

WHITEPAPER

The Time is Now

Modernize Your Employee Benefits Package to Support Financially Struggling Employees

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The current economic instability is distressing and [confusing](#) to Americans. There are nearly two jobs for every unemployed person, yet layoffs are rising in some sectors. Inflation and interest rate hikes [mean](#) the price of everyday goods and basic needs have increased, and people's money doesn't go as far, so they can't maintain the same quality of life. Property management companies have reported seeing [more demand](#) for larger rental units as renters opt to share spaces.

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Financial well-being is a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life.

Source: U.S. Consumer Financial Protection Bureau

Persistent economic uncertainty means people are unwilling or unable to participate in the economy they've contributed to building. Employers who recognize the impact of rising living costs on their employees' ability to afford essential needs such as food, medication, transportation, and housing increasingly prioritize employee financial wellness.

Financial wellness also includes your employees' ability to...

- Manage their money
- Pay bills on time
- Save for the future
- Handle unexpected financial emergencies

How can you empower your employees to thrive in this market and reduce financial stress to build a more engaged and productive workforce? Start by understanding some of the financial stressors your employees likely face and how limited options can make navigating these financial challenges increasingly difficult.



Employee Financial Wellness is at an All-time Low

The current state of employee financial wellness is concerning, as the rising cost of living continues to outpace wage increases, leaving many employees struggling to make ends meet between paydays.

Consumers actively seek discounts (79%) to [stretch their dollars](#) and shop less overall (77%). A majority are also shopping at discount stores (68%), switching to generic brands (67%), delaying minor (65%) and major (60%) purchases, and buying fewer groceries (65%). Many are turning to credit cards to purchase goods, which isn't a path to sustaining holistic well-being or keeping their stress levels under control.

The Alarming Rise of Credit Card Debt

The increasing reliance on credit cards further exacerbates the financial struggles many employees face. Credit card debt is at an [all-time high](#) as more people rely on credit cards to cover everyday expenses. The average credit card user was carrying a balance of \$5,474 at the end of 2022, [according to TransUnion](#), up 13% from 2021. Fewer people are

[paying off their credit balances every month](#), and debt is getting much more expensive as interest rates continue to climb.

A [report](#) from CreditCards.com shows that nearly 3 out of 4 (72%) credit card debtors added to their balances over the past year. Nearly half (48%) took on additional debt due to rising costs, 34% saw their balances jump due to rising interest rates, and 24% reported a disruption in household income.

Employee financial wellness is a growing concern as the rising cost of living outpaces wage increases, leaving many struggling to make ends meet. Many of your employees likely carry a credit card balance to cover everyday expenses, resulting in high-interest debt.



The average credit card user was carrying a balance of **\$5,474**



The Cost-of-Living Crisis by Demographic

Workers of all socio-economic backgrounds are feeling the pinch:

High-income earners

[9.3 million](#) more consumers are now living paycheck to paycheck than a year ago, and 8 million of those are high-income consumers – defined as individuals who make more than twice the median salary for their area.

In [2022](#), high-income earners had more disposable income than low- and middle-income earners but struggled to cover their expenses. They were twice as likely to miss a loan or short-term debt payment compared to low- and middle-income earners.

Low- and middle-income earners

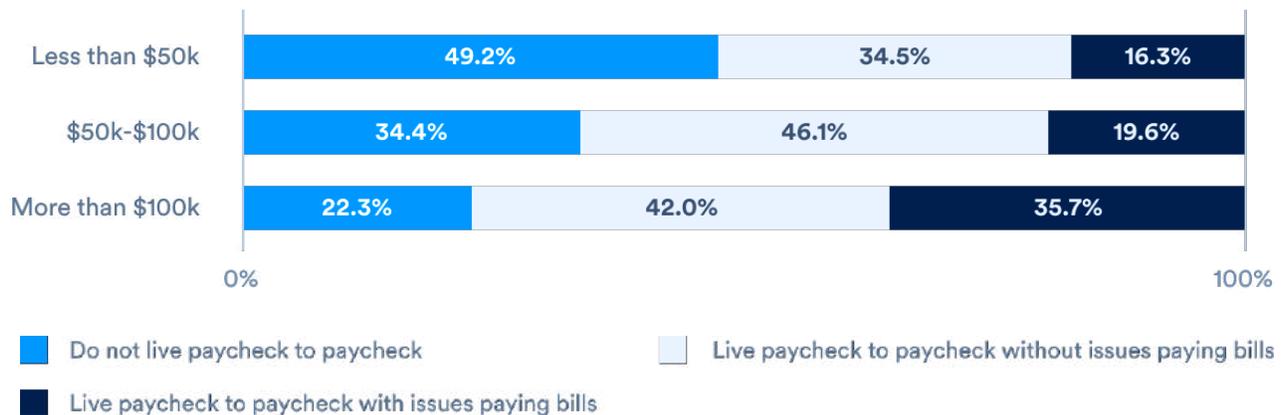
The number of middle-income consumers (earning between \$50,000 and \$100,000 annually) and low-income consumers (earning less than \$50,000 annually) living paycheck to paycheck has [remained](#)

[constant](#) over the last year – sitting at 66% and 78%, respectively, as of December 2022. Low-income people are more likely to say money negatively impacts their mental health — [48%](#) said they worry about it.

Even though the job market is relatively strong, the effects of the pandemic are lingering in all kinds of ways. And with more pandemic aid ending, low and middle-income Americans will feel the pain of losing those resources. Early in the pandemic, Congress provided a temporary increase in benefits for recipients of SNAP, the federal nutrition assistance program, but that has also ended, meaning the average person will get about \$90 less in SNAP benefits a month, [according to](#) the Center for Budget and Policy Priorities. Families of four at 200% of the poverty line are examples of who has the most to lose when emergency SNAP benefits cease. Lawmakers are targeting food stamps in several ways, such as adding [stricter work requirements](#) and [limiting the food that qualifies](#).

For the 65 million individuals in the United States living at or below the median wage, a considerable portion of their disposable income is depleted by expensive financial service fees for short-term liquidity. After the cost of livelihood needs or necessities such as food, fuel, auto loans, shelter, daycare, telecom, and various types of insurance have been paid for, the remaining funds are often insufficient.

Figure 1: Consumers' financial lifestyles by income demographic.



87%

of respondents in an American Psychological Association survey cited rising costs of consumer goods as a significant source of stress

How to Measure Employee Financial Wellness in Your State

Livelihood refers to fundamental physiological needs, such as food, shelter, and clothing, and is thus indicative of an individual's capacity to finance such necessities.

The ability to pay for these essential needs is an integral aspect of livelihood. To attain financial wellness, it's

crucial to cover the costs of survival and have adequate resources to spare. Financial well-being can only be achieved once livelihood requirements are met.

We call this lack of funding the [Livelihood Gap](#) and computed it for every state. Washington, Arizona, and North Carolina have the smallest livelihood gaps while Maine, New Hampshire, and South Dakota have the largest.

The Link Between Financial Hardship, Stress, and Productivity

The rising costs of consumer goods have an even more widespread impact on people's mental health, with 87% of respondents in an American Psychological Association [survey](#) citing it as a significant source of stress. Other findings include:

- The top cited causes of financial stress include having insufficient emergency savings (57%), looking at their bank account (49%), paying bills (41%), making a purchase (34%), and having to talk about money (32%).
- Of those who said money is a stressor, 28 percent said they worry about it daily.

- Women are more likely to experience financial stress than men — 46 percent of women said money negatively affects their mental health, compared to 38 percent of men.

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“Groceries are expensive, and Payactiv allowed me to keep food on the table for my family.”

- Payactiv User, 2019 Survey

How Payactiv Bridges the Gap

Benefits like EWA or Earned Wage Access help millions of workers solve the livelihood gap in order to reach financial wellness.



Figure 2: Findings from Payactiv’s Livelihood Index show a clear link between increased financial control, decreased stress, and increased employer satisfaction.

Employer Responsibility for Employee Financial Wellness: 2 Actions to Take Today

Compassionate employers acknowledge that rising prices and the exorbitant cost of carrying debt from credit cards or payday loans can leave employees from all socio-economic backgrounds struggling to manage their finances and experiencing psychological stress.

97% of employers believe employee financial wellness is their responsibility.



Fortunately, more employers acknowledge their responsibility for their workers’ financial wellness. The number of employers who felt “extremely responsible”

for their employees’ financial wellness increased to [62%](#) in the latest Bank of America Workplace Benefits Report, compared to 13% in 2013. 97% feel that they are in some way responsible for employee financial wellness.

Achieving financial wellness is predicated on meeting your employees’ fundamental financial necessities. Distinguish yourself in the competitive labor market and support financially strained workers by offering alternative, supportive benefits that provide them with a tangible roadmap to meet their livelihood requirements and go beyond to help workers thrive.

1 Action 1: Offer an Employee Wellness Solution

There is a considerable demand for financial wellness benefits among employees. 46% of [workers desire financial apps](#) and tools to be integral to their employee benefits program. 54% consider financial wellness benefits to be their most [sought-after benefit](#).

Unlike traditional benefits, financial wellness benefits should be provided to employees free of cost or at a minimal cost. These benefits are particularly welcomed by lower-income earners earning less than \$50,000 a year who are likely struggling the most.

A robust financial wellness package empowers employees by giving them greater control over their finances. Such a program should include:

- On-demand access to earned wages (Earned Wage Access or EWA)
- Budgeting assistance
- Savings tools
- Free financial education
- Personalized coaching and support

Earned wages can be loaded onto a debit card, which, unlike credit cards, don't involve employees getting into high-interest debt. Employees can get paid when they need to, without having to wait for payday.

“I’ve been able to pay our phone bill and car insurance on time before my paycheck hit. Payactiv enabled me to keep moving, and as a single mom, that’s been extremely important for me and my children.”

- Payactiv User, 2021 Survey

2 Action 2: Boost Employee Financial Wellness with On-Demand Pay

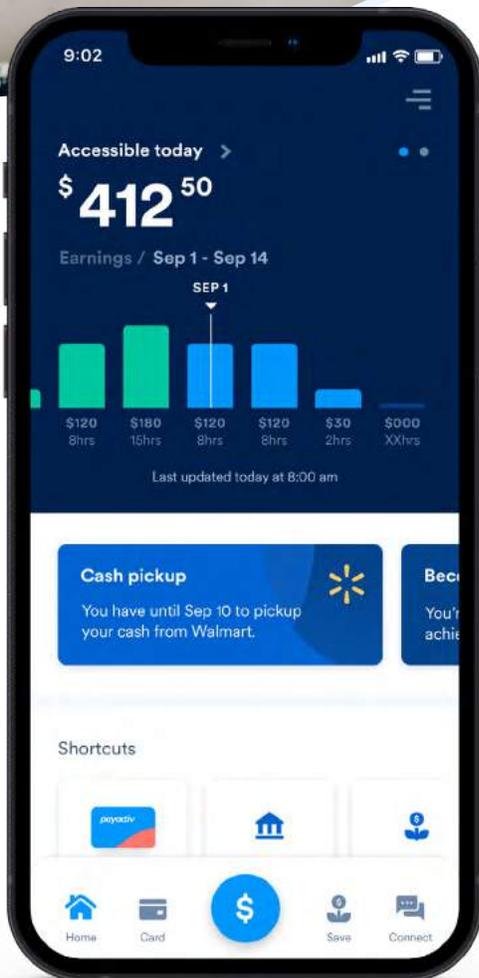
In today's economic climate, it's essential to consider the financial wellness of your employees. Access to funds at the right time can be critical when unexpected life events occur. To this end, pay flexibility and earned wage access have emerged as a crucial financial wellness benefit to help employees avoid costly debt spirals.

EWA allows employees to collect their earned wages daily rather than the traditional biweekly or bimonthly pay period. Recent surveys have indicated that over [8 in 10 US workers](#) believe they should have access to their earned wages at the end of each shift.

Moreover, [81% of households](#) earning more than \$100,000 per year favor EWA, with 78% indicating that free EWA would improve their loyalty to their employer and 79% saying it would make them feel more valued as employees.

“Our Caregivers are our number one resource. With seamless access to their earned wages, Payactiv serves as another tool demonstrating our commitment to their well-being. With a clear impact on recruiting and retention, Payactiv is a can't-miss solution! Adopting Payactiv is another tool that assists our Veterans and demonstrates our commitment to those who have answered the call to serve our Nation in time of need.”

*- Anthony Fiore, Owner & CEO,
Comfort Keepers® Manassas*



While offering earned wage access (EWA) is an essential step towards promoting employee financial wellness, it is not enough. A comprehensive financial wellness package should include budgeting assistance, savings tools, free financial education, personalized coaching, and support. Such benefits are crucial, especially for lower-income earners who struggle the most.

EWA and Beyond

When you offer the Payactiv benefit to your employees, which comes at no cost, they gain access to:

- Access to up to 50% of their wages on-demand
- An FDIC-insured bank account alternative that can hold up to \$10,000
- Exclusive discounts on car insurance, Rx prescriptions, AMC movie tickets, and more with the Payactiv Visa Card*
- A smart budgeting and savings tool
- Free 1:1 financial support and advice from a certified KOFE coach

Employee Financial Wellness is a Win-Win

In today's challenging economic landscape, it makes sense that companies provide their employees with employee financial wellness benefits. When paired with on-demand pay, benefits like Payactiv can give employees even greater control over how they use their earnings.

How Employee Financial Wellness Benefits and EWA Help with Recruiting, Retention, and Productivity

Offering financial wellness benefits can differentiate your company from competitors and position your business as a desirable workplace. By investing in the financial well-being of your employees, you are not only doing the right thing but also making smart business decisions that can yield long-term benefits for your organization.

Employees who feel financially secure are less stressed and more focused at work. [57%](#) of employees said their well-being significantly impacted their productivity. A financially secure workforce is more engaged and loyal and will positively impact your bottom line.

Within a few months of its Payactiv roll-out, Results' recruitment had increased by 25%.

Equally, it will help with retention: you'll be in a stronger position to keep the people you already have.

Payactiv's customers report increased retention rates and reduced business turnover by [30%](#) on average, and [81%](#) of employees said they were more likely to stay with their current employer because of Payactiv.

Last but not least, offering supportive financial wellness benefits will help people feel less distracted at work and more focused and engaged.

Since implementing Payactiv, Integrity has seen an uptick in associate attendance and a significant reduction in attrition for the [30%](#) of the workers that signed up for the program.

There's no better time to make financial wellness a core element of your recruitment, engagement, and retention strategy. You can do all this for them at no cost to you.

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Our employees are our advocates. They're the ones that will go out and tell everyone else how great a company we are and to come work for us. Payactiv is a big differentiator between us and the provider down the street.

– Lori Brown, Chief Experience Officer, The Results Companies

About Payactiv

Payactiv, an award-winning certified B-Corp, is the leading provider of Earned Wage Access, offering a suite of financial wellness services designed to empower people to participate in the economy they helped create. Our platform and digital wallet serve 2,000+ businesses and level the playing field for millions of workers who struggle with cashflow between paychecks.

Payactiv is also the winner of the “Best Innovative or Emerging Tech Solution” at the 2022 HR Tech Awards, a Silver Stevie® Award for our “All-in-One Digital Wallet and Livelihood Platform”, and “Best Wellness Program” award at the California Excellence HR Awards. .

Learn more at www.payactiv.com.