WORK AND WEALTH WORKING GROUP

Asset Funders Network

WHEN A JOB IS NOT ENOUGH

Employee Financial Wellness and the Role of Philanthropy

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The Social Policy Institute at Washington University in St. Louis is dedicated to addressing pressing social issues through empirical research, dissemination of evidence-informed policy, and training in social policy.

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Signs of financial stress among U.S. workers are all around us. Nearly half of all employees lack emergency savings—enough savings to cover their expenses for three months—and they report it is somewhat or very difficult to cover their expenses and pay their bills.[1]

Over half of all employees say they are somewhat or very stressed about their finances[2] and a third say they are less productive at work because of their financial stress.[3] Employers have taken note of these statistics and have begun to offer employee financial wellness programs. These programs open the door for philanthropy to impact financial security in a new and potentially scalable way, especially among economically vulnerable workers and their families.

Employee financial wellness programs provide workplace products and services such as financial coaching and small-dollar credit products that may help employees address the various challenges that are at the root of their financial stress. This report is intended to offer guidance to grant makers to understand the role philanthropy can play in promoting the development of these programs as a strategy to improve financial stability of workers and their families through targeted products and services that:

- Present new opportunities to promote short-term and long-term financial well-being beyond helping employees prepare for retirement.
- Provide products and services that address the specific financial needs of employees (e.g. student debt repayment, small-dollar loans).
- Deliver financial products and services at a larger scale than may be possible through community-based programs alone.

To achieve this goal, this report describes the employee financial wellness program landscape, including promising features and challenges, and reviews research and evidence to date. It also outlines four recommendations for how philanthropy can continue to grow and develop the field:

1. Align funding strategies with desired outcomes.
2. Support and participate in local and regional collaborative efforts.
3. Support research and evaluation.
4. Support and share promising practices.

A NEW ROLE FOR PHILANTHROPY

Too many American workers find themselves on the financial edge. Low and stagnating wages, lack of benefits, and unreliable schedules can mean that all too often a job isn't enough to build financial security. Employee financial wellness programs use an existing platform (the employer) to expand the accessibility and reach of financial products and services that can improve the financial wellness of workers and their families. Nonprofit leaders committed to financial wellness and focused on financially vulnerable families are oftentimes at the forefront of promising new strategies like employee financial wellness programs. But for nonprofits to be successful in this space requires philanthropic investment that values innovation, builds capacity, leverages technology, and allows for the development of new business models. For this reason, they offer an exciting, although largely untested, new channel to promote financial resilience and a role for philanthropists to learn, test, and share knowledge and innovations.

This report also includes appendices that describe success factors in the workplace and public policies that promote employee financial wellness. These appendices offer perspectives and ideas concerning the larger social context in which EFWPs exist in order to enrich and deepen funders' understanding of this emerging field and help identify how best to engage.

SECTION 1. EMPLOYEE FINANCIAL WELLNESS PROGRAM STRATEGIES

The formation of employee financial wellness programs is touted as a strategy to boost job satisfaction, productivity, retention, and retirement plan participation while reducing employee financial stress.[4,5,6,7,8,9] These programs include products and services employers make available to help workers address their holistic personal finance challenges and goals, in addition to compensation and benefits. Estimates of the percentage of employers who offer an employee financial wellness program range from 20%[10] to 35%.[11]

WHAT IS FINANCIAL WELLNESS?

The Consumer Financial Protection Bureau defines financial well-being as:

- HAVING CONTROL OVER ONE'S FINANCES
- BEING ABLE TO COPE WITH A FINANCIAL SHOCK
- ENJOYING FINANCIAL FREEDOM OF CHOICE
- BEING ON TRACK IN MEETING FINANCIAL GOALS

These programs include a wide variety of products and services beyond the usual suite of benefits that can be offered separately or in combination by providers using in-person, phone, and/or digital delivery methods. Taken together, these products and services aim to address the complex financial lives of employees including:

DEBT MANAGEMENT SERVICES: Services to help employees consolidate or settle problematic debt through negotiated repayment plans.

DIGITAL AND MOBILE PLATFORMS AND APPS: Digital tools to help employees manage cash flow, pay bills on time, track spending, reduce debt, build savings, and/or address specific needs such as transferring 401k accounts between employers, paying medical bills, reducing student debt, or maximizing pre-tax benefits.

DIRECT FINANCIAL ASSISTANCE: Financial assistance to help employees afford basic needs such as child care, commuting, and housing. Direct financial assistance can help an employee overcome a financial challenge or respond to an emergency by accessing an employee hardship fund.

EMPLOYER-SPONSORED SMALL-DOLLAR LOANS: Loans usually in amounts between $500 and $3,000, repaid in equal, payroll-deducted monthly installments, typically over a 12-month period at an annual percentage rate of 11.8% to 24.99%. These loans are approved and underwritten by regulated financial institutions based on an employee's ability to afford making loan payments as a percentage of her or his pay. Loan payments are reported to credit bureaus.

FINANCIAL COACHING: One-on-one assistance from a trained personal finance professional who acts as a facilitator and accountability partner to help employees identify, set, and achieve financial goals.[12]

FINANCIAL COUNSELING: One-on-one assistance from a trained personal finance professional to help employees address specific financial problems, such as high credit card debt or difficulty managing spending.

FINANCIAL EDUCATION: Efforts to impart knowledge about a range of personal finance issues, usually delivered in a seminar or other group setting, and sometimes offered through a web portal or digital platform.

PAY ADVANCES AND FAST CASH: Access to earned wages through cash advances, same day loans, or next day loans to help employees pay bills on time and respond to other cash flow crises.

SAVINGS PROGRAMS: Efforts to help employees build emergency and short-term savings, such as split direct deposit, with or without incentives such as savings matches.

STUDENT LOAN REPAYMENT ASSISTANCE: Financial assistance and refinancing to help employees make monthly student loan payments or to accelerate loan repayment.

WORKPLACE RESOURCE NAVIGATORS: Navigators help employees access community resources to help address work-family balance challenges such as child care. Employers may also help raise awareness of tax credits and public assistance programs.

As reflected in Figure 1 (pg. 6), employee financial wellness program products and services address different aspects of financial health as classified by the Financial Health Network[13] in direct or indirect ways. For example, a pay advance *directly* affects an employee's need to pay bills on time while financial counseling *indirectly* affects an employee's need to improve her or his credit score by offering guidance about how to remove a collection account from a credit report.

TO LEARN MORE, VISIT:
https://sites.wustl.edu/wfsi/projects/efwps/glossary/

These products and services also vary based on employees' degree of engagement (low versus high touch). For example, employer-sponsored small-dollar loans are a low-touch product. Applications can be completed online, require very little information, and are reviewed within two business days. Once approved, employees do not even have to remember to make loan payments as these payments are automatically made via payroll deduction. Conversely, financial coaching is a high-touch service that requires several interactions with a coach to develop financial goals, create an action plan, report progress, and receive feedback.

FIGURE 1 | FINANCIAL WELLNESS PRODUCTS AND SERVICES

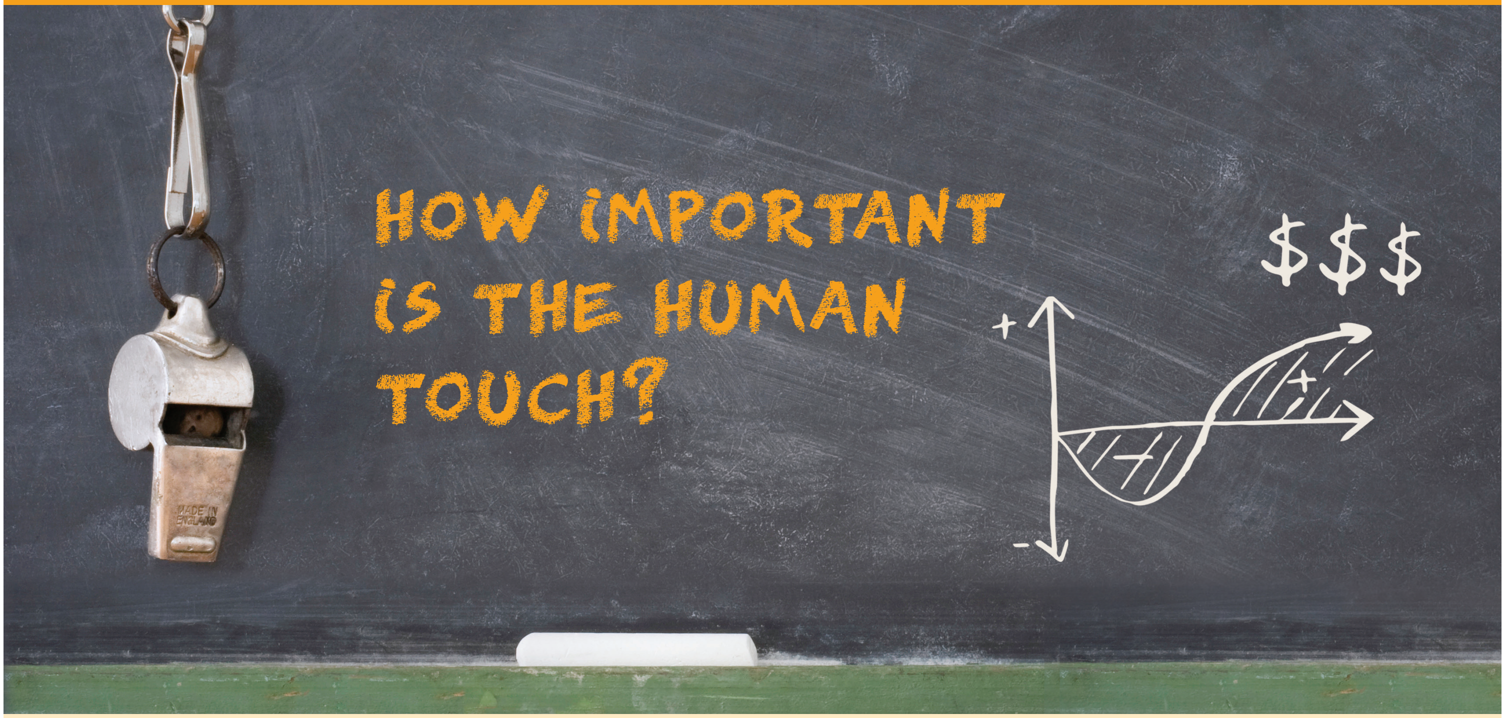
HIGH TOUCH ↑ LOW

	SPEND		SAVE		BORROW		PLAN	
	SPEND < INCOME	PAY BILLS ON TIME	LIQUID SAVINGS	LONG-TERM SAVINGS	SUSTAINABLE DEBT LOAD	PRIME SCORE	APPROPRIATE INSURANCE	PLAN FOR EXPENSE
FINANCIAL COUNSELING	I	I	I	I	I	I	I	I
DEBT MANAGEMENT					D	I		
FINANCIAL COACHING	I	I	I	I	I	I	I	I
RESOURCE NAVIGATORS	I	I						
DIGITAL PLATFORMS	I	I	I		I			
FINANCIAL EDUCATION	I	I	I	I	I	I	I	I
SMALL-DOLLAR LOANS		I			D	D		
PAY ADVANCES		D						
SAVINGS PROGRAMS			D	I	I			I
STUDENT LOAN REPAYMENT	I	I			D	I		
FINANCIAL ASSISTANCE	D	D	I					

D= DIRECT IMPACT   I= INDIRECT IMPACT

High- and low-touch services can be thought of along a continuum of interpersonal and digital engagement as reflected in Figure 2. At the ends of this continuum are in-person services such as financial coaching and artificial intelligence applications, such as Olivia, that use national language processing and machine learning to offer consumers a digital personal financial adviser.[14]

FIGURE 2 | HIGH/LOW TOUCH CONTINUUM OF SERVICES



Employees judged advice from a professional as the most helpful financial wellness resource employers could offer.[17] In the Asset Funders Network Brief, Supporting Employee Financial Stability: How Philanthropy Catalyzes Workplace Financial Coaching Programs, four case examples convey how important it is for employees to have access to a coach or counselor to guide them through financial decisions. While mobile apps and digital platforms efficiently package and deliver content, coaches and counselors assess how employees' financial challenges relate to other life challenges (e.g., raising children), and how they build trust and help individuals gain a sense of agency in tackling their financial challenges. The ability of coaches and counselors to empathize, offer support, and help employees build confidence may be just as important as lending personal finance expertise.

The nature of work and the landscape of financial services are changing. Investing in innovative solutions means not only understanding today's workforce, but also designing for the workforce of the future. Utilizing employee financial wellness programs is a promising new strategy that uses an existing platform (the employer) to expand the accessibility and reach of financial products and services that can improve the financial wellness of workers and their families. For this reason, they offer an exciting, although largely untested, new channel to test and understand viable strategies to promote financial resilience.

STRENGTHS AND CHALLENGES OF EMPLOYEE FINANCIAL WELLNESS PROGRAMS

Employee financial wellness programs have ushered in a new generation of employer-sponsored benefits that address a range of employee financial needs. In making funding and investment decisions, funders should be aware of both the strengths and challenges of these programs as a strategy for promoting financial wellness.

STRENGTHS

EMPLOYEE FINANCIAL WELLNESS PROGRAMS PROVIDE A SCALABLE STRATEGY FOR PROMOTING FINANCIAL WELLNESS. Offering financial products and services through the workplace is a way to reach more people than through commercial and community-based products and services.

THEY MAKE IT EASIER FOR EMPLOYEES TO GET HELP, reducing time and the hassle of finding and accessing safe and affordable financial products and services. The value of employee financial wellness programs is particularly important for employees living in communities where financial services are limited, predatory, distrusted, or nonexistent. Certain products such as employer-sponsored small-dollar loans and pay advances are also important for employees who lack affordable credit options due to poor or no credit scores.

EMPLOYEE FINANCIAL WELLNESS PROGRAMS CAN BE INTEGRATED WITH HUMAN RESOURCE SYSTEMS. They can be offered during onboarding, when employees are signing up for other benefits as well as when employees reach out for help, such as making a 401k withdrawal or loan request.[15] Also, employers may have employee data from their human resource information system such as job classification, tenure, wage/salary, and 401k participation and withdrawal rates that can be used to help guide selection or the design of a financial wellness program.

THEY ARE FLEXIBLE. Employers can choose from a variety of financial products and services to match the needs and circumstances of their employees. For example, an employer might select a pay advance product to help employees address short-term financial crises and add financial coaching to help employees reduce their need for future advances.

PAYROLL SYSTEMS CAN BE LEVERAGED to offer two benefits to employees: fast pay[16] and pay advances, and to facilitate automatic small-dollar loan repayments and savings deposits. As a result, employees gain access to alternatives to payday loans or other high-cost credit for short-term needs and to an easy way to build emergency savings.

CHALLENGES

LOW WAGES, INADEQUATE BENEFITS, AND ADVERSE WORK CONDITIONS. Employee financial wellness programs alone may remediate—but not erase—the significant financial challenges facing employees that are a consequence of low pay, unaffordable housing costs, high out-of-pocket medical costs, and/or unpredictable work schedules and pay.

A LACK OF EVIDENCE IN A DYNAMIC AND EMERGING MARKET. As described in Section 2, very little evidence exists concerning the effectiveness of employee financial wellness programs in improving financial wellness and addressing employer concerns about turnover, absenteeism, and productivity. A lack of evidence may make it difficult for employers and funders to identify effective programs, product mix, and providers from a crowded digital solutions marketplace. However, it also presents an opportunity for employers and funders to emerge as thought leaders and evidence-builders within that dynamic market.

A LACK OF INDUSTRY STANDARDS. No standard definition of what constitutes an employee financial wellness program exists, nor are there industry standards for products and services. This makes it challenging for employers and funders to compare different program models and consider which are best aligned with employee needs. Yet, without the restraints of standardization, employers and funders are able to customize their solutions, and may ultimately be key influencers as industry standards emerge.

STRIKING A BALANCE BETWEEN HR DEPARTMENTS AND EMPLOYEES AS END USERS. Employee financial wellness program initially need to adequately engage HR departments, which serve as intermediaries and institutional facilitators for the programs. After initial HR adoption, the programs must also effectively engage the employee as the end user. This may also require that the employee financial wellness program overcome a trust hurdle between employee and employer by ensuring the employee is protected from any adverse consequences from participation such a program.

STRIKING A BALANCE BETWEEN SCALE AND IMPACT. Employee financial wellness programs include high-touch interpersonal services such as financial coaching, and low-touch digital solutions. High-touch services are more expensive and harder to scale up than digital solutions, yet may be more impactful for employees with complex financial needs that cannot be addressed through an app or chatbot. Thus, in considering employee financial wellness programs to support, employers and funders should anticipate a trade-off between scale and impact to consider the right blend of high- and low-touch services.

SECTION 2: RESEARCH EVIDENCE ON EMPLOYEE FINANCIAL WELLNESS PROGRAMS

Over a third of all employees say their employer offers services to help them with personal finances,[18] the most common of which are financial counseling and education. Other employee financial wellness products and services such as employer-sponsored small-dollar loans, credit counseling, and student debt repayment are offered by a small fraction of employers.[22]

In this section, we review evidence concerning participation in and outcomes of employee financial wellness programs. In considering this evidence, it is important to note that little research has been conducted on them, and that these programs comprise a wide variety of workplace financial products and services, many of which have not been studied at all.

PROGRAM PARTICIPATION

Estimates concerning participation rates in employee financial wellness programs range from 31%[19] to 65%[20] while other studies suggest strong interest in them among employees:

- 86% of employees are somewhat or very likely to participate in an employee financial wellness program if offered.[19]
- 92% of young employees (age 22-33) with student debt would use an employer match for loan repayments if offered.[21]
- 79% of young employees (ages 22-33) with student debt would use a student loan debt counselor if offered.[21]
- 71% of employees said they would somewhat or very likely use a "rainy day" savings program with payroll deduction if offered by their employer.[23]

Awareness and use of employee financial wellness programs may vary based on employee characteristics and financial circumstances, as reflected in findings from a survey of low- and moderate-income employees:

- Close to two-thirds of employees were aware that their employer offered an employee financial wellness program, with greater awareness among employees who had experienced a financial difficulty in the past six months.
- Black employees had 30% lower odds of awareness than White employees, even after controlling for age, income, and other factors.[24]
- Financial difficulty in the prior six months was unrelated to employee financial wellness program use *except* for short-term loans or pay advances.[25]
- Among employees who were aware that their employer offered an employee financial wellness program, Black, Hispanic, and Asian employees were more likely than White employees to use various products and services, especially "high touch" services like financial coaching.[26]

Employers and employee financial wellness program providers can take certain actions to promote its use. For example, interviews with low- and moderate-income employees who used a credit-building program revealed that:

- Distributing paper memos in advance of the program introduction was ineffective.
- Most employees learned of the program during a mandatory in-service training.
- For employees who signed up for the program, ensuring that appointment times were readily available soon after enrollment encouraged use.
- After an initial meeting with financial counselors to review their credit report, employees said that follow-up contact from counselors via email and text was very helpful.[27]

Behavioral interventions can improve the use of employee financial wellness programs. Ideas42 tested workplace financial coaching coupled with automated bill payment and savings products among low- and moderate-income employees in food services. Findings included:

- Attendance at initial sessions and program use was improved with the use of raffles, pre-scheduled appointments, and personalized messages.
- Among unbanked low- and moderate-income employees, over 60% signed up for a bank card with a savings "purse," whereas the enrollment rate for automated bill payment was under 5%. Authors concluded that encouragement and opportunities to save could reduce the gap between savings intention and behavior among these employees.[28]

OUTCOMES

Only a small number of studies have assessed employee financial wellness program outcomes among employees, mostly in relation to financial education. Findings from these studies include:

- Employees across all pay levels, but particularly those who are doing moderately well, who participated in **workplace financial education,** reported changes in financial knowledge, emotion, and intent. This occurred when coupled with coaching and participant-driven content, and led to behaviors such as budgeting and paying bills on time, reduced credit card balances, increased saving, and—in some cases—increased retirement plan participation within the year after participation.[29,30,31,32,33,34,35]

- The authors of this report produced an unpublished study of low- and moderate-income employees who received **workplace financial counseling.** The report found that 51% of those employees reduced the number of accounts in collection, 50% reduced the number of delinquent accounts, and 59% improved their credit scores. Controlling for other factors such as age and gender, credit score increases were greatest among employees with the lowest (<569) baseline credit scores, resulting in a 40-point increase, and employees who received three or more coaching sessions increased by 19 points, compared to those who received one or two sessions. Among those without a credit score, 28% became "scorable."

- Nearly 900 employees of Levi Strauss and Co. signed up for a **savings program** offered through a digital platform that enabled employees to set savings goals, receive financial education, make savings deposits, and earn matched savings rewards. After six months, the savings participation rate was 91%. Employees saved a total of $350,000, and the proportion of employees who said they spend less than their income doubled.[36]

- The default rate was 5% among employees of small- and mid-size employers in Vermont who offered an employer-sponsored small-dollar loan at 18% APR with payroll-deducted installment payments. That was lower than the default rate of similar loans accessed through banks or credit unions. Half of these employees opted to roll over their loan payments into savings deposits at the end of the loan.[37]

- Loss rates were 2-3% for employer-sponsored small-dollar loans of up to $2,000 with payroll-deducted installment payments offered to low- and moderate-income employees in 48 participating companies and organizations. Employees reported improvements in their financial situation, while employers credited the program with a reduction in 401k withdrawals and loans.[38]

Additional insights related to employee financial wellness programs come from studies outside of the workplace and from studies concerning employer-sponsored retirement programs:

- A meta-analysis of 201 studies revealed that **financial education** programs explain only 0.1% of variance in financial behaviors, and that behavioral outcomes diminish over time. Yet programs offered in relation to making important financial decisions "just in time" and that are embedded in other services, such as financial coaching, may be more effective.[39]

- **Financial coaching**[40] and **credit counseling**[41] are effective in promoting financial behavior change and modest improvements in credit, debt, and savings outcomes among clients.

- **Retirement plan contributions** are higher among employees offered frequent financial education seminars than among employees offered infrequent financial education (particularly among higher- and middle-income employees).[42]

- Average **retirement plan savings rates** increased from 4% to 14% over a 40-month period among employees offered the Save More Tomorrow™ program, in which they pre-committed a portion of future raises and were enrolled on an opt-out basis.[43]

The research that has examined employee financial wellness programs outcomes among employees is promising. There is still a clear need to examine how these programs can help connect specific financial needs of employees with the products and services that best address and best serve those needs. In addition, an important equity consideration is to examine outcomes based on age, income level, gender, and race/ethnicity to understand whether financial wellness programs are effective with all employees. We explore additional research opportunities relevant to understanding the role of philanthropy in promoting employee financial wellness programs in the next section.

SECTION 3: OPPORTUNITIES FOR PHILANTHROPY

Interest in employee financial wellness programs is growing rapidly across industry sectors. At the same time, there are numerous and important opportunities for philanthropy to inform and shape the field.

ALIGN FUNDING STRATEGIES WITH DESIRED OUTCOMES

Philanthropy can support the growth and development of the employee financial wellness program field using different funding and investment strategies–both tried and new—that can address a variety of needs. For example, targeting financially vulnerable workers, increasing innovation through new technologies, or achieving scale.

Direct Funding for Existing Programs that Understand and Address Needs of Vulnerable Workers

While workers across sectors and income levels benefit from employee financial wellness programs, philanthropy can prioritize funding for programs, or enhancements in programs, that reach workers who are economically vulnerable.[44]

More specifically, to support equity goals, funders can look for employee financial wellness programs that:

- Are responsive to the known financial needs of employees, especially those who receive lower pay.
- Reach employees in small- and medium-sized companies (<500 employees) that:
  - Cannot afford to offer a program.
  - Employ a high proportion of economically vulnerable employees.
  - Are enthusiastic about and prepared to host and support an employee financial wellness program.
- Are offered by providers with missions to serve economically vulnerable individuals.
- Have evidence of employee engagement and ideally, of positive financial outcomes.

Funders could also consider how to amplify their philanthropic goals by supporting employee financial wellness programs that:

- Are part of or connected to broader workforce development, job quality, upskilling, apprenticeships, and/or "future of work"[45] initiatives.
- Reach workers in helping professions that serve vulnerable populations (e.g., child care, education, elder care
- Intersect with other funding priorities (e.g., economic development, asset building, financial inclusion, post-secondary success, smart decarceration, affordable housing, immigrant integration, and addressing racial and gender inequities).

KEY PROGRAM FEATURES TO INCREASE RETURN ON INVESTMENT:

- Provide employees with access to a **trained personal finance professional** for expert advice and guidance.
- Ensure **equal access** to products and services for all employees to eliminate stigma, safeguard confidentiality, and provide time to use services, especially front line, lower paid, and economically vulnerable employees.
- Help build employee **mastery**—simple steps to build the confidence employees need to tackle tougher financial challenges.
- Incorporate **behavioral science.**[46] For example:
  - Offer employees simple personal finance tips or "rules of thumb" to follow.
  - Ensure the process of enrolling in products or services, and using them, is easy.
  - Offer automatic processes (e.g., payroll deducted savings deposits).
  - Use "nudges" and intermittent incentives to promote positive financial behavior change.
  - Help employees develop a future orientation, such as planning for irregular and atypical expenses, and making retirement saving relevant and part of employees' social identities.
- Emphasize **saving** and **asset building**:
  - Offer employees split direct deposit with automatic savings or use apps that help workers set and reach savings goals, such as "topping up" transactions.
  - Enable workers to seamlessly transition from loan repayment to savings. For example, the employer-sponsored small-dollar loan program, developed by a community coalition led by the United Way of Northwest Vermont, offers the employees of participating companies with a payday alternative loan that is repaid through payroll deductions. After the loan is repaid, a deduction in the amount of the loan

payment continues on an opt-out basis and is deposited into the borrower's savings account.[47]

  - ❖ Encourage or automatically redirect savings deposits to defined contribution plan (401k) accounts once emergency savings goals are met.[48]
  - ❖ Provide financial incentives such as savings matches.

- Incorporate **digital tools** to provide workers with multiple engagement channels.
- Integrate programs with employer systems and processes (e.g., payroll, employee onboarding, and corporate communications).

Philanthropy can ensure that organizations are targeting access of products and services to reach and serve the needs of low-income and financially vulnerable employees by understanding those needs and utilizing solutions that address them.

Catalytic Funding to Build and Grow New Programs Start-Up Funding

In addition to direct funding for employee financial wellness programs as outlined above, philanthropy can leverage financial resources in other ways. Philanthropy could provide start-up funding to build new programs and/or patient capital to invest in innovative models that grow those programs. Within the field of employee financial wellness programs, this catalytic funding might also include developing business models that could generate revenue for supporting nonprofits or allow for new technology platforms that require upfront investment. For example:

- The nonprofit organization, Neighborhood Trust Financial Partners, received support from several funders to launch its social enterprise Trusted Advisor, a workplace financial counseling service that has been offered to several mostly small- and medium-size employers using both in-person and digital service delivery.

- The 2019 Workplace Financial Health Challenge of the Financial Solutions Lab, which is managed by the Financial Health Network[49] with founding partner JPMorgan Chase & Co., provides funding and technical assistance to nonprofit and for-profit employee financial wellness program providers to help strengthen and scale up a range of digital solutions that address savings, medical debt, 401k transfers, and employer-sponsored small-dollar loans.

Philanthropic start-up funding takes into account that such investments are often exploratory and unproven, require a multiyear commitment, and require flexibility of the funder to change course as experimentation yields programmatic insights. Investments could be in the form of grants or program-related investments. These investments may be advantageous if the employee financial wellness program provider needs more capital than would ordinarily be available through grant budgets and cycles, and the provider has a sound business plan for selling its program to employers.

Patient Capital

Philanthropy could consider applying the experience of venture capital to provide "patient" capital to employee financial wellness program providers, i.e., long-term funding with no immediate expectation of employee financial outcomes. This type of funding gives providers the time needed to design, test, and refine their program. Patient capital gives providers time to identify a product and service model for which employers are willing to pay at prices that will sustain the program without philanthropic subsidies.

SUPPORT AND PARTICIPATE IN LOCAL AND REGIONAL COLLABORATIVE EFFORTS

In addition to direct funding, funders can participate in, lead, or provide funding for local or regional efforts to develop collaborative, community-wide initiatives to promote employee financial wellness.

For example, the United Way of Metropolitan Dallas has convened an advisory committee of local HR professionals for its Financial Wellness @ Work initiative in collaboration with the National Fund for Workforce Solutions. The committee will provide input regarding a toolkit created by the Social Policy Institute at Washington University in St. Louis that employers can use to identify and understand their employees' most pressing financial wellness needs. These employee assessments will subsequently guide United Way's employee financial wellness program strategy.

As an additional example, JPMorgan Chase & Co. provided a planning grant to the United Way of Southeast Louisiana to convene local stakeholders, including workforce development providers, employers, financial institutions, and the Conrad N. Hilton Foundation, to identify alternatives to high-cost payday loans in New Orleans. Though all options were considered, the group focused on employer-sponsored small-dollar loans as a viable strategy. The planning process took more than a year, after which funders have been engaged in assessing the capacity of local organizations to launch an employer-sponsored small-dollar loans pilot with hospitality sector employers. Key considerations for funders have included the importance of their thought leadership and facilitation, including how to hold difficult conversations about project implementation capacity while being careful not to overstep their role.

SUPPORT RESEARCH AND EVALUATION

Employee financial wellness programs are far from a proven strategy in an emerging and dynamic field; evidence concerning employee and employer outcomes is largely absent (see Section 3 below) and many questions remain unanswered. Philanthropy, however, can play an important role by supporting research to answer the following questions:

Take-Up and Engagement

- What employee and employer characteristics are associated with employee financial wellness program take-up and engagement? Are these programs reaching employees in a way that advances equity? Or to employees most in need of financial help?
- What are the best employer strategies for promoting take-up and engagement?
- How does take-up and engagement vary based on sector?
- Does take-up vary based on different products and services offered?
- What public policies limit take-up and engagement? What new policies could increase take-up and engagement?

Employee Outcomes

- How many hours of high-touch services, such as financial coaching, do employees need to accomplish goals? Does goal achievement vary by modality (in person, phone, digital, or a combination)?
- Are employees who use pay advances or small-dollar loans less likely to use high-cost credit (e.g., payday loans) and more likely to avoid material hardship? Do small-dollar loans encourage over-borrowing?
- Is employer-student loan repayment assistance associated with lower employee financial stress and greater retention? Does this vary by employee age or generation?
- What products or services are most effective in reducing unsecured consumer debt and improving credit health? How do these outcomes vary by employee characteristics?
- What are the most effective ways to transition employees from borrowing to saving?
- What are the most effective ways to help employees build emergency savings? Offer savings incentives? How much in emergency savings is a "tipping point" for reduced financial stress, absenteeism, and 401k leakage relative to major expenses such as housing?
- Do out-of-pocket health plan expenses (e.g., premiums, deductibles) contribute to employee financial stress?
- How does the evidence concerning employee financial wellness programs stack up against other benefits or work conditions with respect to employee financial wellness, turnover, absenteeism, and productivity? Is a dollar spent on an employee financial wellness program product or service better than a dollar spent on some other benefit?

Using a "test/learn/share" framework, funders can support the following research and evaluation strategies to help answer these questions:

- Rigorous outcome evaluations of employee financial wellness programs that use control or comparison groups to assess impact,[50] including examining whether impact varies based on gender, race/ethnicity, income, and other inclusion factors.
- Use of common metrics, data systems, and evaluation methods among program providers.
- Access to credit report data at low or no cost to help assess outcomes.
- Sufficient funding for evaluation efforts.
- Employer sharing of anonymized human resource information system data (e.g., tenure, 401k activity) to help assess outcomes.

SUPPORT AND SHARE PROMISING PRACTICES

Funders can directly and collaboratively play an important role in identifying, supporting, and sharing innovative solutions developed by nonprofit community-based program providers, often through philanthropy support organizations such as regional funder associations and AFN chapters.

For example, the FINRA Investor Education Foundation and United Way Worldwide collaborate on the Financial Wellness at Work program to increase the capacity of community-based organizations to provide effective employee financial wellness programs. Financial Wellness at Work provides local nonprofit leaders with training, tools, start-up funding, and opportunities for ongoing communication with peers. As part of this program, the FINRA Foundation partnered with the Filene Research Institute to publish an implementation guide[51] for the employer-sponsored small-dollar loan developed by a community coalition among the United Way of Northwest Vermont, NorthCountry Federal Credit Union, Rhino Foods (a specialty manufacturer), and other employers in Burlington, Vermont. The guide was informed by a study of the employer-sponsored small-dollar loan conducted by the Filene Accessible Financial Services Incubator, with support by the Ford Foundation. It includes details on program design features, guidance on compliance issues, ways to measure success, document templates, and customizable marketing materials.[52]

CONCLUSION

There is a role for employers, employees, and philanthropists alike in rethinking how employers can best promote financial well-being for workers. Building a financially resilient workforce is not only good for employees, but oftentimes is also in the best interest of employers. Employee financial wellness programs present opportunities for philanthropy to support workers to achieve greater financial security at a greater scale. The workplace offers distinct advantages and new opportunities as a delivery channel for affordable and fair financial products and services. Chief among the workplace as a delivery channel is that it allows employers to identify specific needs of employees for financial stability and offer products and services that can directly address those needs from student debt repayment to pay advances that can stave off predatory lending. Employers are stepping up to help employees address their financial needs and improve financial resilience. Funders can recognize that employee financial wellness programs and financial wellbeing are part of a quality jobs framework that also includes: fair wages and benefits, predictable pay and scheduling, and access to adequate child and medical care, among others. Equally important, outcomes should be carefully examined based on age, income, gender, and race/ethnicity to ensure that funders' employee financial wellness program grants and investments are well aligned with equity goals.

Employee financial wellness programs are different than community-based programs that funders may be accustomed to supporting. Providers must engage and build relationships with employers and navigate what may prove to be a complex process of introducing a new type of benefit to the workplace.

Consequently, it is important for funders to understand employer systems and policies that may facilitate or hinder success of an employee financial wellness program provider-employer partnership. This understanding can help funders assess the readiness and capacity of such a partnership for which funding is sought, and anticipate challenges that may delay implementation.

Ultimately, the success of an employee financial wellness program depends on the willingness of the employer to do the following:

- Decide to offer and pay for the program.
- Ensure that employees can access and use the program.
- Promote and integrate the program.

Each of these steps is described below.

THE DECISION TO OFFER AN EMPLOYEE FINANCIAL WELLNESS PROGRAM TO EMPLOYEES

A company's decision to adopt an employee financial wellness program usually starts with the human resources manager, although in small and medium size companies, the key decision-maker may be the business owner and/or CEO.

HR managers strive to develop policies and offer benefits that promote employee productivity and retention. While this may be the primary consideration regarding an employee financial wellness program, adopting a financial wellness program may also boost an employer's public image by signaling that they care about the well-being of their employees.[53]

Yet, employers with a large proportion of lower-paid employees may be concerned that a decision to offer an employee financial wellness program could be interpreted as a way to avoid paying higher wages or an admission that pay and benefits are lacking. HR managers can mitigate these concerns by framing these programs as a single aspect of a larger strategy to support employees and create high-quality jobs,[54] and by recognizing that financial help and tools are needed and used cross the income spectrum. For example, the National Fund for Workforce Solutions has developed a job design framework that includes employee financial wellness program products and services as elements of higher-quality jobs.

HR Managers and the Adoption Decision: Making the Internal Business Case

HR managers must convince company leaders that launching an employee financial wellness program is the best way to address employees' financial challenges and is better than offering a different type of benefit, such as a smoking cessation program or an onsite fitness center. That is, employee financial wellness programs are just one type of new benefit HR managers might consider. Thus, it is important to know that an employee financial wellness program provider has worked closely with the company's HR department to understand employees' needs and assess the alignment of their products and services with these needs.

ENSURING ACCESS AND USE

Following the adoption decision, employee financial wellness programs providers should also work closely with HR departments to eliminate barriers to the use of the program based on employee characteristics, work schedules, and work locations. *This is an important process to ensure equity and inclusion based on job classifications and pay.*

Employee Characteristics

Lower-paid employees may have limited computer, Internet, and cell phone access. As a result, digital platforms and apps may have limited value to these employees, as well as employees with lower literacy levels or limited English proficiency. The front line nature of many lower-paid employees' jobs also make accessing employee financial wellness program services difficult. For example, customer service representatives, home health aides, and fast food workers may lack access to office space for confidential financial counseling sessions.

Work Schedules

Employee financial wellness program providers with in-person services, such as financial coaching, need to coordinate with employers to reach employees who do not work regular business hours, who are often the lowest paid employees in a company. For example, an employee financial wellness program provider offered its financial counseling services to employees of an online grocery delivery company at a warehouse location between shifts late at night. However, when a hospital offered financial education seminars after late-night shifts, take-up rates were extremely low. The provider explained that employees whose shifts ended at 6 a.m. indicated that they were either too exhausted from working overnight to attend a class or needed to get home to care for children or sleep before going to a second job. Although the HR staff had been cognizant of the fact that lunch-and-learn seminars would not reach a large portion of their lower-wage staff, they were unaware of some of the realities of their third-shift employees' lives that made seminar attendance unrealistic.[55]

Non-Office Work Environments

Employment in non-office work environments, such as trucking, home care, community outreach, construction, and mining, may pose challenges to on-site service delivery in much the same way that shift work does. However, such work conditions may also interfere with access and take-up of employee financial wellness programs that rely on technology for service delivery, such as online financial education. Further, non-office work environments may limit the effectiveness of program promotion. For example, since employees who work in non-office environments do not spend time at computers during the day, email promotions may be missed. In some cases, such employees may not have company email addresses to which such promotions may be delivered.[56] Additionally, such employees may not have access to company break rooms or cafeterias where posters or information tables may be placed.

PROMOTING AND INTEGRATING THE EMPLOYEE FINANCIAL WELLNESS PROGRAM

Once employers and providers have coordinated efforts to ensure all employees can use the program, companies can take additional steps to promote employee financial wellness program use including:

- Explaining that the programs are a paid benefit.
- Offering incentives for participation.
- Encouraging employees to use digital tools to track progress.
- Using organizational champions.
- Integrating the programs with other benefits.[57]

These last two suggestions are explained in greater detail below.

The Role of Organizational Champions

Employee financial wellness programs are more likely to be used when an organizational champion is operating in the workplace. HR managers, front line supervisors, executives, and employee "ambassadors" who have had positive experiences with them all have the potential to play this role. Champions use their organizational positions and spheres of influence to promote access to and take-up of employee financial wellness programs.[58] HR managers can facilitate program success by identifying and seeking out trusted organizational actors who may be persuaded to support these initiatives.

Embedding and Promoting the Program

Employee financial wellness programs are quite new in the HR sphere. According to Diffusion of Innovation Theory, innovations are more likely to be sustained when they become routinized.[59] Many opportunities exist for these programs to become more embedded within HR systems and practices, which may improve program take-up and effectiveness.[60]

OPPORTUNITIES INCLUDE:

- Offering small-dollar loans with payroll-deducted installment payments and split direct deposit.
- Integrating employee financial wellness programs with existing health and wellness promotions/reward programs (e.g., a savings match bonus for completing a health screening versus receiving a prepaid card).
- Ensuring that employee financial wellness programs are discussed during new hire on-boarding, including information about them during open enrollment processes, and including them in any routine benefits communications.
- Using 401k withdrawal or loan, pay advance, or emergency assistance fund requests as "touch points" for making referrals to the company's employee financial wellness programs.[61]
- Encouraging employee assistance program and employee financial wellness program providers to engage in cross-referrals.

By understanding employer systems, policies, and practices that may affect the success of a provider-employer partnership, funders can better assess the readiness and capacity of such a partnership to achieve an employer's financial wellness goals.

APPENDIX B: PUBLIC POLICIES TO SUPPORT EMPLOYEE FINANCIAL WELLNESS

While an employee financial wellness program can impact the financial bottom line of an incumbent worker, it does not solve the structural factors that have historically impacted and exacerbated economic inequality. This brief has focused primarily on the potential of employee financial wellness programs, an important tool for creating more financial resilience, one where we see both philanthropy and employers as having a powerful role. However, public policy interventions are important to address work-related factors that undermine worker and family health and well-being, predictability, and dignity including: fair wages, affordable housing, affordable health care, child care, predictability of schedule, hope for opportunities for job betterment and investments in children, as well as a secure retirement.

Public policies can affect employee financial wellness in two ways–by making it easier for employers to offer employee financial wellness programs and by addressing other factors that affect employee financial wellness. Using their experience in supporting these programs and knowledge of employee financial wellness, funders could lend their perspectives to inform the development, adoption, and implementation of both types of policies. This section lays out those policies connected to strengthening employee financial wellness programs and job quality.

AFFORDABLE CREDIT PRODUCTS

Employer-sponsored small-dollar loans offer a critical lifeline to low- and moderate-income employees facing financial emergencies, who lack alternatives to high-cost credit products such as payday and auto title loans. Employer-sponsored small-dollar loans are underwritten and serviced by financial institutions such as Sunrise Banks, in partnership with FinTech firm Employee Loan Solutions,[62] and NorthCountry Federal Credit Union in partnership with Rhino Foods.[63] The Office of the Comptroller of the Currency issued Bulletin 2018-14 in May 2018 to provide guidance to banks to offer short-term, small-dollar installment loans.[1] The Bulletin outlines reasonable costs and loan affordability,[16] and encourages banks to work with consumers who have credit profiles that do not meet traditional underwriting standards. In addition, credit unions can offer employer-sponsored small-dollar loans in compliance with laws in all 50 states and Washington, D.C.[64] Funders can play a role by capturing the experiences of employers and employee financial wellness program providers in offering these loans through banks and credit unions to help further develop regulatory guidance that might pave the way for more employers to offer similar loans.

EMERGENCY SAVINGS PRODUCTS

Current legislative proposals in the U.S. Congress aim to make it easier for employers to offer workers short-term savings accounts with automatic contributions. One proposal includes an incentive of $400 per employee for employers to set up these accounts. These proposals are based on ideas proposed by AARP to offer rainy day savings accounts[65] and sidecar savings accounts linked to 401k retirement accounts and funded with after-tax contributions.[66] Other policy ideas include providing tax incentives to employers to match employee savings deposits, and giving employees the option of using part of their 401k employer matches to help fund short-term savings accounts.

STUDENT DEBT REPAYMENT

Employers are looking to address the urgent issue of student debt, which now exceeds $1.5 trillion and can inhibit borrowers' ability to build a financially secure future. One federal proposal, HR 1043, a bipartisan bill, seeks to expand the corporate tax exemption of up to $5,250 per employee for employer-sponsored tuition assistance to include student loan payment assistance. Other policy proposals with bipartisan support in both chambers include a provision to allow employers to match employees' student loan payments in the form of a 401k retirement plan contribution. At the publication of this paper, only 4% of employers currently offer a student loan repayment assistance benefit.[22] Providing incentives for employers to offer student loan repayment and also to eliminate the "either/or" choice among employees regarding repaying student loans and saving for retirement could improve offering and reach.

ADDITIONAL POLICIES AFFECTING EMPLOYEE FINANCIAL WELLNESS

Funders can help raise awareness and support for a host of additional public policies that affect or have the potential to affect the financial wellness of workers, especially those who receive lower pay. Funders can also establish an expectation that employee financial wellness program providers work with employers to help employees understand their eligibility for and options related to the benefits offered through these policies.

The Earned Income Tax Credit

The Earned Income Tax Credit is a highly effective policy to lift workers out of poverty, yet workers must wait until they file their federal income taxes to claim the credit. The Advance Earned Income Tax Credit provided recipients access to up to half of this refund during the year, yet this program proved highly unpopular and was eliminated in 2010. An opportunity exists, called Periodic Payment,[67] to redesign an advance payment to work for employers and employees.

Also, in accordance with the Internal Revenue Service's Publication 15, employers or employee financial wellness program providers could notify all employees with wages under the income limit that they may be eligible for the Earned Income Tax Credit. Employers could also come up with more creative ways to notify employees than using supplemental W-2 form statements and Notice 797 as described in IRS Publication 15.

Child Care Subsidies

Child care expenses consume a significant portion of pay among workers with young children. For a single parent in Missouri earning $15/hour and working full-time, child care for just one infant child would consume 28% of gross pay.[68] Yet the supply of subsidized child care via programs such as the Child Care and Development Block Grant reaches only 15% of eligible families.[69]

Policies to make it easier for workers to afford child care include:

- **Expand the Child Care and Development Block Grant** to reach more eligible families.
- **Make the Child and Dependent Care Tax Credit refundable.** This credit is worth 20% to 35% of child care expenses (depending on adjusted gross income) up to $2,100. Making this credit refundable would be particularly helpful for lower-paid workers who may have too little federal income tax liability to benefit.
- **Increase the attractiveness of the Credit for Employer-Provided Child care Facilities and Services.** This general business credit offers up to $150,000 for the cost of operating or contracting for an on-site child care center, yet few employers use this program and the value of care must be reported as compensation to employees.
- **Strengthen Dependent Care Flexible Spending Accounts.** Only 17% of low- and moderate-income workers with access to Dependent Care Flexible Spending Accounts use them,[70] yet participation rises when employers make contributions.[71] Employers can also make direct payments to child care providers to eliminate the cash flow crunch created when pre-tax dollars are deducted from the paychecks of workers who then must wait for reimbursement from their Dependent Care Flexible Spending Account.

Health Savings/Reimbursement Accounts

Use of high deductible health plans is on the rise among employers seeking to lower their health insurance costs. These plans are coupled with health reimbursement arrangements or health savings accounts, which enable employees to pay for out-of-pocket health care expenses that are applied toward their deductible using tax-advantaged funds. Employer contributions to health reimbursement arrangements and health savings accounts can help employees with high deductible health plans meet their deductibles, avoid incurring medical debt, and go to the doctor when they need to.[72]

Paid Leave and Scheduling Practice Laws

The 2017 federal Tax Cuts and Jobs Act introduced a general business tax credit for employers that offer at least 50% of salary for up to 12 weeks of paid family and medical leave for lower-paid (no more than $72,000 in salary) employees who have been with the company for at least 12 months.[73] This tax credit provides a new incentive for employers to offset a significant loss of income for which many families are ill prepared to endure.[74]

In addition, several local and state governments have recently passed laws and ordinances concerning paid leave, yet these policies make it difficult for employers to comply or participate.[75] Several cities and some states have also passed fair workweek laws to protect workers from unpredictable work schedules[76] that may affect households ill-prepared to cope with this source of income volatility.

Other Resources for Policy Impacting Asset Building

Many of these policy recommendations overlap with and expand on other Asset Funder Network briefs. For example, *On Shaky Ground: Stabilizing the Financial Security of Single Women and Clipped Wings: Closing the Wealth Gap for Millennial Women* focus on closing the women's wealth gap and share recommendations including student debt repayment, universal maternity leave and expanding earned income tax credit meant to improve financial resilience for women. Similarly *Income Volatility: Why It Destabilizes Working Families and How Philanthropy Can Make a Difference* examines overlapping interventions including predictable scheduling, payroll innovations, and emergency savings tools. Employee financial wellness programs, along with appropriate policy interventions, work to address the financial needs of vulnerable workers to find stability and build assets.

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