



The State of Employee Finances: 2021

**The Effect of COVID-19, Financial Stress
and What the Future Holds**

A PURCHASING POWER® REPORT SEPTEMBER 2021

SURVEY DATA COLLECTED VIA HARRIS POLL

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Introduction

The COVID-19 pandemic dramatically changed Americans' lives. Individuals, families, organizations, industries, all have been disrupted in ways we never would have imagined at the start of 2020. Seemingly overnight, the economy, workplace culture and employees' needs changed.

A critical piece of the disruption that employers cannot overlook is their employees' financial situation. The pandemic threw a financial curve-ball towards employees across the country. Prior to the pandemic, the majority of workers were already financially stressed, living paycheck-to-paycheck with little or no savings available for unexpected expenses.

While various government payouts have aided employees in the short-term, recovery will take time. However, employers have a significant opportunity to help enhance the financial well-being of their workforce long-term. By understanding the current state of employee finances and how this impacts them in the workplace (lost productivity, increased turnover, or increased stress), employers will be better equipped to support their workforce.

The Harris Poll, on behalf of Purchasing Power, conducted an online survey in February 2021 among 917 Americans who are full-time employees (defined for the purposes of this survey as those employed full time or whose spouse is employed full time) about their financial situation and their financial stress.

The data affords insight into how their households have been impacted by the pandemic and how they handled that financial impact. It also covers what employees have been worrying about and what they expect things to look like in 2022.

Ultimately, this report paints a clearer picture of what employee financial stress really looks like, and ways employers can help.

What We Learned

5 Key Takeaways

1

Forty percent of employees worry the most about having enough in emergency savings to cover unexpected expenses.

2

Nearly all (95%) full-time employees reported that they have financial stress, and nearly one-third (32%) incurred new/additional debt since the pandemic started.

3

Two in five (40%) of employees admit their financial stress affects their work.

4

79% of those employed full-time would be more likely to stay with their employer if they offered more financial well-being benefits.

5

More than 1 in 4 of employees would take advantage of an employee purchase program if available.

The Impact of COVID-19 on Employee Finances

Then vs. Now: The Financial Picture

44%

of full-time employees said their financial situation was much/somewhat worse in February 2021 than prior to the COVID-19 pandemic.

The 44% of full-time employees facing **worse financial situations** fall in all household income levels.

HOUSEHOLD INCOME	
Less than \$50,000	48%
\$50,000-\$74,999	47%
\$75,000-\$99,999	44%
\$100,000+	41%

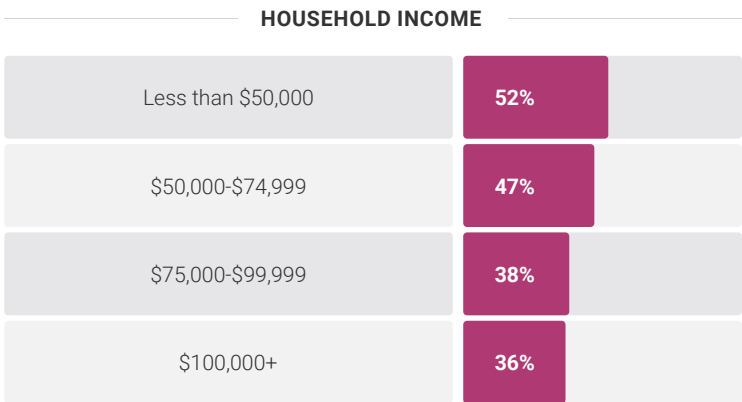
When asked, full-time employees stated the following about their ability to cover monthly **living expenses** over the past year:

- 15% were unable to cover their monthly expenses.
- 41% live paycheck to paycheck, barely covering monthly living expenses.
- 40% had no problem covering monthly living expenses.

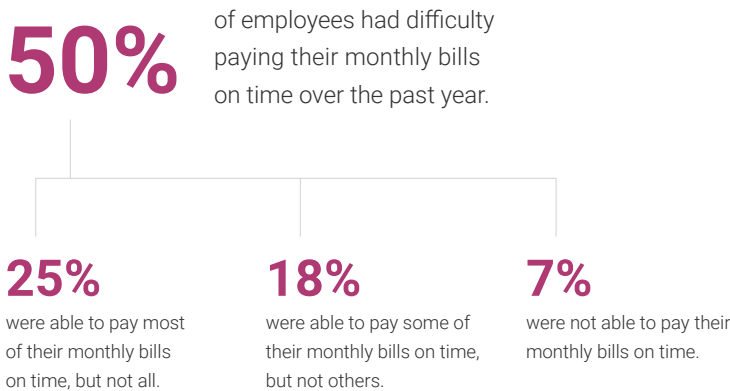
All Income Levels are Living Paycheck to Paycheck

Our survey showed that it wasn't just employees with lower household incomes who lived paycheck to paycheck. Over the past year, more than a third of those who earned over \$75,000 struggled to make ends meet. This means employees across the spectrum have difficulty covering expenses like housing and food.

Employees affected and living **paycheck-to-paycheck** over the past year was spread across all household income levels.



Half of full-time employees struggled to **pay bills** on time over the past year:



Financial Challenges for Employees Caused by the Pandemic

During the pandemic, employees encountered a number of financial challenges. Nearly one-third (32%) of full-time employees incurred new or additional credit card debt since the COVID-19 pandemic started.



The financial challenges employees faced as a result of the COVID-19 pandemic included:

* Respondents had the option to choose all that applied, equaling above 100%

32%

needed to take money from savings to cover monthly expenses.

17%

withdrew funds from my 401k/retirement savings to cover monthly expenses.

26%

needed to take money from my emergency fund to cover monthly expenses.

14%

family/household contracted COVID-19, incurring unexpected medical expenses.

20%

accumulated additional/new credit card debt.

13%

requested a payday advance from spouse/partner employer to cover monthly expenses.

20%

had to provide financial support to extended family members out of work.

13%

received financial assistance from their spouse/partner's employer to cover their monthly expenses.

18%

experienced a salary reduction in their immediate family, either the employee or spouse.

10%

took out second mortgage/home equity loan to cover monthly expenses.

What Employees Are Worried About

Full-time employees making less than \$100k worry most about having enough money in emergency savings to cover unexpected expenses that might come up, such as car repair, home repair or a broken appliance.

Saving for the Unexpected

How much do full-time employees have saved in an emergency savings account to cover unexpected expenses, such as these?

43%

of employees don't have enough emergency savings to cover unexpected expenses.

57%

\$1,000 or more

15%

None

21%

Less than \$500

7%

\$500 up to \$999

Top 3 Things That May Be Keeping Employees Up at Night

Full-time employees identified three items that worry them the most:

37%

having enough in emergency savings to cover unexpected expenses that might come up.

35%

not having enough retirement savings.

34%

mental/emotional health as a result of the COVID-19 pandemic.

Other items mentioned by employees that worry them included:

* Respondents had the option to choose all that applied, equaling above 100%

30%

Unexpected Medical Costs

25%

Paying credit card bills on time.

27%

Layoff/job elimination

18%

Additional New Debt

26%

Paying for basic necessities.

14%

Paying off/down student loan debt.



Financial Stress Levels on the Rise

Over one-third (39%) of full-time employees were significantly or somewhat more financially stressed at the start of this year than they were pre-pandemic.

Financial Stress in the Workplace

Nearly all (95%) full-time employees reported that they have financial stress, and 84% said it affects them in some way.

33%

said it affects their physical health

24%

said it affects their ability to focus at work

21%

said it affects their productivity at work

21%

said it affects their job satisfaction'



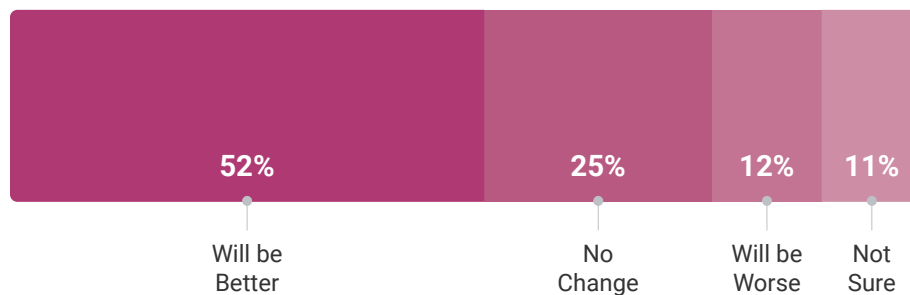
Employee financial stress impacts the employers' bottom line through increased healthcare coverage costs, loss of productivity and decreased employee retention rates.

2022 Outlook:

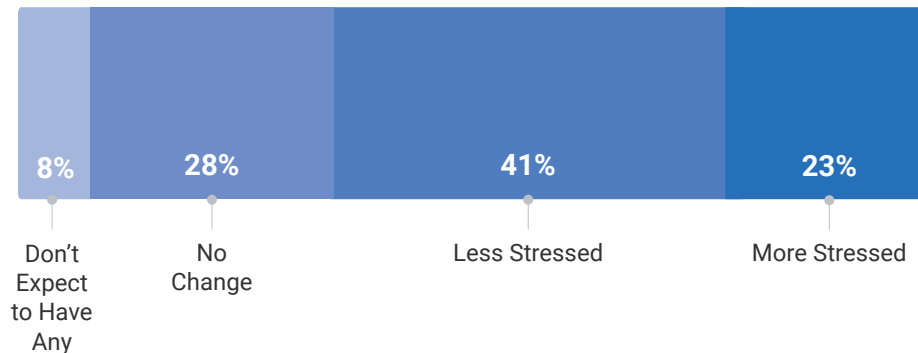
Finances Expected to Improve, But Not Stress

By January 2022, over 51% of full-time employees anticipate that their financial stress level will be the same or worse than it is now.

ANTICIPATED HOUSEHOLD FINANCIAL SITUATION



ANTICIPATED FINANCIAL STRESS LEVEL A YEAR FROM NOW





Financial Well-Being Benefits Matter

Employees can tell how much their employer cares about their financial well-being by the benefits they offer, and they say they would be more likely to stay with their present employer if there were more financial well-being benefits in their employee benefits package.

Full-time employees stated the importance of their financial well-being benefits:

78%

reported that they can tell how much their employer cares about their financial well-being by the benefits they offer.

79%

said they would be more likely to stay with their present employer if they offered more financial well-being benefits.

In the survey, full-time employees were provided a list of financial well-being benefits and asked which ones they would be interested in taking advantage of if offered through their employer or spouse's employer by a third-party benefit provider.

28%

Employee purchase program

27%

Bill payment programs

24%

Financial counseling

24%

Low interest installment loans

23%

Identity theft protection

20%

Medical deductible financing

15%

Student loan repayment benefit program

* Respondents had the option to choose all that applied, equaling above 100%



Employers Can Be Part of the Solution

Employees need a solution now. They have said they want their employer to offer more financial well-being benefits to help relieve some of their financial stress, that many do not expect to go away any time soon.

So, what can employers do? The impact of COVID-19 on employees' lives and their finances has shined a spotlight on the value of voluntary benefits, which give employers a way to meet the shifting needs and priorities of their workforce in this "new normal."

Build a Better Financial Benefits Package

Voluntary benefits can be the solution as they can address many of the specific needs employees have as they overcome their financial challenges. They have always been a win-win for employers and employees.

For employers, they are an excellent recruiting and retention tool while employees see voluntary benefits as an opportunity to choose benefits that they need or want.

As employees continue to look for ways to stretch their paychecks and recover from the financial hardship of the pandemic, **voluntary benefits to consider include:**

- ✓ Employee Purchase Programs
- ✓ Bill Payment Programs
- ✓ Medical Deductible Financing
- ✓ Financial Counseling
- ✓ Student Loan Repayment Benefit Programs



About Purchasing Power, LLC

Purchasing Power, LLC, is an Atlanta-based voluntary benefit company celebrating 20 years as the leading employee purchase program for consumer products and services through payroll deduction. Helping employees achieve financial flexibility, Purchasing Power is available to millions of people through large companies including Fortune 500s, associations and government agencies. Purchasing Power is a Flexpoint Ford, LLC company.

For more information, visit corp.PurchasingPower.com.

Survey Methodology

This survey was conducted online within the United States by Harris Poll on behalf of Purchasing Power from February 10-12, 2021, among 2,015 U.S. adults ages 18 and older, among whom 917 are employed full-time or have a spouse that is employed full-time. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact programinfo@purchasingpower.com.