PURCHASING POWER

The State of Employee Finances: 2022

Continued COVID-19 Effect and Inflation Adds Up to Little Relief for Employees' Financial Situation and Financial Stress.

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SURVEY DATA COLLECTED VIA HARRIS POLL

Table of Contents

3 Introduction

6 The Impact of COVID-19 on Employee Finances

9 What Employees Are Worried About Today

13 Employee Financial Stress Levels and The Workplace

12 2023 Outlook

13 Are Finances and Stress Levels Improving?

18 Employers Role Is Clear: Be the Solution

Introduction

Now three years into COVID-19, employee finances have not changed that much. When the COVID-19 pandemic came along, many employees saw their financial situation worsen and their financial stress rise even more. Layoffs and furloughs occurred at many businesses and organizations and at massive levels in some industries. Although some employees continued to receive their usual compensation in 2020 and 2021, spouses and partners might have been impacted which then turned that household's financial stress up several notches.

Now, not only is there the residual effect of getting by on less income, but missing some payments and other financial challenges from the past two years has carried over to 2022. The COVID-19 pandemic might move to endemic status this year, but that is not going to automatically improve employees' financial situation and their financial stress. Inflation and rising prices are now factored in. Wage and salary increases are not going to solve the situation because higher inflation and the increased CPI will will have less spending power this year.

Through it all – from a rising pandemic to a burgeoning endemic and rising inflation, one thing has remained constant – a challenging financial situation for many employees as well as the toll the resulting financial stress takes on employees' financial well-being – their health, their personal life and their ability to do their job.

The impact of employee financial stress can be significant for employers. It means lost productivity, increased turnover and higher healthcare benefit costs. By understanding the current state of employee finances and how this impacts them in the workplace, employers will be better equipped to react to these changes and to help improve employee financial well-being.

The Harris Poll, on behalf of Purchasing Power, conducted an online survey in March 2022 among 1,105 Americans nationwide 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 interesting insight into how their households have been impacted financially over the past year and how they handled it, as well as what they are worrying about now and what they expect things to look like in 2023. And perhaps more importantly, it spells out the role employees believe their employers have in helping to improve their financial well-being.

What We Learned

5 Key Takeaways

1. Just over half (54%) of full-time employees were either unable to cover monthly living expenses or lived paycheck to paycheck, barely covering monthly living expenses over the past year.

2. Over two in three (69%) full-time employees were either more financially stressed or had the same amount of stress in January 2022 than they did in January 2021.

3. Nearly one-third (30%) of full-time employees have less money or nothing in their emergency fund due to withdrawals during the pandemic to cover expenses.

4. Almost one-third (29%) of full-time employees* took a job at a new company/organization in 2021. Four in five (80%) full-time employees* say benefits that their employer offers impact their decision to stay at their current job.

5. Almost three-fourths of full-time employees (72%) believe that employers have a responsibility to help employees with their financial well-being.

*Full-time employees who themselves are employed full time.

Continued Impact of COVID-19 on Employee Finances.

Pre-Pandemic vs. Now: The Financial Picture

40%

of full-time employees say their financial situation is much/somewhat worse in March 2022 than prior to the COVID-19 pandemic.

That 40% includes employees in all household income levels and generations:

HOUSEHOLD INCOME	
Less than $50,000	50%
$50,000-$74,999	45%
$75,000-$99,999	44%
$100,000+	35%

GENERATION	
Gen Z (18-25)*	40%
Millennials (26-41)	43%
Gen X (42-57)	39%
Baby Boomers (58-76)	35%

ABILITY TO COVER MONTHLY LIVING EXPENSES OVER THE PAST YEAR

54% struggled to cover their monthly living expenses

37% lived paycheck-to-paycheck, barely covering monthly living expenses

17% were unable to cover monthly living expenses

ABILITY TO PAY BILLS ON TIME OVER THE PAST YEAR

44% had difficulty paying their monthly bills on time.

20% were able to pay most of their monthly bills on time, but not all

17% were able to pay some of their monthly bills on time, but not others

7% were not able to pay any of their monthly bills on time

*small base size (under 100)

Employees at All Income Levels Have Financial Difficulty

The Harris Poll, on behalf of Purchasing Power, showed that it isn't just employees with lower household incomes who struggled over the past year to cover monthly expenses and to pay bills on time. Employees at all income levels were either unable to cover monthly living expenses like housing and food or lived paycheck to paycheck, barely able to cover monthly living expenses. They also had problems paying their bills on time.

ABILITY TO COVER MONTHLY LIVING EXPENSES OVER THE PAST YEAR

HOUSEHOLD INCOME	UNABLE TO COVER MONTHLY LIVING EXPENSES	LIVING PAYCHECK TO PAYCHECK, MONTHLY LIVING BARELY ABLE TO COVER MONTHLY EXPENSES LIVING EXPENSESK
Less than $50,000	19%	59%
$50,000-$74,999	14%	50%
$75,000-$99,999	16%	41%
$100,000+	17%	25%

ABILITY TO PAY BILLS ON TIME OVER THE PAST YEAR

HOUSEHOLD INCOME	UNABLE TO PAY ANY MONTHLY BILLS ON TIME	ABLE TO PAY SOME MONTHLY BILLS ON TIME BUT NOT OTHERS	ABLE TO PAY MOST MONTHLY BILLS ON TIME, BUT NOT ALL
Less than $50,000	17%	28%	20%
$50,000-$74,999	8%	19%	27%
$75,000-$99,999	3%	20%	24%
$100,000+	5%	13%	17%

Financial Challenges Employees Are Facing Today

Full-time employees report having the following financial challenges today.

* Note that respondents had the option to choose all that applied.

32%
have less savings due to withdrawals during the pandemic.

20%
are recovering from decreased income during the pandemic.

30%
have less money or nothing in their emergency fund due to withdrawals during the pandemic.

16%
Have nearly or fully maxed out their credit cards due to overuse during the pandemic.

29%
are not able to follow their monthly budget due to inflation.

16%
have less in their 401k/retirement fund due to withdrawals during the pandemic to cover expenses.

24%
Had to postpone purchasing a major appliance, computer/laptop, mobile phone or other needed household items until their financial situation improves.

11%
Took out second mortgage/home equity loan to cover monthly expenses which resulted in additional monthly expense.

What Employees Are Worried About Today

The top three items that full-time employees identified from the survey as worrying them the most include:

41% not having enough retirement savings.

38% having enough in emergency savings to cover unexpected expenses that might come up.

29% Being able to pay for basic necessities (e.g., housing, food, utilities, transportation)

Other items mentioned by employees that worry them included:

26% Mental/emotional health due to the COVID-19 pandemic

25% Layoff/job elimination

26% Unexpected medical costs

19% Additional/ New Debt

25% Paying credit card bills on time

17% Paying off/down student loan debt.

Employees with a household income of $100,000 or more (42%) worry most about having enough retirement savings.

Employees making less than $100,000 (45%) 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 in an emergency savings account to cover unexpected expenses? 54% have $2,000 or less/none. Here is the breakdown:

54%
have $2,000 or less/none

46%
$2,001+

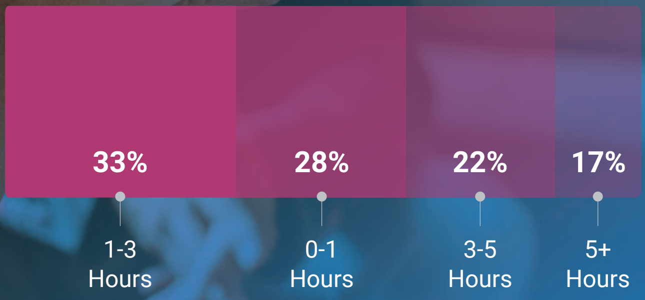
- **13%** None
- **22%** $500 or less
- **11%** $501 - $1,000
- **9%** $1,001 - $2,000

Employee Financial Stress Levels and The Workplace

37%
of full-time employees were more financially stressed in January 2022 than they were in January 2021.

32%
of full-time employees had the same amount of financial stress in January 2022 that they had in January 2021

HOW MANY HOURS A WEEK FULL-TIME EMPLOYEES* SPEND WORRYING ABOUT/DEALING WITH PERSONAL FINANCES WHILE WORKING:



Financial Stress in the Workplace

Nearly all (97%) of full-time* employees reported that they have financial stress and 87% said it affects them in some way.

34%
said it affects their physical health

28%
said it affects their ability to focus at work

25%
said it affects their job satisfaction'

21%
said it affects their productivity at work

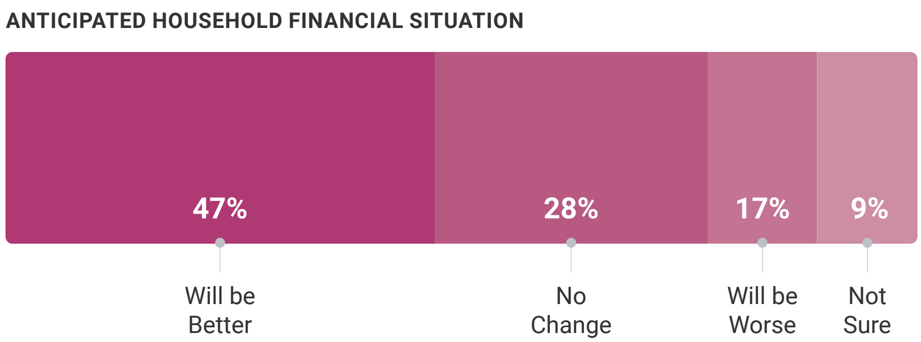
Employee financial stress can impact the employers' bottom line through increased healthcare coverage costs, loss of productivity and employee retention rates.

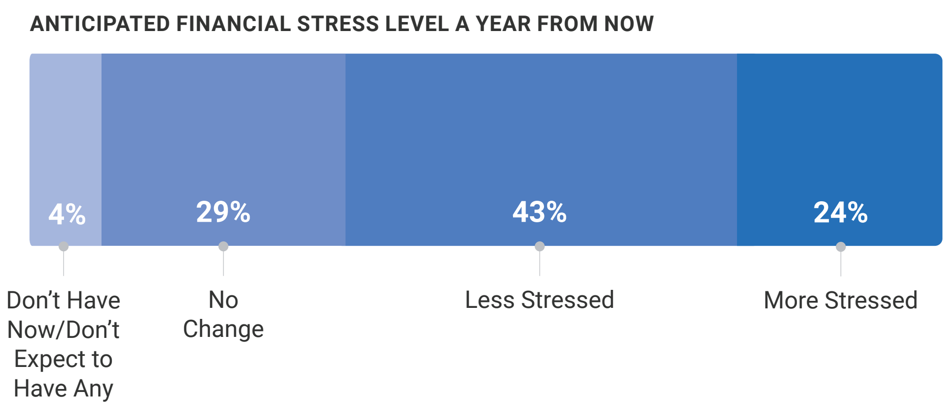
*Full-time employees who themselves are employed full time.

2023 Outlook:

For Financial Situation and Stress.

By January 2023, almost half (47%) of employees expect their financial situation to be better, while 53% anticipate that their financial stress level will be the same or worse than it is now.





Are Finances and Stress Levels Improving?

Employees' financial situation and financial stress generally has improved a few percentage points over 2021 when comparing our results from this year to the 2021 results.

	2021	2022
Financial situation is much/somewhat worse than prior to the COVID-19 pandemic.	44%	40%
Unable or barely able to cover monthly living expenses over the past year.	56%	54%
Have enough in emergency savings to cover unexpected expenses that might come up.	37%	38%
Significantly/somewhat more financially stressed at the start of the year compared to January 2021.	39%	37%

However, when asked to project their financial situation and stress level for the next January, this year's responses do not show an expected improvement but rather just the opposite – financial situation and financial stress level percentages are not improving.

	2021	2022
Unable or barely able to cover monthly living expenses over the past year.	56%	54%
Expect their financial situation next January to be better than it is now	52%	47%

Financial Well-Being Benefits Matter More Than Ever

Employees want financial well-being solutions and they will change jobs to get them. The Great Resignation may not end anytime soon. The job market currently favors employees – who expect more.

IMPACT OF BENEFITS

80%

of full-time employees* say benefits that their employer offers has an impact on their decision to stay at their current job.

IMPORTANCE OF PROVIDING FINANCIAL WELL-BEING BENEFITS

72%

of full-time employees believe that employers have a responsibility to help employees improve their financial well-being.

29%

of full-time employees* took a job at a new company/organization in 2021.

*Full-time employees who themselves are employed full time.

Top 5 Reasons Employees Decided to Take a Job at a New Company:

35% found a better job opportunity

34% wanted a job with financial well-being benefits (e.g., financial counseling, employee purchase program, bill payment program, low interest installment loan, medical deductible financing or student loan repayment benefit program)

34% found a job with better pay

32% wanted a job where I could work remotely

27% wanted a job with more flexible days/hours

New Financial Well-Being Benefits Employers Offered in 2021

Full-time employees* reported that their employer offered the following as a new financial well-being benefit in 2021:

21%
Employee purchase program

20%
Financial counseling

18%
Identity theft program

18%
Medical deductible financing

17%
Bill payment programs

10%
Low interest installment loans

8%
Student loan repayment benefit program

*Full-time employees who themselves are employed full time.

Improving Employees' Financial Well-Being

Full-time employees were asked what would help improve their financial well-being that they aren't already doing:

49%

Saving for retirement

40%

Having an emergency fund to cover unexpected expenses

39%

Paying off credit card debt

31%

Making and/or following a budget

19%

Paying off student loan debt

Financial Well-Being Benefits Full-Time Employees* **Would Be Interested In**

27%

Employee purchase program

27%

Identity theft program

25%

Financial counseling

24%

Medical deductible financing

24%

Bill payment programs

20%

Low interest installment loans

13%

Student loan repayment benefit program

*Full-time employees who themselves are employed full time.

Employers' Role Is Clear: Be the Solution

Employee financial stress impacts employers – and ultimately, the bottom line. A recent John Hancock study revealed that the cost of financial stress per employee has increased 26% during the pandemic.[1] And employees who have financial stress admit it affects their work.

Today's employee is looking for employers to offer competitive wages and salaries, better benefits, a balanced life, and a way to address their financial stress. To remain competitive, employers should consider all aspects of what may contribute to a person's financial state when life happens: unplanned or unexpected expenses surface, or financial struggles continue.

According to PwC's August 2021 Pulse Survey, the top two reasons employees are leaving are: number one, for better wages/salaries, and number two, for better benefits. Employers, on the other hand, believed the top two reasons were better wages/salaries and job flexibility. They ranked better benefits as number four.

1 John Hancock, "Stress, Finances, and Well-Being," Jan. 2022.

Build a Better Financial Benefits Package

Even slight tweaks and adjustments to benefits can be a game changer when it comes to recruitment and retention efforts. One way employers can build a better financial benefits package is through the use of voluntary benefits which are paid for by employees.

Voluntary benefits 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.

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

When it comes to financial stress, employee breaking points are being tested. As the world opens up, employees are facing rising inflation, skyrocketing gas prices, and increased debt levels. When new and unexpected life expenses come up, it's not always easy for employees to choose the right financial lifeline.

In reality, it's going to take time for employees' financial situation to improve and recover. But employers can build further appreciation, job satisfaction and loyalty as they provide more support to their employees with financial well-being benefits that offer tangible assistance. This is a prime opportunity for employers to help employees put their financial lives back together again.

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

The 2022 survey was conducted online within the United States by The Harris Poll on behalf of Purchasing Power from March 2 - 4, 2022 among 1,105 U.S. adults ages 18 and older who are employed full time or whose spouse is employed full time. The 2021 survey was conducted online within the United States by The Harris Poll on behalf of Purchasing Power from February 10-12, 2021 among 917 U.S. adults ages 18 and older who are employed full time or whose spouse is employed full time. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within + 2.8 percentage points using a 95% confidence level. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact **jswaney@purchasingpower.com.**