 4). Through EFWPs, employees may be able to plan for and manage the effects of these employer practices.

Of particular interest, financial wellness programs offer LMI employees benefits that traditional financial-education and employee-benefit programs do not. Low-income workers face distinct impediments to financial stability, and standard workforce asset programs are not equipped to address those challenges. That is, many standard asset programs require employees to lock away money for the future, but low-income employees may be reluctant to do that because liquid assets enable them to deal with financial emergencies (Seidman, 2008). Furthermore, because low-income workers typically live paycheck to paycheck, they are often inclined to maximize immediate income at the expense of long-term savings (Urban Strategies Council, 2009). Other incentives, such as tax benefits and flex accounts, may not be as appealing to employees who have low incomes and do not want to run the risk of losing unused funds (Seidman, 2008). Many low-wage workers do not understand workplace benefits well enough to take advantage of available assistance (e.g., direct deposit into savings accounts; Seidman, 2008), and research suggests that they lack confidence in their ability to manage standard benefit packages (Szapiro, 2015). By offering a variety of customized, needs-based financial products and services, EFWPs may be better equipped to address the needs of LMI workers.

Potential obstacles

Despite the growth of interest in financial wellness offerings, evidence from the field of workplace financial education suggests barriers to uptake and implementation of EFWPs. Cost and scarcity of organizational resources were common concerns of employers considering employee financial education and services, which can be complicated and expensive (Mandell, 2008; Society for Human Resource Management, 2014a). Competition and rising health-care expenses narrow profit margins, making cost-benefit justifications difficult. In addition, employers' willingness to provide financial education has been influenced by a lack of employee interest in financial education (Society for Human Resource Management, 2014a) and perceptions that the offering's value is low (Mandell, 2008). Similar challenges may impede efforts to implement EFWPs.

The financial wellness approach imposes its own challenges. A paper by PayCheck Direct (2014) contended that many employees have difficulty understanding the concept of financial wellness, and this may undergird reports that employees, particularly low-income employees, do not find financial wellness services valuable (Stanford Center on Longevity, 2014). Moreover, human resource professionals may not have the opportunity to educate top executives about financial wellness, employers may lack clarity on how to administer EFWPs, and employees may lack awareness of EFWPs (PayCheck Direct, 2014; Stanford Center on Longevity, 2014) or may not heed the employer's advice if they are aware (Szapiro, 2015). Complicated enrollment procedures can intimidate employees (Urban Strategies Council, 2009), and employees may not have sufficient capability to access services (PayCheck Direct, 2014).

Although EFWPs provide new opportunities to improve the financial wellness of low-income employees, they may still encounter obstacles to serving this group. The financial situation of low-income workers may deter them from using EFWPs if their finances require them to assign a low priority to saving and especially if they are burdened with significant student-loan debt (Stanford Center on Longevity, 2014). Szapiro (2015) found that low-income workers were the least likely to seek financial guidance from employers. Executives may have concerns about providing EFWPs to low-income workers in jobs with high turnover rates (Seidman, 2008). Employers of these workers often see turnover as inevitable and may not be interested in implementing programs to reduce it (Urban Strategies Council, 2009). Furthermore, employers share concerns that encouraging low-income workers to save outside of their retirement might violate rules set by the Employee Retirement Income Security Act (Urban Strategies Council, 2009). To date, there is too little evidence on the use of EFWPs by LMI populations, and additional evidence is needed to understand the programs' potential to improve financial wellness for these workers.

Preliminary recommendations for best practices

In 1998, Garman reviewed industry evidence on workplace financial education to generate several recommendations for comprehensive financial education programs. We note three of the recommendations here: Workers should be rewarded for good financial behavior; efforts should be personalized and aimed at making workers healthier; and programs should instill confidence in employees that services are objective, useful, and effective for improving their financial well-being.

Others have expanded on these suggestions, specifying guidelines for successful EFWPs. Grinstein-Weiss and Lass (2013) detailed a number of strategies that employers can use to improve the financial well-being of their employees. Echoing Garman's (1998) recommendation, they proposed that EFWPs should be personalized in ways that account for the employee's financial knowledge, situation, income, and debt level (Grinstein-Weiss & Lass, 2013). Additionally, they suggested that EFWPs should be self-directed by the employee, responsive, ongoing as employees' financial situations change, easily accessible, interactive, timely, and relevant. The programs should emphasize prevention of financial emergencies over responding after an emergency has occurred and should allow easy access to financial institutions that promote positive financial behavior. Grinstein-Weiss and Lass (2013) noted several factors that appear to influence successful intervention: trust between the employer and employee, the ability and reputation of EFWP providers, and the capacity of an EFWP to fulfill a variety of employee needs. Recommended features included relevant financial education, counseling, and planning; targeted benefit and retirement counseling; online access to personalized financial management tools; automatic credit reports; and employer-sponsored lending programs.

Drawing on common practices of EFWPs used by leading employers, the Consumer Financial Protection Bureau (2014) proposed strategies for designing and implementing an EFWP. The bureau recommended establishing public–private partnerships that mitigate employer risk in using EFWPs, offer research skills to evaluate program success, and provide an economy of scale. The bureau also identified several program features with which employers have reported success: the utilization of peer-to-peer support that encouraged accountability among workers, of interactive games (gamification) that boost participation through entertainment, and of financial training at employee onboarding. Workers responding to the national Retirement Confidence Survey reported that financial advice was most helpful when delivered in person and by a financial professional (Helman, Copeland, & VanDerhei, 2006). In the survey of working-age and retired Americans, 30% of respondents said that they would be very likely to use financial services offered in person while only 14% said that they would be very likely to use financial services offered online.

Best-practice recommendations can also be drawn from extensive research on employer-based health wellness programs. In 2013, the U.S. Department of Labor sponsored a comprehensive examination of health wellness interventions, evaluating behavioral effects and the efficacy of program incentives. Using a national employer survey, case studies, statistical analyses of claims and program data, and a review of the literature, the report found that workplace wellness programs could promote healthy behaviors and that incentives could be an effective tool to increase employee participation (Mattke et al., 2013). These results support the theoretical assumptions that workplace wellness interventions can be effective and the use of incentives is a best practice. Mandell (2008) also reported on the effective use of incentives in a randomized study of nonfaculty employees at a large university, finding that incentives increased participation in a benefits fair by 500%. Case studies have offered additional evidence that computer-based programs can be an effective method for delivering financial education if paired with incentives, mandates for completion, and accountability measures (Mandell, 2008).

Intervention Evidence

Despite the growing popularity of EFWPs among employers, evidence of their efficacy is limited. A small number of studies have examined a broad range of the financial wellness outcomes of EFWPs. However, several have examined outcomes of workplace financial-literacy education as well as employers' efforts to boost participation in and contributions to employer-sponsored retirement programs. That research can inform EFWP practice.

Workplace financial-literacy education

Research on workplace education interventions to improve financial literacy has examined several financial well-being outcomes. Kim, Bagwell, and Garman (1998) investigated the perceived utility of a financial education seminar provided to employees of a New York City advertising firm, using a posttest survey to assess outcomes. Employees reported that they found the seminar valuable and intended to change their financial behavior in light of what they learned. A similar study by Garman, Kim, Kratzer, Brunson, and Joo (1999) used follow-up surveys to investigate the relationship between employee participation in financial education workshops and reports of financial wellness. The study compared responses from participants and nonparticipants, finding that participants favorably rated the usefulness of workshops and reported making positive changes in their financial behavior as a result of their participation. The authors found statistically significant differences between participants and nonparticipants in financial satisfaction and self-reported financial behaviors (e.g., setting aside money for savings), yet analyses did not control for demographic differences between participants and nonparticipants or for self-selection (Garman et al., 1999).

A 2007 study by Kim used pretest and posttest assessments to illustrate improvements in the financial knowledge and self-reported behavior of employees who attended employer-sponsored financial education workshops. However, the study had a small sample consisting of university employees who volunteered to participate. This limited the generalizability of the results and raised the possibility that the results were subject to self-selection bias. Another recent study with 80,000 service members found that the U.S. Army's financial education course reduced participants' credit balances and increased their retirement savings (Consumer Financial Protection Bureau, 2014). The estimated cost of the course, around $22 per participant, suggested that even modest, low-touch interventions can be effective; however, the effects were not observed after the first year.

Prawitz and Cohart (2014) implemented a quasi-experiment using nonequivalent comparison groups to assess a needs-driven workplace financial-education program. A total of 995 employees of a publishing company completed pretest and posttest assessments, and the results for respondents who chose to participate in financial education were compared with the results for counterparts who did not. The financial education program administered in this study differed from traditional interventions: Respondents were able to choose the type of education that met their perceived needs. Participating employees were more likely than nonparticipating counterparts to engage in budgeting and to reassess their reported increases in savings and retirement contributions. Participants reported fewer instances of adverse financial behaviors such as making a late bill, rent, or mortgage payment. Though the treatment and comparison groups had similar demographic characteristics, perceived financial wellness, savings ratios, and bill paying behavior, the two groups differed in motivation to improve financial behaviors, and the differences were a possible source of selection bias. The researchers did not measure household income and expenditure shocks; differences between the treatment and comparison groups may have confounded results concerning late bill and housing payments.

A meta-analysis of financial education interventions raised concerns about the efficacy of standalone financial-literacy education. Analyzing 201 studies, Fernandes et al. (2014) determined that financial education interventions explained only 0.1% of the variance in financial behaviors and that effects were more limited for low-income populations. Their financial challenges may be too significant to remedy with financial education alone, or they may require other types of interventions. Although many correlational studies yielded strong associations between financial education and behavior, they provide information that is not detailed enough to permit coding of the variables for a meta-analysis. Studies that controlled for extraneous variables produced small treatment effects. Less than 10% of the analyzed studies used experimental research designs to assess financial education outcomes, and only 12% of the studies used observational study designs with instrumental variables to address endogeneity. Overall, Fernandes et al. (2014) found that the effects of financial education diminish substantially over time and that brief, targeted interventions have as much effect on behavior as lengthier interventions do. The authors reported that evidence is lacking on multifaceted interventions designed to cultivate diverse skills and behaviors, and they expressed concerns that the content of these programs may be too broad to be effective. They suggested that "just-in-time" approaches to financial education may be more effective (2014, p. 1873). Such approaches provide consumers with immediate opportunities to apply knowledge and gain relevant feedback before financial information can be forgotten. Just-in-time approaches may minimize the effects of decay.

Workplace financial-education and retirement-plan participation

A landmark study by Bernheim and Garrett (1996) examined the effectiveness of retirement-focused, employer-based financial education (see also Bernheim & Garrett, 2003). The analysis of cross-sectional household financial-survey data showed that rates of employee participation in financial education were high if employers provided the education. The rates and amounts of savings—savings for both retirement and nonretirement purposes—were greater among employees with access to retirement-focused financial education than among counterparts who lacked access to such education.[3] Bayer, Bernheim, and Scholz (2009) used data from retirement benefit surveys administered in the mid-1990s and an analytical strategy similar to that of Bernheim and Garrett (2003). Retirement plan take-up and contributions were higher among employees in companies that offered retirement seminars than among employees in companies that did not offer these seminars.

[3]The authors restricted their analysis to availability of workplace financial education, noting that using actual engagement in workplace financial education would confound results due to self-selection.

Both studies found that programs delivered in formats other than a seminar (e.g., print media) were not associated with increases in participation rates and that retirement-seminar offerings were not associated with increases in total savings or wealth (Bernheim & Garrett, 2003; Bayer et al. 2009).

Elaborating upon Bernheim and Garrett's study (2003), Lusardi (2004) analyzed wide-ranging financial survey information from a nationally representative sample of U.S. households. Results suggested that participation in retirement seminars was not only associated with pension plan increases, but also with net worth; the associations were stronger for respondents with lower accumulations of wealth (Lusardi, 2004). In a subsequent study, Lusardi (2005) found that Whites and African Americans showed an increase in savings if they attended a retirement seminar, especially if they had low income or low levels of education. This association was not found among Hispanics (Lusardi, 2005). Most recently, Clark, Lusardi, and Mitchell (2015) conducted a case study of Federal Reserve employees and found that participation in an online financial-education module was associated with increased participation in defined contribution plans.

Altering choice architecture and retirement plan participation

Choi, Laibson, Madrian, and Metrick (2002) suggested incorporating principles of passive decision making into 401(k) plans. Examples of features that reflected those principles included defaults, anchoring effects, automatic schedules, and mutual fund menus. In the 2008 book *Nudge: Improving Decisions About Health, Wealth, and Happiness*, Thaler and Sunstein asserted that small adjustments in program design could greatly influence decision making and behavior. They discussed several types of these "choice architecture" methods (e.g., default rules, automatic enrollment, quick enrollment, minimum requirements, nudges) and provided recommendations for the use of choice architecture in defined contribution plans (p. 3). They cautioned against the use of financial education, noting that education by itself is inadequate to influence decision making because employees often leave education seminars with an intent to save but typically fail to do so afterward.

Thaler and Benartzi (2004) piloted an employer-based financial program that used behavioral economics to help employees who want to save more but have difficulty acting on the desire. Employees agreed ahead of time to commit a portion of future pay raises to their retirement fund. Savings of program participants rose from 3.5% to 13.6% over a 40-month time period (Thaler & Benartzi, 2004). Boshara, Gannon, Mandell, Phillips, and Sass (2010) endorsed the use of behavioral economics in future financial-education efforts because behavioral economics has a low cost, requires only minimal intervention, and possesses the potential to improve the financial outcomes of employees.

The studies reviewed above suggest that providing workplace financial education and altering choice architecture are both effective in boosting retirement plan participation. This evidence offers support for the "just-in-time" hypothesis (Fernandes, Lynch, & Netemeyer, 2014, p. 1867), in which interventions are posited to be more effective if delivered immediately prior to a specific financial decision or intended behavior.

Small dollar loans

Some employers have partnered with credit unions or other financial institutions to provide small-dollar, short-term loans for employees with credit challenges (Schneider & Koide, 2010). One employer program, facilitated through a partnership with a local United Way agency, incorporated behavioral economics into its small-dollar loan program by automatically transferring payroll deductions into a savings account after an employee was finished repaying an installment loan. Preliminary findings suggested that default rates were lower among borrowers with employer-sponsored installment loans than among counterparts with loans extended by banks or credit unions. The findings also suggested that implementation of employer-sponsored loan programs could be costly and expensive (Schneider & Koide, 2010).

Financial counseling and coaching

More intensive interventions, such as financial counseling and coaching, may be effective components of EFWPs, particularly those that target LMI employees. Edmiston, Gillett-Fisher, and McGrath (2009) assessed a nontraditional workplace financial-education program, incorporating several tactics to improve financial awareness, education, and behavior of employees of companies in two metro areas in the Midwest. The companies included a "major financial institution, a large health care establishment, a chain restaurant, and a retail enterprise with multiple locations" (pp. 4–5). Based on a financial wellness model, the program had a comprehensive approach to financial education that included information sessions, in-depth classroom instruction, and individualized financial advising. Using a single-group, pre–post survey design, this study found that participants showed improvements in both personal financial outcomes and outcomes related to work.

Elliehausen, Lundquist, and Staten (2007) studied individualized credit counseling provided by credit counseling agencies to almost 8,000 consumer clients. The authors analyzed data on credit performance over a 3-year period and used conventional techniques to control for self-selection. Results indicated that counseling was associated with positive changes in credit performance. Also, findings from an evaluation of a randomized, controlled trial on financial coaching showed that active participation in a well-run coaching program improved various outcomes related to savings, debt, and credit scores. Further, the financial coaching evaluation showed that such coaching may not be equally effective for all programs and clients (Theodos et al., 2015). Because of differences in program and participant characteristics, EFWPs may need to include different types of interventions, tailoring the approach to the needs of employees, if they are to improve financial wellness.

A cautionary note

Although EFWPs may alleviate some of the challenges households face in managing their finances, programs may have limited impact if other supports are not available. Many American households contend with structural issues such as lack of access to financial services, little or no paid family leave, and low wages (Atkinson & Greer, 2015). These issues negatively affect household financial security. For example, such issues may prompt households to use payday lenders, may impose child- and senior-care costs, and may result in income volatility (Edin & Lein, 1997). Although EFWPs can complement public policy, policies must enable American households to achieve economic stability if EFWPs are to be fully effective.

Research Implications

Overall, the evidence reviewed above suggests that interest in EFWPs is widespread and growing among employers. It also suggests that EFWPs have the potential to positively affect employer and employee outcomes. However, the evidence suffers from several empirical limitations that have produced a "hard data blind spot": Employers are often unable to acquire specific data on an employee's complete financial position but need that information to accurately measure program effectiveness and demonstrate a defined return on investment (Stanford Center on Longevity, 2014, p. 37). Data limitations have also impeded efforts to outline best practices (Stanford Center on Longevity, 2014), though some attempts have been made to address this. In 2011, members of the Financial Literacy and Education Commission's Research and Evaluation Working Group (2012) established nine research priorities that included determining key metrics of efficacy and identifying best practices. Members also expressed concerns about a lack of evidence on "vulnerable populations" such as those with little or no savings, low-income consumers, and young adults (2012, p. 2).

As we describe elsewhere in this paper, EFWPs have been significantly influenced by the field of financial education. However, the evidence base for financial education is weak, and studies in this field suffer from methodological shortcomings (Fernandes et al., 2014; Willis, 2008; 2009, 2011). Willis (2009) contended that research on financial education too frequently relies on self-report; uses unrepresentative samples; presents confounds; uses inadequate methods for control; employs questionable measures of financial literacy, knowledge, and behavior; presents findings suggestive of bias; reports effects with low levels of statistical significance and limited value; and faces barriers to better methods of data collection, research design, measurement, and interpretation.

Most of the limited evidence on the outcomes of EFWPs has come from studies on retirement-plan take-up and contribution levels. Thus, the current evidence does not permit a determination about whether EFWPs positively affect employee financial well-being. There are three key reasons for this:

1. *Too few studies have been conducted.* Meta-analyses and systematic reviews allow researchers to compare outcomes across a range of intervention studies. These comparisons enable researchers to assess effect sizes and reach conclusions about the effectiveness of interventions, but the paucity of studies on EFWPs has prevented these sorts of investigations.
2. *Interventions, samples, and outcomes vary across studies.* Across EFWPs, there is wide variety in the components offered (e.g., financial education, coaching, small dollar loans), duration and intensity of interventions, modalities of intervention (in-person, phone, mobile app), employee samples, and targeted outcomes. Consequently, findings from any particular study are not broadly generalizable to EFWPs.
3. *Deficiencies in study design, measurement, and analysis prevent causal inferences.* Only one of the reviewed studies used an experimental design. Self-selection into EFWPs is a major source of bias, as employee motivation may strongly influence outcomes such as changes in saving and budgeting behaviors. Moreover, most studies have depended on employee self-reported financial behaviors measured over short periods, and the findings are subject to bias from employee participation in EFWPs. Studies also have failed to account or adjust for clustering effects. Employees who work together may have common workplace experiences and/or interactions that result in similarities in the financial variables being studied. For example, employees who work in a company that offers retirement benefits may have similar attitudes toward saving for retirement.

Several steps can be taken to strengthen the base of evidence on EFWPs. The following list is by no means exhaustive:

1. *Use experimental, quasi-experimental, and factorial/dosage evaluation designs.* Studies must isolate the independent effects of exposure to EFWPs, and random assignment is the most effective way to do this: Some employees would be exposed to EFWPs, and others would not. But randomization may not be feasible because some employees will not be interested in EFWPs, and employers would not wish to deny a benefit to those with interest in it. One common remedy would be to use a wait-list control group: a group of employees whose access to a benefit is deferred. This group would then serve as the basis of comparisons with the group of employees offered immediate access to the EFWP. Companies likely already do this when, for example, retirement seminars cannot be offered simultaneously at multiple job sites and so are offered across sites over a period of several months. A wait-list control group could be implemented by means of a cluster-randomized design whereby some job sites would be randomly assigned to be the targets of EFWP offerings and other job sites would not. This approach is also advantageous because it would enable examination of treatment–comparison group differences based on EFWP exposure, not just EFWP participation. Such an examination could be used to generate estimates of average treatment effects. If an employer is unwilling or unable to create wait-list comparison groups by deferring access to EFWP offerings, an alternative is undertake dosage analysis with propensity scores (Guo & Fraser, 2015). The analysis would compare the outcomes among employees who self-select into groups receiving EFWP services of varying durations and/or intensities. Propensity score matching or weighting would be used to adjust for group differences.[4] Similarly, researchers could use a factorial design to test the differential effects of various EFWP components. For example, employees could be randomly assigned to receive financial education only; financial education with financial counseling; or financial education, counseling, and a financial service or product such as split-deposit savings nudges or small-dollar installment loans.
2. *Improve measurement.* Proceedings from a 2014 conference suggested that researchers studying EFWPs should develop financial wellness milestones for different population segments, that the milestones should be based on generational and life-stage differences, and that the milestones should be used to identify measures of success (Stanford Center on Longevity, 2014, p. 39). For examining short- and intermediate-term outcomes, such as changes in financial behavior or stress, researchers should use surveys and scales that have been tested for reliability and validity with different populations. This will facilitate comparisons across studies implemented in different settings. If possible, researchers should secure participants' written, informed consents to release bank-account and credit-report data, which can be used to directly measure savings and credit outcomes, respectively.
3. *Follow employees for longer periods.* The benefits of EFWPs for both employees and employers may not materialize until long after EFWPs are offered. For example, it may take time for an employee to apply financial counseling or coaching steps to effectively alleviate debt management problems (e.g., by renegotiating outstanding balances with creditors). So too, it

[4]Varying levels of motivation to increase financial knowledge and/or change financial behaviors across groups would still be a source of selection bias, which might be alleviated somewhat by using a motivational measure that could be incorporated into selection models at baseline for propensity score matching or weighting.

may take time for these steps to lessen the distraction of financial problems and improve employee focus.

4. *Study EFWP outcomes among LMI employees.* Little is known from prior studies about whether EFWPs or retirement plan interventions are effective among LMI employees. Employees with the most financial vulnerability likely have the most to gain from EFWP participation.
5. *Better exploit administrative data.* Company data might be analyzed to assess both employee and employer outcomes. For example, data on employee satisfaction, absenteeism, turnover, and hardship-withdrawal requests from retirement plans could be analyzed before and after EFWPs are introduced as a benefit.

Conclusion

As this review shows, EFWPs present new possibilities for the reach and scale of financial education. They offer provocative benefits for employers and employees. However, the field is new and has yet to determine specific parameters for programs. No large-scale study has examined uptake or demand for such programs, and reliable evidence is limited. Little is known about their implications for LMI households. A rigorous evaluation of EFWPs presents unique research challenges. Thus far, research has been ineffective in demonstrating that EFWPs offer employers a clear return on investment. To advance the field, more rigorous research must investigate EFWPs and their effects on the financial outcomes of vulnerable employees.

Appendix A
Theoretical Evidence

Potential Benefits for Employers A

Source: Batt and Colvin (2011)

Purpose: Evaluated whether employer approaches are associated with employee turnover and employee performance

Design

- Survey: cross-sectional and longitudinal data
- Bivariate and multivariate analyses

Sample

- In 1998, stratified, nationally representative, random survey of telecommunications call centers; 97 companies in total
- In 2003, a stratified, nationally representative, random survey of call centers in any industry; longitudinal sample (n = 93 centers)

Measures

- Dependent variables: quits, dismissals, turnover, and customer satisfaction
- Independent variables: high-involvement work organization, investment and inducement practices, employment security, and performance-enhancing practices

Key finding: Lower quit and dismissal rates associated with long-term investments

Potential Benefits for Employers B

Source: PricewaterhouseCoopers (2015)

Purpose: Assessed financial and retirement well-being of U.S. workers

Design: PricewaterhouseCoopers Employee Financial Wellness Survey

Sample: Full-time employees (N = 1,700)

Measures: Financial well-being, planning, and employer benefits

Key finding: One in five employees reported that personal finance issues were a distraction at work

Potential Benefits for Employees

Source: Gerrans, Speelman, and Campitelli (2014)

Purpose: Evaluated role of financial literacy in the relationship of financial wellness and personal well-being

Design: Structural equation modeling; measurement models used variables with higher factor loadings

Sample: Random sample of 1,668 potential participants; contact made with 643 participants, and 505 completed telephone surveys

Measures

- Telephone survey: measured personal well-being and financial satisfaction; also included various measures of financial status, behavior, attitudes, and knowledge
- Structural equation modeling used to compare genders on personal well-being as well as financial satisfaction, status, behavior, attitude, and knowledge

Key findings

- Joo's (2008) multidimensional concept of financial wellness was supported by estimates from causal model of subcomponents
- Relationship of all variables to personal well-being was mediated by financial satisfaction with gender differences
- Financial knowledge was strong predictor of positive financial behavior (accounting for 55% of variance in males and 44% in females)
- Males ranked higher in financial satisfaction and financial knowledge
- Females ranked higher in personal well-being

Potential Benefits: Low-Income Workers A

Source: Susser and Ziebarth (2016)

Purpose: Assessed sick leave practices of U.S. workers to identify employees without sick-pay coverage and those attending work sick

Design

- Cross-sectional survey
- Bivariate and multivariate analyses

Sample

- Nationally representative survey

- Approximately 14,000 participating households; because only employed respondents were eligible, final sample consisted of 6,354 respondents
- Sample weights used throughout the empirical analysis

Measure: Bureau of Labor Statistics American Time Use Survey, 2011 Leave Supplement

Key findings

- Only 65% of full-time employees had coverage for paid sick leave
- Coverage rates were below 20% for employees with hourly wages below $10, part-time employees, and hospitality/leisure employees

Potential Benefits: Low-Income Workers B

Source: Schwartz, Wasser, Gillard, and Paarlberg (2015)

Purpose: Assessed scheduling practices encountered by service sector workers

Design: Summary results of survey

Sample

- Workplace canvassing in Washington, DC, business districts (January–April 2015)
- Survey of 436 nonsupervisory, hourly employees (focused on retail and restaurant/food-service but also surveyed employees in other service industries)
- Responses received from 436 participants, but responses that appeared to come from supervisory employees were excluded for a sample of 361
- Used U.S. Census Bureau and Bureau of Labor Statistics data to ensure representative sample

Measure: Survey of scheduled practices encountered by workers

Key findings

- Typical respondent experienced 13-hour range in weekly hours (from 25 scheduled hours in some weeks to 38 hours in others)
- Approximately half of respondents reported receiving work schedules less than 1 week in advance
- On-call and call-in shifts were common, and workers assigned such shifts reported a 50/50 chance of getting paid
- Half of restaurant/food service employees reported being sent home before working a full shift
- 60% reported that they must always be available to fulfill any assigned work schedule to be considered for full-time hours or best shifts

Potential Obstacles A

Source: Mandell (2008)

Purpose: Reported on financial education use, type, and results

Design: Literature review, Gallup survey, analysis of statewide surveys, and interviews with human resource directors

Sample

- Gallup survey: 800 small and medium-sized businesses
- Statewide surveys: employers in Pennsylvania and Wisconsin
- Interviews with 20 human resource directors employed in companies offering benefits or in third-party providers of financial education

Measures: Methods of financial-education delivery, enrollment, and incentives; interest (expanded definition of financial wellness to include financial education related to retirement)

Key findings

Employers reported the following reasons for not offering financial education:

- Small profit margins from increased competition
- Competition with other benefits
- Lack of a cost–benefit justification
- Employees did not value financial education as highly other benefits

Potential Obstacles B

Source: Society for Human Resource Management (2014a)

Purpose: Evaluated employees' financial challenges in the workplace and the financial education resources provided by employers

Design: Summary results of survey conducted December 17, 2013–January 27, 2014, by the Society for Human Resource Management and sponsored by McGraw-Hill Federal Credit Union

Sample: Online survey link sent in email to 3,000 randomly selected members of the Society for Human Resource Management (2,889 emails were successfully delivered, and 401 human resource professionals responded)

Measure: The 2014 Society for Human Resource Management Survey on Financial Wellness and Education

Key findings

Respondents reported the following obstacles to offering financial education:

- 33% reported that the greatest obstacle was cost
- 28% reported lack of interest among employees
- 22% reported lack of staff resources

Preliminary Recommendations of Best Practices

Source: Helman, Copeland, and VanDerhei (2006)

Purpose: Assess perceptions and attitudes of working and retired Americans on retirement, retirement preparation, and confidence

Design: Report on 16th annual Retirement Confidence Survey

Sample

- Random digit dialing
- Representative cross-section of the adult U.S. population (aged 25 or older): 1,252 participants (1,000 workers and 252 retirees)

Measure: Telephone survey conducted in 2006 through 21-minute interviews

Key findings: Workers reported that financial advice was most helpful when delivered in person and by a financial professional

Appendix B
Intervention Evidence

Workplace Financial-Literacy Education A

Source: Kim (2007)

Purpose: Evaluated workplace financial education as well as employee self-reported knowledge, behavior, and well-being

Design

- Pre- and postsurveys
- Four 2-hour workshops: Eight curriculum modules on financial decision making/goal setting; financial record organization; management of cash, credit, and risk; investments; retirement; and estate planning
- Postsurveys conducted approximately 3 months after intervention
- Chi-square analyses and *t*-tests

Sample

- University of Maryland Cooperative Extension: 97 university employees from 2002 to 2003 (administrative/clerical staff, facilities management workers, health care professionals, and faculty)
- 93 presurveys and 48 postsurveys returned (36 pre- and postsurveys matched for data analysis)

Measures

- Financial behavior index: 16 items on five-point scale
- Perceived financial well-being index: Five-item questionnaire addressing financial well-being, current financial situation, stress, retirement security, and satisfaction with financial situation

Key findings

- Participation was associated with significant increase in financial knowledge
- Participation was associated with significant improvement in 11 behaviors: e.g., "I have a weekly or monthly budget that I follow," and, "I evaluate my risk management strategies"
- Participation was associated with significant improvement in responses to three of five financial well-being questions: "How well off are you financially?" "How stressed do you feel about your personal finances?" and, "How secure do you feel about your personal finances for retirement?"
- Participation did not significantly change responses to four items: "I set aside money for retirement," "I usually pay the credit card bills in full," "How do you feel about your current financial situation?" and, "How satisfied are you with your present financial situation?"

Workplace Financial-Literacy Education B

Source: Prawitz and Cohart (2014)

Purpose: Evaluated changes in financial behavior after participation in needs-driven workplace financial education; based on life-cycle theory

Design: Quasi-experimental (nonequivalent control group; pre- and posttests); Repeated-measures analysis of variance (ANOVA); Wilcoxon signed-rank test; logistic regression

Sample: All employees of a large publishing company were eligible to participate; a pretest and posttest were completed by 995 employees (339 participated in financial education; 656 did not)

Measure: Voluntarily participated in online survey and, if desired, any number of financial-education program options

Key findings

- Participants were 1.8 times more likely than nonparticipants to budget
- Participants were 1.9 times more likely to undergo asset allocation assessment
- Participants were 1.6 times more likely to increase retirement contributions
- Repeated-measures ANOVA: Main effects indicated that both groups improved in posttest ($p < .001$)
- Wilcoxon signed-rank test: Frequency of negative financial behaviors declined for participants ($p < .001$)
- Logistic regression: Likelihood of performing certain financial activities increased

Workplace Financial-Literacy Education C

Source: Fernandes, Lynch, and Netemeyer (2014)

Purpose: Meta-analysis of all financial literacy studies

Design: Meta-analysis of studies that manipulated or measured financial literacy; searched for working papers referenced in any source

Sample

- Computerized database search identified studies by specific terms: 10,650 articles from 1969 to 2013
- From 1987 to 2013, 267 articles were empirical tests of effect of financial literacy
- Included 168 working papers covering 201 nonredundant studies

Measures

- Followed common guidelines for meta-analysis to quantify effect sizes for each study manipulating or measuring financial literacy
- Three empirical studies:
  - Studies 1 and 2 developed short and valid measure of financial literacy from 26 financial literacy items used in prior research
  - Studies 2 and 3 replicated findings that financial literacy predicted financial behaviors; tested whether effects of financial literacy diminish with controls
  - Study 3 was similar to Study 2 but used true probability sample of U.S. adults and included several measures of traits

Key findings

- Financial literacy interventions explained only 0.1% of variance in financial behaviors, and the effects of interventions were weaker in low-income samples
- Financial education decays over time: Even interventions with many hours of instruction had negligible effect 20 months after intervention
- Correlational studies had stronger associations
- Three empirical studies: Partial effects of financial literacy diminished dramatically if controls were present for variables not included in prior research
- Financial education has serious limitations that were masked by larger effects in correlational studies

Workplace Financial Education and Retirement-Plan Participation A

Source: Bayer, Bernheim, and Scholz (2009)

Purpose: Evaluated effect of employer-based retirement education on savings behavior

Design: Regression of longitudinal and cross-sectional data, estimates of probit models, and summary information

Sample

- In 1993, approximately 1,100 employers randomly selected from private and public employers in the United States (employers with at least 200 employees)
- In 1994, same employers as 1993 or replaced with randomly selected employer from same industry, region, and employer size

Measures: 1993 and 1994 versions of KPMG Peat Marwick Retirement Benefits Survey

Key findings

- Employee participation and contributions were significantly higher when employers offered retirement seminars

- Stronger effect for non–highly compensated employees
- Frequency of seminars was an important correlate of behavior
- No detectable effects of written materials (e.g., newsletters and summary descriptions of plan)

Workplace Financial Education and Retirement-Plan Participation B

Source: Clark, Lusardi, and Mitchell (2015)

Purpose: Evaluated participation and contribution rates of defined contribution plan

Design: Case study using administrative data (longitudinal)

Sample: More than 21,000 Federal Reserve System employees in 2013

Measures

- Employee survey of socioeconomic factors
- Internet survey on financial knowledge (linked to administrative records)
- Anonymized administrative data on employee contribution rates and investment allocations
- Defined contribution plan included stock- and bond-index choices, target-date bond funds, lifestyle funds, international and emerging market funds, and real estate fund
- Internet survey of participants who received education on benefits offerings
- Assessed behavior between baseline and follow-up survey conducted 1 year after financial literacy survey

Key findings

- Employees were more financially literate than the general population
- Most financially savvy were most likely to participate and contribute to plans
- Those completing educational module were more likely to start contributing and less likely to have stopped contributing to the plan after the survey

Altering Choice Architecture and Retirement Plan Participation

Source: Thaler and Benartzi (2004)

Purpose: Evaluated effectiveness of applying behavioral economics principles to retirement savings interventions

Design: Real-world (not experimental) evaluation; SMarT (Save More Tomorrow) plan: Employees committed in advance to set aside a portion of future salary increases in retirement savings

Sample

- Intervention 1: Medium-sized manufacturing company; 315 eligible employees
- Intervention 2: Large steel company; 5,817 eligible employees
- Intervention 3: Large electronics company; 815 "non–highly compensated" employees (p. S176)

Measure: Participation and savings rates

Key findings

- Intervention 1: Retirement saving rates significantly higher for SMarT plan participants than for control group
- Intervention 2: SMarT plan participants increased saving rates by approximately 2% (control group did not change savings rates)
- Intervention 3: Saving rate of SMarT plan participants dramatically higher than that of control group

Small Dollar Loans

Source: Schneider and Koide (2010)

Purpose: Assessed small-dollar, short-term credit products and challenges

Design: Summary results of small-dollar loan programs

Sample

- Companies: eDuction and DFM
- United Way of Chittenden, Vermont: Credit union and small-to-midsized employer partnerships
- Virginia Credit Union: State employees

Measures

- eDuction and DFM: Small-dollar loans using company payroll systems to validate eligibility and loan amount as well as to implement automatic payroll deductions
- United Way of Chittenden: Installment loans for employees in good standing with employer; automatic payroll deduction for loans with 18% annual percentage rate; deductions may be deposited to savings after loan is repaid
- Virginia Credit Union: Employer-based loan program using direct deposit to facilitate repayment; employees have 6 months to repay; fixed 24.99% annual percentage rate; loans range from $100 to $5,000; requirement to complete online financial-education module and become credit union member

Key findings

Advantages

- eDuction and DFM: Significantly reduced delinquencies and defaults

- United Way of Chittenden: 184 loans originated; only 10 borrowers defaulted
- Virginia Credit Union: 6 months into the program, nearly $1.4 million lent
- May reduce marketing and administrative costs

Challenges

- Acquiring capital for loans
- May not reach underbanked/unbanked populations
- Implementation cost may be significant

Financial Counseling and Coaching A

Source: Theodos et al. (2015)

Purpose: Evaluated the impact of two financial coaching programs

Design: Experimental design; causal assessment of financial coaching offered by two programs

Sample

- The Financial Clinic in New York City, New York: free tax-preparation services for low-income clients; financial coaches were recent college graduates
- Branches in Miami, Florida: one-on-one coaching with full-time financial coaches and financial stability programs
- Low- and moderate-income consumers
- Randomized into treatment (n = 479) and control groups (n = 466)

Measures

- Treatment group: no limit on coaching sessions (two to four sessions was considered ideal); clients received help in working toward financial goals (regular deposits to nonretirement savings, accessing/monitoring credit reports, reducing financial transaction fees, paying down debts, budgeting, and tax planning)
- Baseline survey: demographics, financial status, credit report data, and financial behaviors
- Administrative data on participation
- Process study: site visits and observation of operations/recruitment
- Interviews/focus groups with staff and treatment group
- Outcome survey and credit report data (3 months after baseline): demographic data, financial status, behavior, stress, knowledge, and credit score

Key findings

- Savings: Participation positively affected number of savings deposits, size of account balance (at New York site only), and perceived progress toward savings; no improvements were identified in account access, direct deposits, automatic transfers, or retirement savings
- Expenses, bill payments, and patterns of debts: Participants reduced some levels of debts, reduced late fees, increased on-time bill payment; no effect was observed on debt renegotiation or income-to-expense ratio
- Delinquencies, bankruptcies, collections, and liens: Among participants, some improvement was observed in on-time trades, balances on some delinquency items, and balances in collection; no effect was observed on more serious delinquency measures
- Alternative financial services: Participation reduced the use of some types of alternative services at one site but not the other
- Credit score and credit: Participation had positive effects on some credit-related variables, but effects were not consistent across both sites
- Financial stress, well-being, and confidence: Participation had positive effects on financial stress and on a number of well-being and confidence measures
- Credit report familiarity, access, and understanding: No significant difference was observed between treatment and control groups

Financial Counseling and Coaching B

Source: Edmiston, Gillett-Fisher, and McGrath (2009)

Purpose: Evaluated relationship between financial knowledge and financial behavior

Design

- Review of national trends
- Review of literature
- Pre- and postsurveys and interviews to evaluate efficacy of personal finance course
- Personal finance course: 9–10 hours of classroom instruction, one-on-one counseling with consumer-credit professionals, and access to certified financial planners

Sample: Employees at several corporations in Kansas City, Missouri, and Omaha, Nebraska, metro regions (e.g., financial institutions, large health-care establishments, chain restaurants, and retail companies)

Measures

- Financial knowledge and behavior survey (pre- and posttest)
- Formal interviews conducted with random sample of participants and employers approximately 3 years after intervention (asked same basic questions and made requests for hard data)

- Interview data used to supplement survey data on relationship between financial education and behavior (provided most of the results on financial education and work outcomes)

Key findings

Personal finance course improved financial outcomes, and there was some evidence of improvements in work outcomes:

- Decreased requests for 401(k) loans and pay advances
- Increased use of flexible spending accounts
- Increased 401(k) participation and contributions
- Increased employee satisfaction with financial situation

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