Immediate

The unseen costs of financial stress in the workforce

Immediate Market Report

Introduction

The past year has placed unprecedented strain on the U.S. workforce. With households suffering from hours being cut, jobs lost, unexpected medical costs, and more, the pandemic has shined a light on financial health. 2 in 5 households say their net income has declined by at least 25% since the pandemic began. This stress isn't limited to those in lower-income brackets and hourly workers. Even households making above $100,000 are struggling to pay for basic expenses.[2]

There are alarming consequences to this increased financial burden. Negative impacts on mental and physical health affect employee attention and performance while on the job, making workers less effective, with potentially dire outcomes—especially in industries like healthcare, where mistakes can be fatal.

To better understand employees' financial health and what employers are doing to support it, Immediate, a financial wellness company, conducted two surveys in November 2020. One of 1,250 employees to assess their financial health status and challenges, and one of 200 employers to understand how they view and support employee financial health.

Key Findings

- Employers—especially CEOs—significantly overestimate their employees' financial wellness
- Most employees face unexpected financial needs as frequently as every other month
- More than 75% of employees say an earned wage access solution (EWA) would help alleviate their financial stress
- Surprisingly, those with a household income of more than $100K are more likely to ask for an advance than those with a household income of less than $50K
- Almost half of employers are getting more requests for pay advances during the pandemic
- The majority of employees report that their physical and mental health also suffers
- 9 in 10 employees say financial concerns impact their job performance—especially alarming for those in the healthcare industry
- 80% of employees would prioritize an employer that offers an EWA solution when seeking new employment, indicating the power of EWA as a talent acquisition and retention tool

[1]https://discover.jdpa.com/hubfs/Files/Finanical%20Health%20and%20Bank%20Advice%20During%20Pandemic.pdf
[2]https://www.npr.org/2020/12/16/941292021/paycheck-to-paycheck-nation-how-life-in-america-adds-up

Unexpected financial needs are the norm for employees

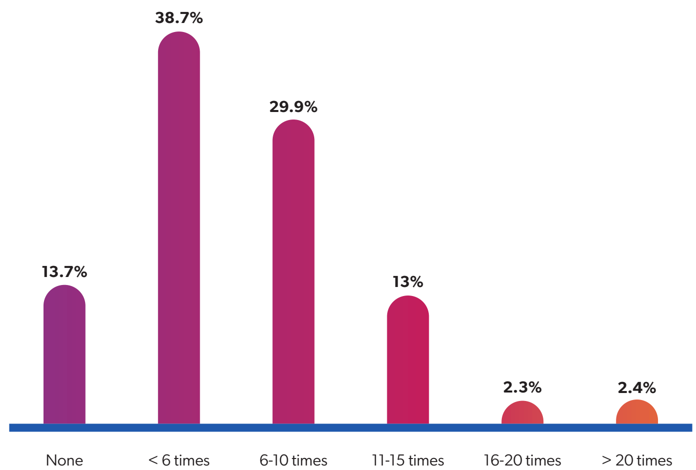
More than 80% of employees surveyed say that they have experienced at least one unexpected financial need in the past 12 months, while about half of employees faced this six times or more in the same time period. Compounding the issue is the amount of these unexpected expenses. Three-quarters (74%) of employees experienced at least one unexpected cost of $400 or more, with 1 in 5 (19%) saying their most expensive obligation cost them more than $800. This is concerning, as almost 40% of American adults say they wouldn't be able to cover a $400 emergency with cash, savings or a credit-card charge that they could quickly pay off, a Federal Reserve survey found.[3]

Employees corroborate this data with only 38% saying they were able to cover at least one of their unexpected expenses out of pocket. The majority had to resort to potentially detrimental measures to settle the expense, like charging it to a credit card, borrowing money from family or friends, or taking out a high-interest loan.

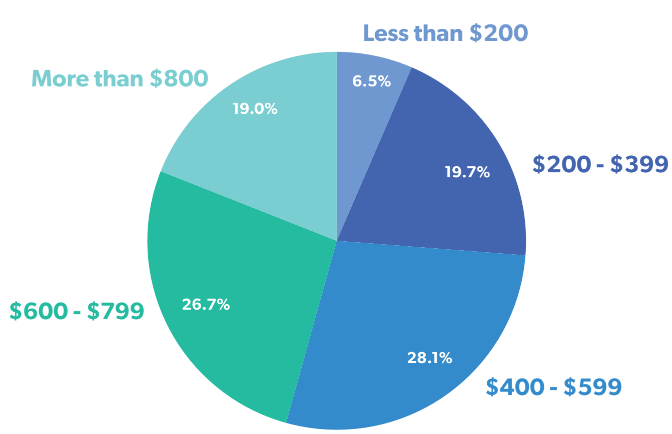
"These unprecedented times are producing employees that are vulnerable and in need of help. It's an opportunity for employers - by answering that call, to engender gratitude and therefore strengthen employee loyalty. Loyal employees are a vital ingredient for thriving businesses.

— Mason Beard,
Chief Strategy Officer,
Immediate

How many times in the past 12 months have you faced an unexpected financial need?

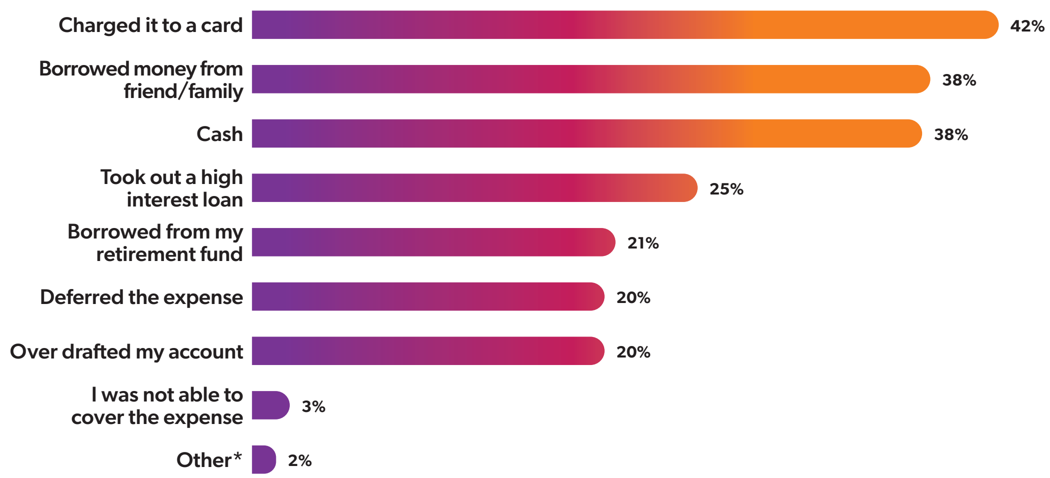


How much did you need to cover the cost of the most expensive occurrence?



[3]https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-dealing-with-unexpected-expenses.html

How did you cover the unexpected expense?



36% of salaried workers say they are very concerned about their financial stability going into 2021

The new year hasn't softened this harsh reality. Three-quarters (75%) of employees surveyed feel concerned about their financial stability in 2021, while a third are very concerned. Interestingly, 36% of salaried workers say they are very concerned about their financial stability going into 2021, compared to only 30% of hourly workers, disproving a common misconception that salaried workers are by definition financially stable.

At higher household income levels, the data is even more striking. Nearly 60% of employees who consider themselves "very concerned" with their financial stability in 2021 are part of households that make over $75,000 a year, with nearly 50% of those earning $100,000 or more.

Financial stress negatively impacts employees' physical and mental health, affecting job performance

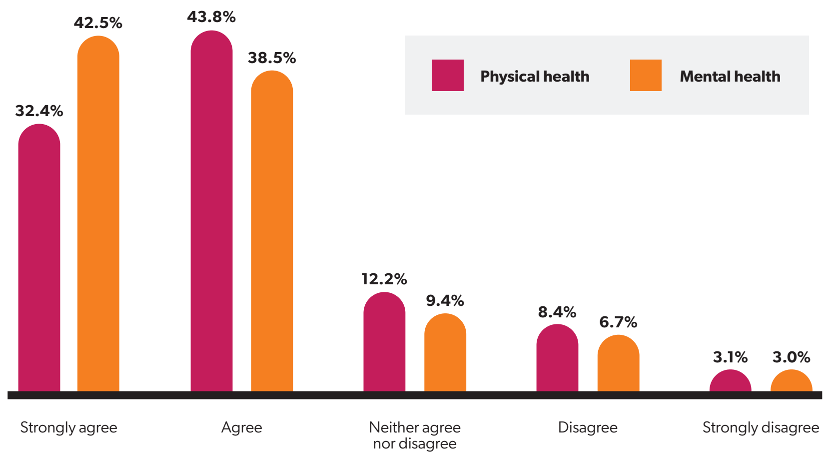
More than 75% of employees report that their financial struggles negatively impact their physical health, while 80% say these negatively impact their mental health. This is extremely concerning, not only for employee' health and wellbeing, but for the employer's bottom line in terms of healthcare costs and decreased work productivity (see sidebar).

This is illustrated by the large majority (93%) of employees who say financial concerns impact their job performance, with more than half (55%) reporting it does so often or very often. Furthermore, 56% say that their financial concerns affects their attention at work often or very often. This opens an opportunity for employers to empower their employees—reducing their stress, breaking cycles of predatory debt, and helping them perform better on the job.

These figures are alarming—this is 9 in 10 who say financial stress impacts their job performance. With resources like earned wage access available, which cost a company nothing and can make a world of difference to employees, there is no reason for an employer to let this happen.

— Matt Pierce,
Founder and Chief Executive Officer, Immediate

Do you feel your financial struggles negatively impact your mental and physical health?



Industry Spotlight:
Healthcare employees' financial stress puts patient care at risk

Healthcare employees were least likely to rate their personal financial wellness as excellent, compared to respondents from other industries (Only 18%, or less than 1 in 5).

At the same time, 62% of healthcare respondents said financial stress affects their physical health, and 71% said it affects their mental health. This is serious given that these healthcare workers provide essential patient care, yet are themselves suffering.

Most alarmingly, 54% of healthcare employees said financial stress impacts their attention at work with more than a third (34%) saying this is often or very often the case, and 63% said it affects their on-the-job performance, potentially leading to dangerous or fatal outcomes.

The downstream costs of employees' financial health struggles

Employees who are stressed, distracted, and sick will ultimately impact employers' bottom lines. These issues will hit the employer with direct medical costs, as well as less productive workers.

As high deductible plans grow, it becomes less possible for people to have access to funds to pay for their care. This is especially worrisome given that more than a quarter of employees said they would put off medical care to cope with the unexpected financial cost of treatment.

A record 25% of Americans say they or a family member put off treatment for a serious medical condition in the past year because of the cost (Gallup 2019), up from 19% a year ago and the highest in Gallup's trend (Since 2001).[5]

More than a quarter of employees would delay medical care if faced with an unexpected medical cost

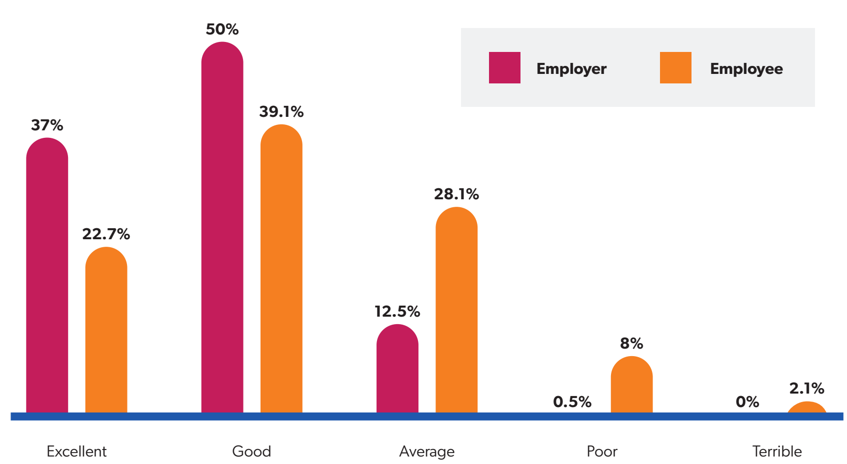
Twenty-six percent of employees say if they faced an unexpected cost for medical care, they would delay or put off treatment to cope, increasing chances of higher-cost procedures down the line. Employers will need to account for this behavior in their risk management strategy for employee health. This is especially disturbing given that research shows people who delay or forgo care experience decreased long-term health and quality-of-life.[4]

Interestingly, salaried employees are slightly more likely to delay treatment than hourly workers—28% of employees making $75,000 or more are willing to delay or put off care due to cost when faced with unexpected medical needs, compared to 24% of employees making under $75,000. This may indicate a higher likelihood for salaried and/or more senior employees to defer medical care—exactly those people that an employer would not want to miss weeks of work due to a serious health event that could have been avoided with a simpler procedure, if the employee had only been able to cover its cost.

In addition, nearly 30% of employees making over $75,000 and 10% of employees making under $50,000 say they would turn to high interest loans to cover unexpected medical costs.

Employers have overestimated the financial health of their employees, resulting in 2 in 5 failing to offer any form of financial wellness tools or benefits

How would you rate the financial wellness of employees?



[4]https://www.researchgate.net/publication/51037482_The_Health_Effects_of_Cost-Related_Treatment_Delays?enrichId=rgreq-b0ac55e5dc82786b869272b5a0111d95-XXX&enrichSource=Y292ZXJQYWdlOzUxMDM3NDgyO0FTOjk4Njk4MjkzOTQwMjQ4QDE0MDA1NDI5MTYyMjk=&el=1_x_2&_esc=publicationCoverPdf
[5]https://news.gallup.com/poll/269138/americans-delaying-medical-treatment-due-cost.aspx

There is a disconnect between how employers view their employees' financial wellness and reality; 87% of employers characterize their employees' financial wellness as good or excellent, even though they admit that requests for pay advances have increased during the pandemic. Fewer employees characterize their financial wellness as positive, with only 62% saying it's good or excellent.

The disconnect is even more apparent when it comes to business leaders—half (49%) of company CEOs/presidents/owners characterize their employees' financial wellness as excellent. A third (34%) of HR leaders say the same.

> **In a global pandemic, it's shocking that so many CEOs and HR leaders think their employees are in excellent financial health. They have a much bigger problem than they're aware of.**
>
> — *Matt Pierce, Founder and Chief Executive Officer, Immediate*

To put this in even more perspective, though more than 110,000 restaurants have closed permanently or long-term across the country due to COVID-19,[6] a stunning 94% of hospitality employers characterize their employee wellness as good or excellent.

It's clear that the pandemic has negatively impacted the financial health of millions of Americans. More than 40% of employees say their financial wellness has declined since COVID-19, and 90% of employers say they are concerned about the impact of COVID-19 on their employees' financial wellness—but what are they doing about it?

40% of employers offer no solutions to help with financial wellness

Despite their concern, 40% of employers say they do not currently offer financial wellness tools to employees. A remarkable 97% of employers believe their company could offer additional tools to help employees manage their financial wellness, and employees agree—88% believe their employers could offer more in this area.

Nearly everyone surveyed—97% percent of employers and 88% of employees—believe more can be done to support employee financial wellness

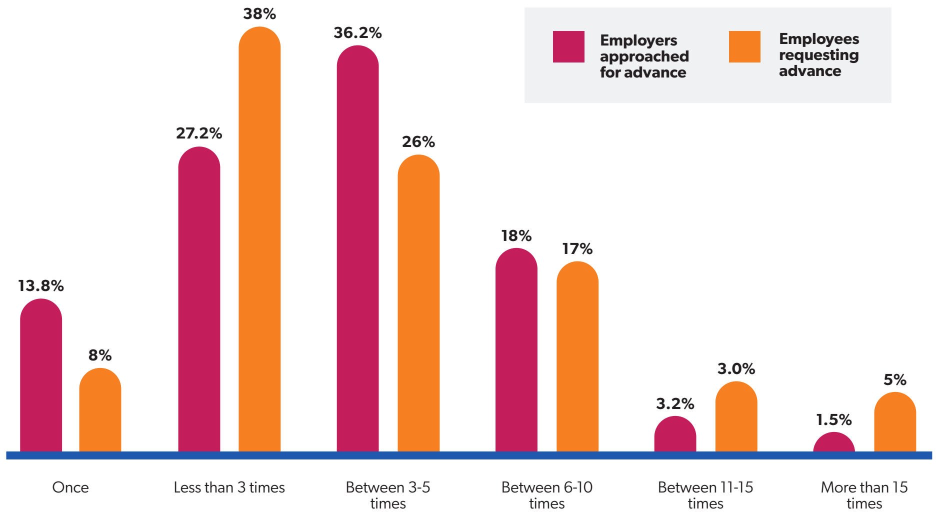
[6] https://www.bloomberg.com/news/articles/2020-12-07/over-110-000-restaurants-have-closed-with-sector-in-free-fall

> ❝
>
> **It's a false assumption to think that just because a worker is salaried, or just because they make six figures, that they don't need any financial wellness tools. You don't know if their partner has been furloughed, if they're caring for a sick parent, or facing an unexpected medical bill.**
>
> — *Mason Beard, Chief Strategy Officer, Immediate*

Nearly all employers are seeing the effects of the pandemic on their employees' financial health; 46% report an increase in pay advance requests

Most HR departments (92%) say they have been approached for pay advances, and 46% reported an increase in requests for these since the start of the pandemic, across both hourly and salaried employees. More than half of employees say they have asked for a pay advance before, with 84% saying they have needed to do so more frequently since that start of COVID-19.

How often were paycheck advances requested?



Despite this, more than a third do not offer pay pay advances, or lack a standard process for offering them. These employers may not realize the existing demand for this benefit, or may believe that barriers exist to offering them, like a lack of payroll service integration.

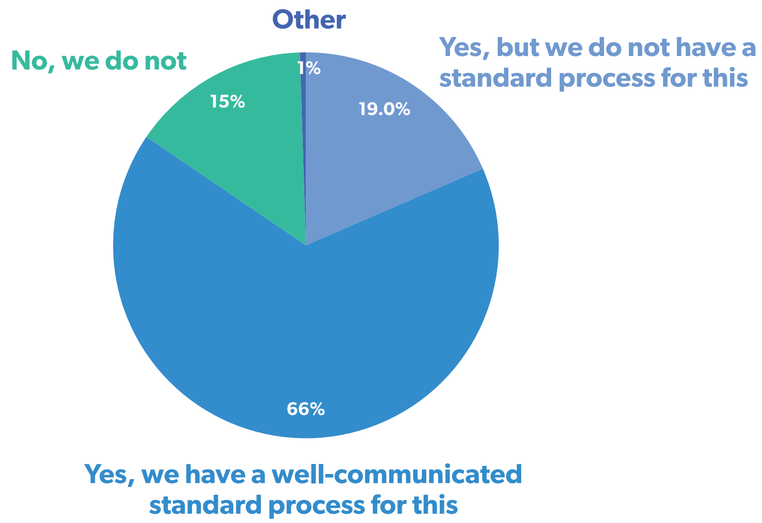
It's critical to emphasize that even those with higher household incomes face financial stress and the need for pay advances. Employees with household incomes of $75,000 or more actually report asking for multiple pay advances at a higher rate than those who make less (24% of those making $75-$100k, and 26% of those making $100k+, have requested pay advances six or more times). Additionally, since the pandemic, employees with household incomes of over $50,000 have actually needed to ask for pay advances more frequently than workers making under $50k.

Employees with household incomes of $100,000 or more report asking for multiple pay advances at a higher rate

Employees unable to access a pay advance report resorting to:

- High-interest loans
- Charging it to a credit card
- Borrowing money from friends or family
- Deferring the expense
- Over-drafting their account
- Borrowing from their retirement fund

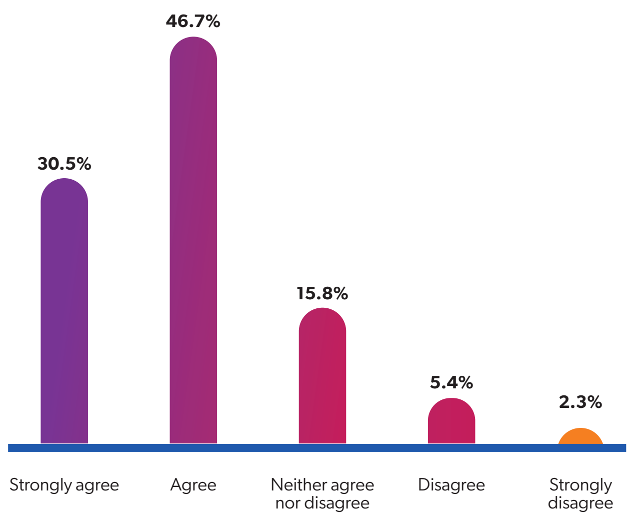
Do you allow employees to request paycheck advances?



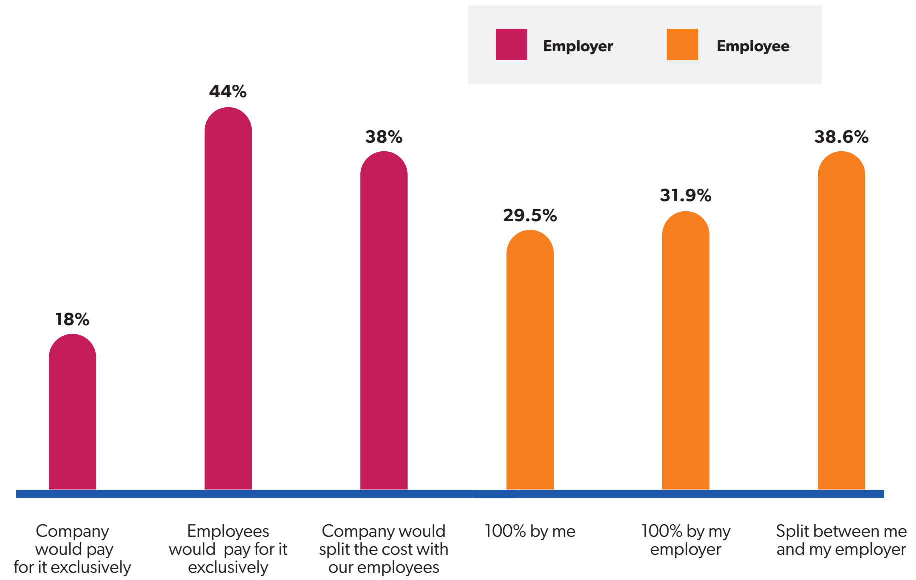
More than three-quarters of employees say an earned wage access solution would help alleviate their financial stress—so much so that 68% would share in the costs

Seventy-seven percent of employees say that an EWA solution would help alleviate their financial stresses, and over two-thirds are willing to incur some of the costs to gain that financial stability. For those who have it, 89% say they take advantage of the benefit, and 67% do so at least once a month.

If you were able to access your earned wages outside of a normal payroll cycle, would that help alleviate your financial burdens?



How would you expect an earned wage access solution to be paid for?



Earned wage access was defined in the survey as a service that allows employees to withdraw their *earned pay* before their scheduled paycheck, *it's not a loan.*

Increasingly, employers are taking note. Of those who currently offer EWA, nearly three quarters (72%) implemented the solution since the start of COVID-19. In addition, more than half of employers are willing to cover at least some of the fees involved. Clearly both employees and employers see the value in EWA and are willing to pay for it, demonstrating a strong alignment on its value.

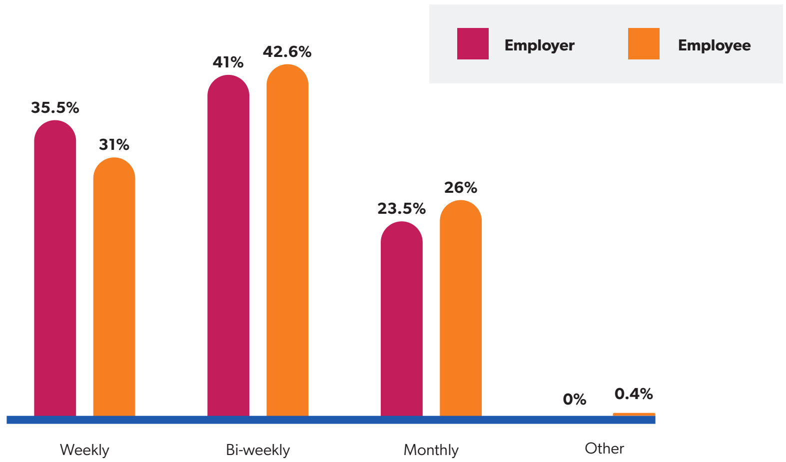
68% of employees are willing to pay for earned wage access

Meanwhile, more than a third (36%) of HR leaders work at companies with a weekly payroll cycle, and 83% of them are paying extra to run their payroll that frequently, though there is a more cost-effective way to provide employers with earned wage access. Fees for weekly payroll cycles can run anywhere from $29 to $150 as a base charge per payroll, in addition to a per-employee charge that ranges from $2-12 each week,[7] whereas a reputable EWA solution costs nothing to the employer.

The No. 1 reason employers do not currently offer an earned wage access solution is because they say it's not supported by their payroll vendor. A payroll-agnostic EWA solution like Immediate can help.

[7]https://www.businessinsider.com/startups-are-rethinking-the-2-week-pay-cycle-by-giving-users-access-to-earned-wages-2020-1

What is your current payroll cycle?



> **You can never make an assumption about someone's financial status—both hourly and salaried employees experience financial struggles. It would be a mistake not to offer this service to help your staff. Immediate makes our employees' lives easier; it is a true retention tool.**
>
> *— Lisa Ball,*
> *Human Resources Director, PackHealth*

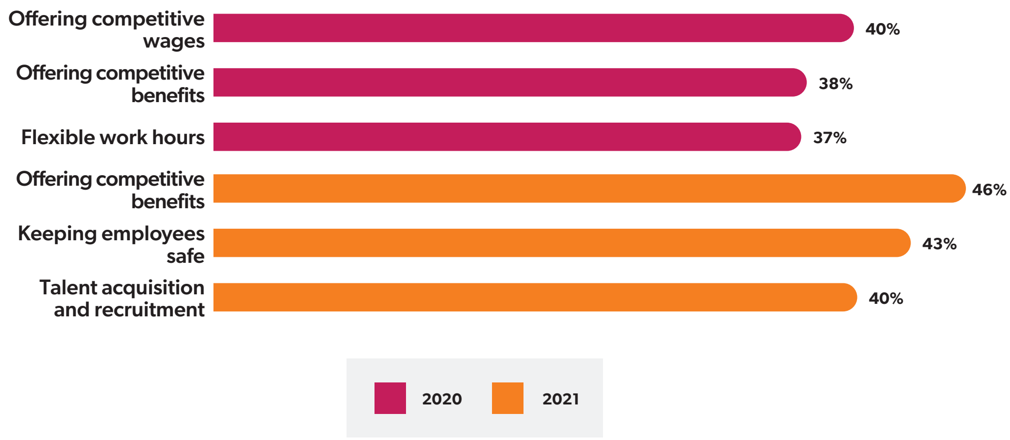
Offering competitive compensation packages is, and will continue to be, a top HR challenge

Surprisingly, when it comes to the top HR challenge for employers, offering a competitive compensation package beats out employee safety, despite the pandemic. This may be one of the reasons two in five employers (39%) say it's taking longer to fill open positions, and about a third (32%) say it's more competitive to hire talent. In addition, over a quarter say they're spending more on hiring through paid advertisements, sign-on bonuses, and using the services of talent agencies.

Looking to 2021, almost half (46%) of HR leaders said offering competitive benefits will continue to be one of their top three challenges. The large majority of employers (90%) plan to offer or add benefits in 2021 to meet employees' needs. With this in mind, it's significant that 80% of employees surveyed say they would prioritize an employer that offers an EWA solution when seeking new employment, indicating that EWA should be an HR priority for talent acquisition and retention.

80% of employees surveyed say they would prioritize an employer that offers an EWA solution over one that does not

What are your top 3 challenges in 2020 and 2021?



Offering competitive benefits to acquire and retain employees is critical to the bottom line. Businesses invest time, money, and training into existing employees. The cost to replace a $10/hour employee can exceed $3,000, rising to almost $5,000 for a $15/hr employee.[8] According to the Bureau of Labor Statistics, turnover is highest in industries such as trade and utilities, construction, education and health services, and leisure and hospitality.[9]

Conclusion

Employees across industries and household income are struggling to cope with unexpected financial needs. Not only is this putting a strain on workers' physical and mental health, but employers' bottom lines will also suffer. The good news is that employers have the opportunity to help, by offering solutions like EWA that alleviate the burden of financial stress, helping employees get out of cycles of predatory lending while improving their attention and performance on the job. In 2021, employers must focus on offering competitive benefits packages that meet this need in order to acquire and retain an effective workforce and optimize their businesses.

[8] https://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf
[9] https://www.bls.gov/news.release/pdf/jolts.pdf

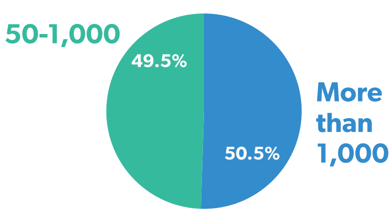
Methodology

In November 2020, Immediate commissioned research and strategy firm Sage Growth Partners to conduct two surveys: one of employees across the country and another of employers, encompassing CEOs and HR leaders.

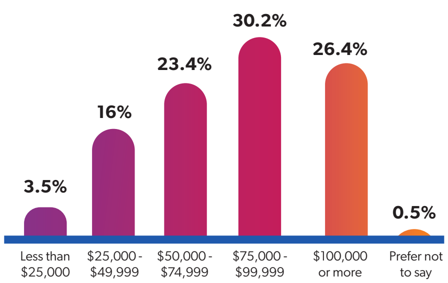
Employee survey

- **1,250** hourly and salaried workers
- **64%** hourly, **36%** salaried
- Industry type evenly split between healthcare, retail, hospitality, manufacturing, and gig/freelance/contract/seasonal (including those working for InstaCart, Postmates, Lyft, etc.)

Company Size



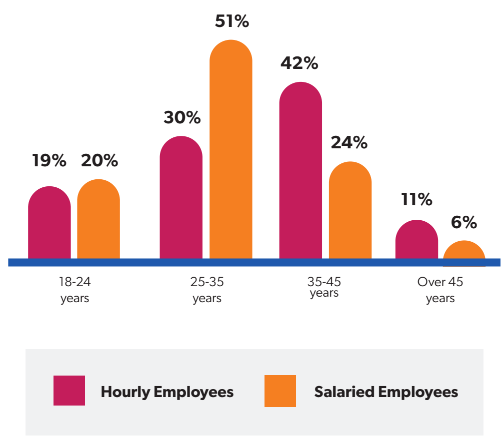
What is your annual household income?



Employer survey

- **200** CEOs and HR leaders
- Half were small-to-medium businesses of **50-1,000** employees; half represented businesses with **1,000** or more employees
- Industry type evenly split between healthcare, retail, hospitality, and manufacturing
- **51%** were HR directors, managers, or CHROs, while **49%** were executive leadership including CEOs, presidents, and owners.

What is the average age of your salaried vs. hourly employees? (n=200)



Immediate

About Immediate

Immediate partners with employers to provide their employees with wages that have been earned but not paid, whenever they are needed. With seamless time tracking and payroll integrations, same day and next day bank transfers, and the ability to put earnings directly on a debit card, Immediate is working to improve financial wellness and eliminate cycles of debt for employees by allowing them to access their hard-earned wages.

Visit us at **www.joinimmediate.com** | Contact us at **info@joinimmediate.com**