Employee Financial Wellness Programs: Promising New Benefit for Frontline Workers?

Running Title: Employee Financial Wellness Programs

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Abstract

Interest among employers is growing in Employee financial wellness programs (EFWPs), a new type of benefit to address financial stress among employees. EFWPs benefits include financial counseling, small-dollar loans, and savings programs that address employees' non-retirement financial needs. Little evidence exists concerning the availability and use of and outcomes associated with EFWPs, especially among low- and moderate-income (LMI) workers who may be in greatest need of these benefits. We present findings concerning awareness and use of EFWPs from a national survey of LMI workers (N=16,650). Availability of different EFWP benefits ranged from 11 to 15% and over a third of workers were unaware of whether their employer offered an EFWP. Experiencing financial difficulties predicted both EFWP awareness and use suggesting that employers take time to assess employees' specific financial challenges to

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select benefits. Yet use of EFWPs by LMI workers may suggest the need for better compensation and work conditions.

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Introduction

Buoyed by alarming survey findings, recent headlines abound declaring the urgency of companies to address financial stress among employees, lest it hobble performance. Headlines include "What's on your employees' minds?: Financial stress and workplace performance", "Financial stress costs employers thousands per employee", and "Money worries creating workplace stress".

The narrative behind these headlines is that employees are distracted by issues like credit card debt, student loans, and financial emergencies and thus are less mentally present and productive at work. Survey findings offer support for this narrative. Nearly 60% of employees said they have financial stress (Prudential, 2017), 67% said it was stressful to deal with their financial situation, and 49% said it is difficult to pay for household expenses on time each month (PricewaterhouseCoopers, 2019). Over a third of employees say they are not financially well or confident, rates that are higher among younger employees and women (Bank of America/Merrill Lynch, 2018; MetLife, 2019).

Evidence also supports the claim that employers pay a cost as employee financial stress has been linked to absenteeism (Hendrix, Steel, & Schultz, 1987; Jacobson et al., 1996; Kim & Garman, 2003, 2004; Kim, Sorhaindo, & Garman, 2006). Recent survey estimates of the proportion of employees who say they are distracted at work due to financial stress range from a quarter to a third (MetLife, 2019; PriceWaterhouseCoopers, 2019). Over a fifth (21%) of employees say that their financial worries harm their work productivity; 49% of those distracted by their financial problems spend three or more hours at work dealing with these worries (PricewaterhouseCoopers, 2019).

Nationally representative survey studies offer clues about why employees are financially stressed. Nearly a fifth of all households spent more than their income, almost half lack savings enough to cover three months of usual expenses, and over a third at least sometimes make only the minimum payment on credit cards. Among those with student debt, 42% had at least one late payment in the prior year (FINRA Investor Education Foundation, 2019). A quarter of U.S. households are "just getting by" or "finding it difficult to get by", 29% either cannot pay all their monthly bills or would be unable to do so if faced with an unexpected $400 expense (Board of Governors of the Federal Reserve System, 2019).

Financial challenges are especially pronounced among low- and moderate-income (LMI) households. Most (77%) low-income households lacked emergency savings, 74% had difficulty covering expenses, 36% had trouble paying medical bills, and a third of those with full-time jobs did additional work for pay. Furthermore, over half of low-income households had at least one late student loan payment in the prior year and less than 20% had a retirement account (FINRA Investor Education Foundation, 2019). Two-thirds of low- and moderate-income (LMI) tax filers experienced at least one financial shock such as a hospitalization or major car repair in the past year (Authors, 2018a) and 67% had experienced one or more episodes of trouble meeting basic needs (Authors, 2018b).

In response to concerns about employee financial stress (Verne, 2015), a market for financial wellness benefits has emerged. Financial services and technology ("fin tech") firms urge companies to offer these "next generation" benefits with the promise that doing so will boost employee productivity and tenure. Yet little research exists concerning the use and effectiveness of financial wellness benefits, particularly in relation to establishing a business case (Scott & Spievack, 2019).

The purpose of this paper is to help business executives and human resource (HR) managers understand the prospective value of employee financial wellness programs (EFWPs) as a new type of benefit. We define and describe EFWP products and services, noting advantageous features, and review research evidence about EFWP prevalence, access, use, and outcomes. We also present findings on access, use, and benefits among a large sample (N=16,650) of low- and moderate-income (LMI) employees who may be in most need of help from an EFWP. Lastly, we discuss these findings in relation to EFWP-related policy proposals and review other steps employers might consider.

Employee Financial Wellness Programs: New Type of Benefit?

EFWPs include financial products and services offered by or through employers to promote financial well-being: control over ordinary finances, coping with financial emergencies, meeting financial goals, and having financial freedom of choice (Consumer Financial Protection Bureau [CFPB], 2014, 2017). In addition to compensation and usual benefits (e.g., health insurance), EFWPs include financial coaching, financial counseling, student loan repayment assistance, small-dollar loans, digital personal finance apps and platforms, savings programs, and pay advances and emergency assistance (Authors, 2019a).

EFWPs are not an entirely new concept; companies have offered wellness benefits since the 1970s (Scott & Spievack, 2019) and may also offer workplace financial education and access to financial counseling via employee assistance programs (Authors, 2019b). Yet EFWP products and services help employees address a wider range of non-retirement financial needs, such as improving credit health.

EFWPs also leverage digital technology and payroll systems in new ways (Authors, 2019a; Neighborhood Trust Financial Partners & EA Consultants [NTFP & EA Consultants]

2018; Pricewaterhouse Coopers, 2019). For example, employer-sponsored small-dollar loans (ESSDLs) enable employees to make automatic, payroll-deducted loan installment payments which can be rolled over to savings deposits once the loan is paid in full (FINRA Investor Education Foundation & Filene Research Institute [FINRA & Filene], 2017). ESSDLs are accessed by employees through a third party digital platform and under-written by a credit union (Horowitz, 2018) and offer an important credit alternative to high-cost and risky payday and auto title loans (CFPB, 2013).

Employee Financial Wellness Program Availability and Use

Less than a quarter of employees indicate their employer provides a service to help them address personal finance issues (Pricewaterhouse Coopers, 2019). The availability of specific types of EFWP-related benefits vary from 8% of employers who offer student loan repayment assistance to 36% who offer non-retirement financial advising (Society for Human Resource Management [SHRM], 2019). However, the availability of certain benefits is growing. Student loan repayment help is seen as a promising retention strategy for younger workers and was expected to rise to 20% by 2018 (Kilgour, 2017).

Estimates of EFWP use vary considerably. Two survey studies found that just 19% (MetLife, 2019) and less than a third (Bank of America/Merrill Lynch, 2018) of employees participate in these programs while a similar study found a rate of 71% (PricewaterhouseCoopers, 2019). Variable utilization rates are likely an artifact of differences in how these benefits are defined and survey sampling and measurement methods.

Interest in EFWPs among employees is high. Most (86%) employees said they would participate in a financial education program offered through the workplace (Bank of America/Merrill Lynch, 2017). Over two-thirds (71%) of employees would use a payroll-deducted non-retirement savings program if offered (Harvey, John, & Brown, 2018). Among employees with student debt, 79% and 92% would use a student debt counselor and an employer match for loan repayments if offered, respectively (American Student Assistance, 2017).

Our pilot studies of EFWP implementation and use offer some insights. Confidentiality concerns, language needs, and work schedules affect EFWP use (Authors, 2019b), yet promotional communications, onsite presentations, frontline manager referrals, and onsite appointments increased EFWP awareness and use in nonprofit and home health care agency settings (Authors, 2019e, 2019f, 2019g). One employer incorporated presentations by the financial counseling provider into their new employee orientation, after which the new hires could meet with a counselor immediately to begin services.

Do Employee Financial Wellness Programs Work?

Research on outcomes associated with EFWPs is limited. A set of studies that predate the recent surge of interest about employee financial wellness focused on workplace financial education. These studies found improvements in self-reported financial knowledge and/or behaviors among university (Kim, 2007), chemical plant (Garman, Kim, Kratzer, Brunson, & Joo, 1999), and publishing company (Prawitz & Cohart, 2014). However, these studies did not use control or comparison groups to assess outcomes.

Skimmyhorn (2016) used a staggered rollout of the U.S. Army's personal financial management course to conduct a natural experiment. Positive impacts were found for credit and debt outcomes in the first, but not second year after the course was offered and there were no impacts on credit scores. Positive impacts on retirement plan take-up and contributions were found for both years. However, numerous studies have found that financial education – whether offered in the workplace or elsewhere – is generally not effective in promoting improve financial well-being (Fernandes, Lynch, & Netemeyer, 2014). A focus on improving employees' financial literacy may deflect attention away from other factors that affect their financial well-being (Verne, 2015).

Recent studies offer evidence concerning other EFWP products and services. Half of employees offered an online employer-sponsored savings program with incentives were saving regularly after six months (Red Tab Foundation & EARN, 2019). In a study of LMI employees (N=2,849) who received financial counseling over a 12-month period, 59% experienced an increase in credit scores. Of those with a sub-prime (<660) credit score at baseline, 15% brought their scores up to prime range (660 or above) (Authors, 2019c). In another study, 64% of LMI employees (N=347) who received credit-building services over an 18-month period experienced an increase in their credit scores and 23% moved from sub-prime to prime scores (Authors, 2019d). In both studies, counselors' presence in the workplace was limited to an initial session. Subsequent counseling occurred via phone, email, and text.

ESSDLs have the potential to offer employees with damaged or no credit an alternative to expensive payday and auto title loans. Among employees in Vermont, the default rate was 5% and half of borrowers chose to rollover their loan payments to savings deposits once the loan was paid off (Schneider & Koide, 2010). In another study of ESSDLs, loss rates were 2-3% and employers attributed participation to lowered defined contribution plan withdrawals (FINRA & Filene, 2017). Over half (54%) of employees (N=781) who used an ESSDL had previously used a high-cost payday, auto title, or pawnshop loan and 28% had taken a loan from a defined contribution plan (Authors, 2019e).

The above findings suggest that employees will use EFWPs if offered to address various financial needs, LMI employees can improve their credit health, and defined contribution plan "leakage" may be positively affected by offering credit alternatives such as ESSDLs.

Study Purpose

The purpose of this study is to fill gaps in knowledge about EFWPs among LMI workers – those who are most at risk for financial stress and can benefit from easier access to affordable financial products and services. We examine different employer and employee factors that may explain variation in awareness and use of EFWPs. Our research questions include:

1. Do awareness and use of EFWPs differ based on the size and industry of employer?
2. Do awareness and use of EFWPs differ based on employee financial habits?
3. Do awareness and use of EFWPs differ based on employee financial characteristics and circumstances?

We also describe findings concerning the benefits employees identify from using EFWPs and reasons employees offer for not using EFWPs. Findings from our study can help inform business executive and HR professionals' efforts to consider new types of benefits – especially in companies that employ many frontline workers.

Methods

Sample

The sample for this study comes from the 2016 study of an online tax-time savings intervention among low- and moderate-income (LMI) tax filers. The analytical sample was drawn from 23,504 filers who were enrolled in the study and completed an online household financial survey upon filing their taxes and restricted to tax filers who said they were employed part- or full-time and answered survey questions related to EFWPs (N=16,650). This excluded individuals who were not working for various reasons (e.g., retired, looking for work) or were self-employed.

Measures and Analysis

Dependent variables included EFWP awareness, use, and perceived benefits, and reasons why employees do not use EFWPs. Awareness was measured based on responses to the household financial survey item: “Some employers offer services to help employees deal with personal finance issues. Please indicate whether your employer offers each of these services, and if you have ever used it”, followed by a list of products and services. Awareness was coded as a dummy variable, with a value of ‘1’ assigned if the employee selected “Employer does not offer”, “Employer offers, and I have used”, or “Employer offers, but I have never used”, and ‘0’ if “Not sure if employer offers” for any one of four following products or services: financial coaching (in-person or phone-based), credit counseling, payroll advance or short-term loans, and online financial management tools. These products and services were used as indicators of EFWPs as they help employees address their financial challenges in addition to the retirement benefits and related financial education and planning many employers offer (Authors, 2017; CFPB, 2014 NTFP & EA Consultants, 2018; PriceWaterhouseCoopers, 2019).

Utilization was coded as a dummy variable, with a value of ‘1’ assigned if the employee said they used any of the four EFWP products or services and ‘0’ if the employee said they had not used at least one. Utilization was evaluated as the share of respondents who were aware that their employer offered an EFWP and then reported using one or more of the four EFWP products or services.

Perceived benefit was measured based on responses to the following question: "For any of the employee financial services that you have used, how has this service(s) affected you as an employee?". Response choices included "Helped me concentrate more on my job", "Made me feel better about being an employee of my company or organization", "Made me feel better about coming to work", and "Reduced the amount of time I missed from work due to personal finance issues", "Other", and "Has not affected me as an employee". A value of ‘1’ was assigned if the employee selected the benefit and ‘0’ if they did not. In addition, to construct a measure of whether any benefits were identified, a value of ‘1’ was assigned if the employee selected one or more benefits and ‘0’ if the employee did not select at least one benefit or indicated the product or service did not affect them.

Reasons for not using an EFWP product or service was measured based on responses to the following question: "You indicated your employer does offer some financial management services that you choose not to use. What is (are) the reason(s) you do not use these services?". A value of ‘1’ was assigned if the employee selected the reason and ‘0’ if they did not, which included "I don't need these services", "I don't want my employer/other employees to hear about my personal financial situation", "I don't think these services could help me", "I don't trust my employer to be concerned with my financial well-being", "I can get personal financial help elsewhere", and "Other".

Independent variables of interest related to our research questions included employment characteristics, financial habits, and financial characteristics and circumstances. Employment characteristics included whether the employee was full- or part-time, and employer size and industry. Employer size was measured as an ordered categorical variable with values of less than 100, 100 to 999, and 1,000 or more employees. Industry was measured based on employees' selection of the industry of their employer using North American Industry Classification System (NAICS) sector codes and coding these responses as white, blue, and pink collar to correspond to manual, female-dominated, service-oriented, and professional or semi-professional and office-based industries, respectively (Lips-Wiersma, Wright, & Dik, 2016). For example, the NAICS sectors "agriculture, forestry, fishing, and hunting", "banking, finance, and insurance", and "food preparation and services" were coded as blue, white, and pink collar, respectively.

For financial habits, employees were asked, "For each of the following, please tell us if the statement describes you: I budget carefully/I try to save a little bit each month/I would rather pay off my debt before starting to save/Most months, I spend more than I planned". Responses were coded as '1' if employees said very much or mostly like me, and '0' if they said the habit was somewhat, not much, or not at all like me.

Financial characteristics and circumstances included liquid assets and debt, bank account ownership, and whether the employee experienced a financial shock such as a hospitalization and/or a hardship, such as not being able to pay rent in the prior six months. To measure liquid assets, filers' self-reported amounts in cash, checking accounts, savings accounts, and prepaid debit cards were summed after winsorization of each item, i.e. recoding values above the 99^{th} percentile to the 99^{th} percentile value to adjust for extreme observations. Liquid liabilities included outstanding amounts owed on credit cards, bills, and payday loans and were also winsorized.

Demographic variables included age, race/ethnicity, gender, educational attainment, tax filing status, whether the employee was enrolled in post-secondary education and/or had children in the household. Tax filing status served as a proxy for household type and included single, head of household (a single breadwinner with one or more dependents), married filing jointly, and married filing separately. Most measures were derived from household financial survey data. Income and tax filing status were derived from administrative tax data.

To answer the first three research questions, probit regression models were used to predict employee EFWP awareness and use based on employment characteristics, and employee financial habits, and financial characteristics and circumstances using a hierarchical regression approach. Models 1, 2 and 3 included employment characteristics, employee financial habits, and employee financial characteristics and circumstances, respectively. Hierarchical regression was used in which Wald tests were run after each model to determine whether the set of additional covariates improved model prediction. A set of covariates such as age, gender, and income were included in all models. Employees' state of residence was used as a clustering variable to adjust standard errors and a sampling weight was used using data from the 2016 American Community Survey to make findings generalizable to LMI employees in the U.S. The "margins" command in Stata version 15 was used to produce marginal effects from probit models.

Results

Sample Description

Table 1 shows the demographic characteristics of the sample. The sample was mostly white (72%) with an average age of 32 (M = 31.60, SD = 11.94). The overwhelming majority of employees were single and never married (73%) and had single tax filing status (76%). Nearly half (47%) of the sample had a college degree or higher.

Concerning employment characteristics, 58% were full-time employees and a plurality (44%) worked for small employers (<100 employees) compared to 23% and 33% for mid-size (100-999 employees) and large (1000+ employees), respectively. Most (55%) employees worked in "pink" collar industries such as hospitality, compared to 16% and 11% in white and blue industries, respectively, while 18% worked in industries not on the NAICS list.

Financial Characteristics

Income was very low – an average of $16,892, while employees' liquid financial assets (e.g., checking and savings account and prepaid card balances, and cash) exceeded their unsecured debt (e.g., outstanding bills and payday loans) by $856 and only 25% owned their homes (see Table 2). However, bank account ownership and health insurance coverage were high. Employees were split concerning self-assessed financial habits. Around half said they try to save each month (55%), budget carefully, (44%), and pay off debt before saving (57%) while only a third said they typically spend more than they planned. More than half of respondents (53%) reported experiencing a financial shock and 61% reported experiencing at least one type of material hardship in the past six months. Respondents reported an average of two different types of material hardship and nearly a quarter (24%) said they experienced four or more types of hardship.

EFWP Awareness and Utilization

Most respondents were aware of whether their employer offered an EFWP product or service such as financial coaching. Awareness rates differed little across specific products and services, from 61% to 63% (see Table 3). However, awareness was related to company size; the smaller the company, the more likely employees were aware of the product or service. Regarding industry type, awareness was highest among blue collar industries (77%), followed by white (71%), pink (70%), and other (63%).

Overall availability of EFWP services was low. Just 15% of employees said their employer offered financial coaching or online financial tools, followed by 12% and 11% who indicated their employer offered pay advances or short term loans and credit counseling, respectively. Consequently, sample sizes to assess utilization rates were small. Utilization rates varied. Only 18% said they used credit counseling while around a third used the other three products and services. Like awareness, utilization was inversely related to company size. Utilization was highest among white collar industries (86%), followed by pink collar (84%), other (79%), and blue collar (77%).

Differences in EFWP Awareness & Utilization

To answer our research questions, we examined whether EFWP awareness and utilization differed based on employer and employee characteristics. Wald tests indicated that adding sets of variables reflecting financial habits and circumstances improved model prediction for both EFWP awareness and utilization (see Table 4). Accordingly, we report marginal effects from Model III, which incorporated a full set of controls.

Employer size was strongly related to both awareness and utilization. Compared to employees in small companies of less than 100 employees, employees in medium (100 to 999 employees) and large (1,000 employees or more) size companies were 14% and 21% less likely to be awareness of EFWPs ($p < .001$). Similarly, employees in medium and large companies were 8% ($p < .01$) and 14% ($p < .001$) less likely to use an EFWP. Conversely, industry type had little influence.

Concerning financial habits, employees who seek to pay off debt before saving were 7% more likely to be aware of an EFWP ($p < .001$) and 8% more likely to use one ($p < .05$), yet no other habits were associated with awareness or use. Regarding financial characteristics and circumstances, employees with bank accounts were 4% less likely to be aware of EFWPs ($p < .05$), while employees who had experienced a financial shock were 6% more likely ($p < .05$). Employees who experienced a material hardship were 11% more likely to use an EFWP ($p < .05$).

Examining adverse financial circumstances with respect to use of specific products and services, employees who experienced a financial shock were 13% more likely to use financial coaching than employees without a shock ($p < .01$). Over half (53%) of coaching users had experienced a shock compared to 44% of non-users. Employees who experienced a material hardship such as difficulty paying rent were 14% more likely to use a pay advance or emergency loan than employees without a hardship ($p < .01$). Pay advance or loan users had twice as many different types of hardship $t\,(1{,}187) = 11.16$, $p < .001$ than non-users. Otherwise, these financial circumstances were not associated with other types of products and services.

Certain employee demographic characteristics predicted EFWP use, but not awareness. Compared to white employees, Hispanic employees were 6% more likely to use an EFWP ($p < .05$), while compared to single tax filers, heads of household (i.e., single parents) were 11% more likely ($p < .01$). Men were 6% more likely than women ($p < .05$) and college-educated employees 10% more likely than employees with a high school education or less ($p < .05$) to use an EFWP.

Perceived Benefits of Using EFWPs

The most frequently cited benefit of using one of the four EFWP products or services by nearly half of employees was feeling better about being an employee of one's organization or company, followed by close to a third who said feeling better about coming to work and concentrating more on the job (see Table 5). Some "other" benefits employees cited included "Helped with my mental health", "Helped me create a budget, and save for a better future", and "It helped pay a few bills when my fiancée fell ill".

Certain factors predicted whether an employee perceived at least one benefit of using an EFWP. Black and Hispanic employees were 20% and 19% ($p < .01$) more likely than white employees to perceive a benefit, all other things being equal. Compared to white collar employees, blue collar employees were 21% less likely to perceive a benefit ($p < .05$).

Reasons for Not Using EFWPs

The most commonly cited reason for not using an EFWP was lack of need (see Table 6). Conversely, small proportions of employees cited confidentiality or trust concerns. Reasons for not using EFWPs were very similar across specific products and services.

Discussion

We used results from a survey of low- and moderate-income (LMI) tax filers to examine the availability, awareness, and use of employee financial wellness programs. Our most notable finding is that the availability of these programs among LMI workers is low. For the four products and services we examined, employer offerings ranged from 11% to 15%. However, these rates appear similar to what employers in general offer. For example, credit counseling was available to 11% of LMI workers in our study compared to 18% of employers who offer this service based on a national survey (SHRM, 2019). Similarly, 15% and 17% of employers offer pay advances and emergency loans, respectively (SHRM, 2019), compared to 12% in our study who offer either advances or loans. These findings suggest that despite the attention-grabbing headlines regarding employee financial stress, EFWPs are still far less common and available than other benefits such as health insurance and retirement plans.

Most LMI workers were aware of whether their employer offered one of the four products and services we studied, and except for credit counseling, about a third of workers used them. Regarding our first research question, the industry in which LMI workers were employed did not help explain differences in awareness and use. For example, at one large home health care agency in New York City, financial counseling utilization was extremely low, while at another large agency, utilization was high (Authors, under review). At the agency with low utilization, instability at the senior management level that led to poor program promotion and lack of program integration with HR practices appeared to be an important factor. At the agency with high utilization, onsite promotion occurred regularly, and senior management championed the program vigorously.

Regarding our second research question, LMI employees' financial habits were generally unrelated to their awareness and use of EFWPs. For example, employees' budgeting and saving habits did not influence their EFWP interactions. Thus, pre-existing financial habits may not affect who is aware and/or selects into an EFWP. The one exception was that employees who are more concerned about debt reduction were more likely to be aware of and use EFWPs. This suggests that employer communication about EFWPs may resonate with employees who strive to manage their debt and that products and services considered by employers ought to include ways to manage debt. Otherwise, that habits generally do not predict awareness and use is a good thing in that there seems not to be a tendency for employees who already have certain positive habits (e.g., budgeting, saving) to self-select into EFWPs.

Regarding our third research question, difficult financial experiences were related to EFWP awareness and use. Experiences such as expensive car repairs and difficulty making ends meet were associated with workers’ responses to EFWPs. More specifically, financial shocks predicted use of financial coaching while material hardship predicted use of pay advances and emergency loans. These findings suggest that EFWPs have the potential to perform as they are intended – to offer help for employees for their non-retirement financial challenges and needs. Employers should understand employees' specific financial issues to select products and services employees will likely use. Also, employees may be more receptive to EFWPs when they have recently encountered financial adversity. The implication for employers is that communication about EFWPs needs to be continuous. If employees only learn about an EFWP during onboarding or annual open enrollment for benefits, they may miss the chance to use a product or service when they really need it.

One practice employers can consider is to refer employees to an EFWP when they inquire about defined contribution plan hardship withdrawals or loans. Employers might also counsel supervisors and managers who report performance issues to HR to provide information about EFWPs to these employees since some problems, such as poor attendance, may be associated with transportation difficulties caused by lac of financial resources for car repairs.

Yet, it is also important for employers to encourage employees to be proactive, not reactive, such as how employers promote physical wellness via preventive health services, gym discounts, and other incentives for healthy behaviors (Perrault, Hildenbrand, & Rnoh, 2020). Employers might adapt similar messaging, such as "Get a financial check-up today!" Additionally, employers can encourage employees to take up EFWPs by promoting the benefits of program usage with messages like, "Improve your credit score and make your paycheck go further!" Just as employers promote physical wellness programs to help reduce costs, such as those associated with absenteeism due to illness, employers should expect to see a return on their investment in promotional efforts for EFWPs, which may have similar outcomes, particularly for the lowest-paid employees.

Of course, timely products and services to help employees respond to financial crises are also important. Pay advances and loans are particularly important for LMI workers who lack affordable credit options when facing financial trouble. For example, 59% of employees who used a pay advance or loan and had a hardship said they owned a credit card compared to 79% of non-users without a hardship. Conversely, 15% of pay advance and loan users with hardship said they had a payday or auto title loan compared to only 1% of non-users without a hardship. Employers can offer pay advances and small-dollar loans at dramatically lower cost to employees than high-cost credit like payday loans.

A community coalition of employers, financial institutions, and nonprofit organizations in New Orleans focused specifically on expanding LMI workers' access to employer-sponsored small-dollar loans (ESSDLs) as an antidote to payday loans (Authors, 2019a). ESSDLs can be offered at no more cost to employers than the time and effort to connect payroll to a digital platform that facilitates loan disbursements and payroll-deducted installment payments (FINRA & Filene, 2017).

Though we did not assess the effectiveness of EFWPs in this study, employees' responses to the question concerning benefits they experienced from using an EFWP suggest caution concerning how offering an EFWP might address employee performance. Less than a third of employees said using an EFWP helped them concentrate at work and under a fifth said participation reduced time they miss from work due to financial worries. If employers are concerned about productivity, there are probably stronger and more direct ways to influence this outcome. Nonetheless, almost half said EFWP participation made them feel better about their employer, which perhaps may have an indirect and positive influence on productivity. Lastly, confidentiality and trust issues seem not to be a major barrier for employers to offer an EFWP. Employees were far more likely to say a lack of need was the reason for non-use.

Conclusion

EFWPs are a new type of benefit employers can offer. These products and services have the potential to help LMI employees address financial challenges in ways that usual benefits like health insurance and retirement plans do not.

Still, we urge four points of caution to employers. First, EFWPs are a poor substitute for high wages, generous benefits, and good work conditions. Use of pay advances and emergency loans may reflect that employee pay is not enough to cover usual expenses such as housing, food, and transportation (Authors, 2019e). If employers cannot afford to raise pay or offer more generous health benefits, they might look at indirect ways to promote workers' financial security, such as by offering steady and predictable work hours (Henly & Lambert, 2014), which have been rigorously tested and shown to provide benefits to employers and employees (Lambert, Henly, Schoeny, & Jarp, 2019; Williams, et al, 2018).

A barrier to better wages, benefits, and working conditions may be the perception that such measures reflect only costs to the employer and do nothing to improve company performance (Guest, 2017). However, several studies have found that pay increases among lower-paid workers are associated with positive outcomes for employers such as greater employee satisfaction, tenure, and productivity (e.g., Dube, Naidu, & Reich, 2007; Levine, 1992; Mas, 2006; Reich, Hall, & Jacobs, 2005). In general, there is strong evidence that financial incentives for employees strengthen company performance in various ways (Shaw & Gupta, 2015). However, how wage increases and other financial incentives are structured and understood may affect whether and how they affect productivity (Abudy & Shust, 2012; Gilchrist, Luca, & Malhotra, 2016).

Second, little evidence exists concerning the effectiveness of EFWPs in achieving both employee and employer outcomes (Peccei & De Voorde, 2019). Employers risk wasting limited resources by offering programs that may not fit employees' needs. Taking the time to understand the realities of their employees' financial lives and identifying their most pressing needs may mitigate this risk. Additionally, employers can benefit from measuring outcomes when piloting EFWPs to determine if programs are delivering intended results.

Third, no industry standard for EFWPs exists and the field is quickly evolving. Employers are considering new benefits that may affect employee financial well-being in less obvious ways than a service like financial counseling or a loan program. For example, some employers are considering matching contributions to college savings plans (Kilgour, 2019). Given the paucity of evidence regarding EFWP outcomes, employers should scrutinize claims for products and services marketed as addressing employee financial wellness and consider a wider range of options.

Fourth, changes to public policy are needed to make it possible or easier for employers to offer certain EFWP products and services. For example, ESSDLs lie at the intersection of still-evolving regulations concerning financial technologies and small-dollar loans. A bipartisan bill (HR 1043) aims to expand the current corporate tax exemption for employee tuition assistance to include student debt repayment. In response to a request from Abbott Labs, the Internal Revenue Service (IRS) issued a private letter ruling to allow Abbott Labs to offer 401k contributions to match employees' student loan repayments. Yet this ruling is limited in scope and does not apply to several circumstances (Kilgour, 2018) prompting the introduction of bipartisan bills in Congress to address these coverage gaps. Employers should consider the degree to which existing laws and regulations make it both possible and feasible to offer a particular EFWP benefit.

This study has important limitations to note. First, while data were weighted to be nationally representative of lower-income households, we do not know if our results are representative of LMI workers specifically. Second, EFWPs are a new phenomenon and lack a standard nomenclature. Survey respondents may have not fully understood questions about these new types of benefits.

Appendix

TABLE 1. Sample Description (*N* = 16,650)

Variable	% or Mean (SD)
Age	31.60 (11.94)
Gender	
Female	51
Male	48
Other	1
Race/Ethnicity	
White, not Hispanic	72
Black, not Hispanic	7
Hispanic	10
Asian, not Hispanic	5
Multiracial	4
Native American or Pacific Islander	1
Other	1
Marital status	
Single, never married	73
Married	12
Separated	2
Divorced	12
Widowed	1
Education Attainment	
High school diploma or less	15
Some college	38
College degree	30
Some graduate or professional school	7
Graduate or professional degree	10

Note: Percentage totals may not equal to 100 due to rounding

Table 2: Employee Financial Characteristics & Circumstances (*N* = 16,650)

Variable	% or Mean (SD)
Liquid Assets	3,310 (6,530)
Liquid Liability (Debt)	2,454 (4,880)
Liquid Net Worth	855 (8,451)
Owns a home	25
Owns a car	73
Has a checking and saving account	75
Has health insurance	89

Table 3: Awareness and Utilization Rates Across Services (by Employer Size)

	Awareness Rates (%)			Utilization Rates (%)		
	<100	**100-999**	**1000+**	**<100**	**100-999**	**1000+**
Pay advance/short-term loans	75.32	62.27	55.98	44.81	30.77	18.32
Financial coaching	77.58	59.94	51.42	52.50	37.66	26.09
Credit counseling	78.22	60.12	49.62	27.46	23.16	13.39
Online financial tools	78.55	61.28	54.26	41.05	38.46	29.37

Table 4: Marginal Effects from Probit Models for EFWP Awareness and Utilization

	Awareness			Utilization		
	I	II	III	I	II	III
Employed Full-Time (Part-time)	.01	.02	.01	.05	.06	.05
Employment Occupation						
Blue Collar	-.00	-.00	-.01	-.05	-.05	-.04
Pink Collar	-.03	-.02	-.03	-.03	-.02	-.01
Other	-.06*	-.05*	-.06*	-.02	-.01	.01
Employer Size						
100-999	-.14***	-.14***	-.14***	-.11*	-.10*	-.08**
1000+	-.21***	-.21***	-.21***	-.15***	-.15***	-.14***
Financial habits						
Budgeter		.02	.02		-.02	-.00
Saver		.00	.01		-.01	-.01
Spender		.05*	.03		.07*	.04
Pay debt first		.07***	.07***		.09*	.08*
Liquid Assets/$1,000			.00			.00
Debt/$1,000			.00			.01
Banked			-.04*			.05
Experienced Financial Shock			.06*			.03
Experienced Financial Hardship			.03			.11*
Wald X^2		36.42	16.23		16.97	11.65
Prob >X^2	.00	.00	.01	.00	.00	.04
Tjurs R^2	.05	.06	.07	.08	.10	.13
N	12,198	12,165	12,138	993	987	983

Note: Reference group is in parentheses. Values are calculated as marginal effects holding covariates at mean values. Covariates not reported in the table but included in models: age, race/ethnicity, gender, educational attainment, tax filing status, student status, and children in the household. *p<.05, **p<.01, ***p<.001, two-tailed test.

Table 5. Benefits from EFWP/Reasons for Not Using EFWP

Benefit from EFWP (N=1,025)	%
Helped me concentrate more on my job	30
Made me feel better about being an employee	47
Made me feel better about coming to work	31
Reduced time I missed from work	19
Other	3

Table 6. Reasons for Not Using EFWP Products or Services

Reason	Financial Coaching (%)	Credit Counseling (%)	Pay Advance (%)	Online Tools (%)
No need for service	52	57	63	54
Confidentiality	11	11	9	10
Service won't help	14	11	9	14
Don’t trust employer	5	6	5	5
Can get help elsewhere	18	14	15	17
N	1,464	798	762	947

Note: Respondents could choose more than one benefit. Frequencies represent the proportion of all possible responses

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