Investing in Employee Financial Well-Being: Employer-Provided Financial Capability Services

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Introduction: Why It Is Important to Understand Employers' Efforts to Bolster Employee Financial Well-Being

Financial capability services intend to improve individuals' economic outcomes by building financial skills, knowledge, and self-efficacy, as well as expanding access to resources and opportunities to promote positive financial behaviors. While employers have been developing and offering financial capability services to employees, little research has captured the range, variability, successes, and challenges of offering such services to employees.

This study aims to address this knowledge gap by gathering information to better understand why and how employers offer financial capability services for employees, what they have learned from offering such services, and how they see the services influencing employee well-being. Findings from interviews with 10 employers who offer financial capability services to employees with low or moderate incomes include:

- Interviewed employers offered a range of financial capability services to employees, with many of the offered services focusing on establishing and supporting employees' financial stability, or ability to meet their basic needs, rather than building assets.
- While employers differed in their motivations for offering financial capability services, several common rationales emerged: (1) meeting a wider range of employees' needs; (2) taking advantage of invitations from external organizations, such as nonprofits or banks and credit unions, to develop services; and (3) supporting employee retention and creating long-term relationships with employees.
- Some employers used external partnerships to offer financial capability services that were not possible to offer in house. A few employers used complementary nonprofit organizations—nonprofit arms of employers dedicated specifically to providing emergency assistance to employees—to deliver services.
- Most employers offered financial capability services to their entire full-time staff because they believed all employees could benefit from them and often introduced employees to services as soon as they were hired.
- Although few employers conducted formal evaluations of their financial capability services, many tracked outcomes and collected information about employees' experiences with the program through surveys, informal conversations, and program data to track program successes, including savings rates, credit scores, and satisfaction.
- In implementing financial capability services, employers reported that they had to use creative outreach strategies, such as emails and posters, to connect employees to financial capability services and actively worked to address challenges of employee turnover, high demand for services, and language barriers.
- In this brief, we first describe the methods for gathering data about the financial capability services offered by this sample of 10 employers. Then we describe our key findings in more depth and the implications of these insights for policy and practice.

Integrating Financial Capability and Employment Services Project

This brief is part of a broader project focused on understanding the integration of financial capability programs and employment and training (E&T) programs and services. Financial capability programs seek to help individuals build the capacity to manage financial resources effectively, such as by enhancing their knowledge of financial concepts, supporting their skills to make financial decisions, or providing access to financial services. In recent years, practitioners have increasingly looked to identify opportunities to integrate such financial capability programming with E&T services as a way to support economic security for adults with low and moderate incomes (Treskon et al. 2021).

To better understand the nature and dimensions of opportunities that might arise from this integration, the Office of Planning, Research, and Evaluation (OPRE) sponsored the "Integrating Financial Capability and Employment Services" project, conducted by MEF Associates and its subcontractor, the Urban Institute. The broader project focuses on understanding financial capability interventions delivered in the context of E&T programs serving people with low and moderate incomes. The project includes a review of prior research, a survey of E&T programs, phone interviews with program administrators, virtual site visits, interviews with program participants, and focus groups with program administrators.

This publication is meant to complement insights from the larger study by presenting findings on another important channel through which people with low and moderate incomes receive financial capability services in an employment-focused context: employers offering services to their employees. This brief is intended to inform employers interested in offering financial capability services to employees and those that already do, as well as financial capability service providers and E&T program administrators.

For more details about the overall project and links to the full suite of publications, please visit https://www.acf.hhs.gov/opre/project/integrating-financial-capability-and-employment-services.

Methodology: How We Gathered Data about Employer-Provided Financial Capability Services

The broader "Integrating Financial Capability and Employment Services" project, of which this brief is a part, focuses on how integrating financial capability interventions with employment and training services may improve outcomes for adults with low and moderate incomes. This brief aims to examine the integration of financial capability services in a different employment context that was highlighted by experts in the field as a growing area of attention and innovation (Treskon et al. 2021). In this brief, we present thematic insights from interviews with 10 employers who offer financial capability services to their staff with low and moderate incomes. We explore several questions:

- What are the types of financial capability services employers offer to employees?
- What partnerships and staffing arrangements are used to develop and administer employer-provided financial capability services?
- Do employers bundle multiple financial capability services? If so, how?

- Which employees are eligible to participate in financial capability services? How are employees made aware of services?
- What are employers' motivations for offering financial capability services to employees?
- How do employers conceptualize success in relation to the financial capability services they offer to employees? What metrics and outcomes do they track to monitor program success?
- What challenges did employers face in developing and implementing financial capability services for employees?

We identified employers for interviews by consulting existing literature, recommendations from academic and policy experts in the field, referrals from other employers offering financial capability services, and references from nonprofit organizations that partnered with employers regularly. We selected employers for interviews who (1) offered some type of financial capability services to their employees beyond 401(k) or other retirement benefits and (2) had a portion of employees who earned low or moderate incomes, although not all employees must fit this description. Using these criteria, we invited 35 employers for interviews who represented a range of geographies, industries, and organization sizes. We conducted interviews with 10 of these employers, mostly with staff in human resources who administered these programs and senior leadership (Table 1).[1]

Table 1: Employer Interviewee Characteristics and Financial Capability Services Offered

Characteristic	Details about final interview sample (*N* = 10)
Location	California, Florida, Illinois, Massachusetts, New York, Vermont
Industry	Clothing retail, employment services, financial services, food manufacturing, health care, hospitality
Organization size	Ranged from small organizations with less than 100 employees to large organizations with more than 19,000 employees
Mission orientation	One interviewed employer was a certified B Corp,[2] two employers were credit unions, and four were social enterprises
Financial capability services offered by employers	**Number of employers in our sample who offered access to these services**
Financial education	7 out of 10 employers
Financial counseling or coaching	6 out of 10 employers

[1] The other 25 employers we identified and invited to interview did not respond to outreach or declined to participate in interviews.

2 "B Corp Certification is a designation that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials." See "About B Corp Certification," B Lab Global, accessed December 4, 2023, https://www.bcorporation.net/en-us/certification/.

Access to financial products and credit, including employer-sponsored small-dollar loans	5 out of 10 employers
Incentivized savings programs	5 out of 10 employers
Asset-building programs	1 out of 10 employers
Credit-building programs	None
Access to public benefits	4 out of 10 employers (and 1 additional employer offered public benefits access informally)
Tax preparation services	4 out of 10 employers (and 1 additional employer offered tax preparation services informally)

Our interviews with employers lasted 60 minutes each and focused on the types of financial capability services offered to employees, eligibility guidelines, motivation for offering services, partnerships for service development and delivery, lessons learned, and how employers view these services as relating to employee well-being. We transcribed all interviews and then thematically coded them in Dedoose. After thematically coding interview excerpts, we reviewed coded excerpts for quality assurance across coders and then looked within each thematic code to synthesize findings. Our analysts focused on capturing similar sentiments and reports across employers, as well as points of divergence.

Ultimately, the insights we present in this brief reflect the perspectives of the 10 interviewed employers and are not generalizable across all employers, employee populations, and contexts. Our qualitative interviews with employers focused on understanding the scope and motivations for offering financial capability services to employees across industries and roles. We interviewed 10 employers in specific fields, so findings from this study may be most relevant for employers whose employees earn low-to-moderate incomes; who are in the clothing retail, employment services, financial services, food manufacturing, health care, and hospitality fields; and whose organizational size is under 20,000 employees. Future research could advance our knowledge of how such services operate in different employer settings than those included in this study.

We describe key financial concepts (Table 2) and provide a glossary of terms (Table 3), drawing on prior work for the broader project by Treskon and colleagues (2021).

Table 2: Financial Concepts

Concept	Definition or description
Financial knowledge	Knowledge and understanding of financial concepts, such as compound interest
Financial literacy	The skills, knowledge, and tools that equip people to make individual financial decisions and actions, such as saving or borrowing, to attain their goals
Financial access	Access to financial products and resources that promote financial stability, such as low- or no-fee bank accounts
Financial capability	The capacity, based on knowledge, skills, and access, to manage financial resources effectively*

Financial situation	The objective facts of a person's financial circumstances and economic context in which they live
Financial well-being	A state of being where 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 for enjoyment of life*

***Notes:** Definitions and descriptions of financial knowledge and financial access are functional definitions as employed in the text. The definition of financial literacy comes from US Financial Literacy and Education Commission, *U.S. National Strategy for Financial Literacy* (Washington, DC: US Department of the Treasury, 2020), *https://home.treasury.gov/system/files/136/US-National-Strategy-Financial-Literacy-2020.pdf.*

The definition of financial capability comes from the Department of the Treasury, available at "Department of the Treasury Amended Charter: President's Advisory Council on Financial Capability," September 2, 2010, accessed April 2, 2021, *https://www.treasury.gov/resource-center/financial-education/Documents/PACFC%202010%20Amended%20Charter.pdf.*

The definition of financial situation comes from the Consumer Financial Protection Bureau (CFPB), available at "Pathways to Financial Well-Being: The Role of Financial Capability," CFPB, September 2018, *https://files.consumerfinance.gov/f/documents/bcfp_financial-well-being_pathways-role-financial-capability_research-brief.pdf.*

The definition of financial well-being is from the CFPB, available at "Financial Well-Being: What It Means and How to Help," CFPB, January 23, 2015, *https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf.*

Table 3: Glossary of Key Financial Capability Interventions

Term	Definition or description
Interventions targeting financial knowledge	
Financial education	Workshops, classes, or curricula covering specific topics, such as money management, how to reduce debt, or how to manage credit
Interventions targeting financial literacy	
Financial counseling	Multiple one-on-one sessions to address specific financial issues the participant is facing; session goals are defined by the counselor
Financial coaching	Multiple one-on-one sessions that focus on topics related to achieving the financial goals set by the participant
Interventions targeting financial access	
Access to financial products	Providing access to (usually low-cost) financial products, such as checking and savings accounts
Incentivized savings programs	Programs that provide incentives or subsidies to promote and support saving, either for emergencies or longer-term goals
Asset-building programs	Programs, such as Individualized Development Accounts (IDAs), that support investments in assets such as a home or small business

Access to credit	Providing access to low-cost (usually small-dollar) loans to those who may not qualify for traditional forms of credit
Credit-building programs	Programs that help people with poor, thin, or no credit build credit by, for example, opening and remaining current on new lines of credit
Access to public benefits	Interventions that assist qualifying individuals (usually with low incomes) in getting public safety net and social insurance benefits
Tax preparation services	Services, such as Volunteer Income Tax Assistance (VITA) sites, that provide free or reduced-cost tax preparation services

***Notes:** Definitions and descriptions of financial knowledge and financial access are functional definitions as employed in the text. The definition of financial literacy comes from Treskon et al., available at "Integrating Financial Capability into Employment Services: Literature Synthesis," Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, March 2021.

Findings

In this section, we present insights and themes from our qualitative interviews with 10 employers across geographies, industries, and organizational types. Overall, we found the interviewed employers offered a range of financial capability services to nearly all their employees—either independently or in collaboration with external partners—that were designed to bolster employees' financial well-being, support employee retention, and benefit the employer's business operations. Many employers used surveys, program data, and anecdotes to determine whether services were meeting their goals and improving employee financial well-being, although none conducted impact evaluations of efficacy. Employers also highlighted several implementation challenges in offering financial capability services to employees, which we discuss further in the "implications for policy and practice" section following our full presentation of findings.

We organize our findings by theme and explore:

1. motivations for offering financial capability services to employees,
2. the types of financial capability services employers offered,
3. partnerships and staffing arrangements used to develop and administer financial capability services,
4. if and how employers bundled multiple services together,
5. outreach strategies and eligibility guidelines for participation,
6. how employers tracked and conceptualized the success of service offerings, and
7. challenges employers experienced in developing and implementing financial capability services.

Employers Shared Similar Motivations for Offering Financial Capability Services

Although individual employers had a range of motivations for offering financial capability services, several common rationales emerged: (1) trying to meet employees' needs more holistically; (2) taking advantage of partnership opportunities to develop services; and (3) supporting employee retention and creating-long term relationships with employees. Below, we describe each motivation for developing and offering financial capability services in further depth.

Employers Developed Financial Capability Services to Holistically Support Employees' Financial Stability

Many employers we interviewed expressed a desire to meet employees' needs more holistically by developing and administering financial capability services. Employers reported that they saw their financial programming and products as helping employees stabilize their finances. Additionally, the employers we interviewed shared they felt that employees who were more financially resilient were more likely to be able to focus on work, rather than on managing other economic crises in their lives, which motivated them to invest in their employee financial capability programs. Although employers' perspectives on the exact ways that their financial services would impact employees' financial lives varied—some felt that employees developing better financial habits was the appropriate metric to measure program success while other employers focused on improving employees' financial literacy—many articulated that one goal of offering financial capability services was to enhance employees' financial well-being.

"How can we help our employees make the most of their money? How can they save for retirement while paying for their current bill, while paying for housing, working toward buying a house in the future, and child care expenses. So, it's really just helping to find solutions and discounted or free programs for them, or something that can take care of some of those needs. We're not going to solve everything all at once. But we're just lessening some of the stressors and putting these resources at their fingertips."
—employer describing the goals of their financial capability services

"I think the reasons kind of speak for themselves. We want our employees to feel that they're cared for…We understand the challenges that you know their entire life brings to them, and for them to be able to be present and to do their best work. We want to provide these supports for them and help people feel like this is the right place for them. Also, it helps in attracting the right talent to the organization and making everybody feel included, and you know, part of the team."
—employer describing their rationale for offering financial capability services

Notably, many employers we interviewed reported that their financial capability service programs developed over time as they learned more about employees' needs and interests. Several employers described developing and refining financial capability services as part of a continuous improvement cycle, all geared to better meet employees' needs—with some employers iterating these services over the past decade or longer.

Most employers who offered emergency assistance programs reported that they designed their programs in response to employees requesting financial support from employers. Several interviewees highlighted findings from the Federal Reserve that 37 percent of Americans could not cover a hypothetical $400 emergency expense using savings or a cash equivalent, which suggested to them that employees may not have the resources they need to address a financial emergency.[3] Nearly half of the employers we interviewed who offered emergency assistance grants and loans described the need to develop these programs to help alleviate employees' financial distress from unanticipated emergencies.

Employers Responded to Invitations for Partnerships to Offer Financial Capability Services

Emergent partnership opportunities were another rationale that interviewed employers shared as to why they developed and offered financial capability services to their employees. Several employers reported that these offerings got on their radar because external organizations—including nonprofits, financial technology firms, and banks and credit unions—reached out with partnership proposals for various financial capability services. For example, one employer described the role of proactive outreach from a partner in developing such services: "It wasn't something that we looked for. It was more placed in our lap for us to apply for. We got it, and we've been working with [nonprofit partner] for 10 years now."

Partnerships with external partners enabled employers to offer a broader suite of financial capability services than they had previously considered offering. For example, partnerships with financial institutions were reported as essential to employers' ability to increase employees' access to mainstream financial services.

In addition to working with external partners, several employers we interviewed reported that they developed matched savings programs through information-sharing and collaboration with other employers. For example, an employer reported that they started their own matched savings program after learning about the success of another employer's program at a conference. After the conference, this employer developed a matched savings program that matches employee contributions to a savings account.

Employers Used Financial Capability Services to Improve Employee Retention and Satisfaction

Interviewed employers also lifted up the role that financial capability services could have in improving employee retention and satisfaction, thus improving the company's business operations. Improving employee retention was an explicit, key target for roughly half of the employers we interviewed. These employers observed that when employees had more stable financial lives, they were less likely to be upended by an emergency and miss work or leave employment. Employers communicated that offering financial capability services to employees helped both the employees' finances and helped them remain engaged in and connected to work, and this stability ultimately benefited the employer.

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[3] "Economic Well-Being of U.S. Households in 2022," Board of Governors of the Federal Reserve System, May 22, 2023, https://www.federalreserve.gov/consumerscommunities/shed.htm.

“Our retention went up 30 percent in the first three years we did this [offered financial capability services].”
—employer describing their perception of financial capability services’ impact on employee retention

Several employers also acknowledged the role of organizational leadership in initiating plans to develop or expand financial capability services for employees. These employers described how developing or expanding financial capability services became possible through leadership changes and organizational goal shifts that led to greater support and resources for these services for employees. For example, one employer described that a new leader inspired their efforts to offer financial capability services to employees: “There wasn’t one particular catastrophic situation that said we have to start [offering these services]. When I started at [employer], over 8 years ago, shortly before I had started, we had a new vice president who was really kind of innovative and wanting to expand beyond just our core benefits. So it was all kind of part of: ‘How do we improve employees’ well-being?’”

“If we take care of the team, the team will take care of our members, right? So, it’s very important for us to be the employer of choice for our team members—to have the longevity. We want them to stay, right, because the more tenured they are, the better [they are] able to help our members, right, through their different life events and their different cycles of life. So retention is a big part of it. If we want them to be retained, we have to offer the services they need for their life, right, and to have their own financial well-being. It's very important for us, …with our members…that they have [what they need so] that they’re ready to work. They’re able to work. They’re excited to work.”
—employer describing their motivation for offering financial capability services

Employers Offered a Range of Financial Capability Services to Employees

Interviewed employers offered a range of financial capability services to employees, and many of these services focused on establishing employees’ financial stability rather than building assets for investment. Some employers offered financial education services, many offered short- or long-term financial coaching opportunities, and several offered emergency savings programs to help employees accrue savings to meet financial needs. Relatively few employers offered tax preparation assistance, and none offered asset-building programs such as individual development accounts (see definition in Table 3), so these are not discussed in depth. We describe the different types of services interviewed employers offered below.

Many Employers Offered Basic Financial Education to Complement Other Financial Capability Services

Many of the employers we interviewed offered their employees financial education on a wide range of topics and often offered it alongside other financial capability services, including financial counseling and access to financial products (such as loans). The seven interviewed employers who offered financial education shared that their programs covered a broad range of topics, including first-time home buying, car buying, debt management, inflation, and budgeting.

Some employers we interviewed used in-house staff to provide financial education across a range of in-person and digital formats, while other employers brought in external staff from partner organizations or used a mix of delivery mechanisms over time. Further, financial education, whether delivered by in-house or external staff, was offered through a range of in-person and digital presentation formats, including webinars, workshops, and trainings. For example, one employer we interviewed reported that they changed how they administered financial education over time. They first started with having their staff provide training and then established a partnership with an external company that had a digital platform employees could utilize to learn about financial topics.

"Now that my team is growing, and we've got the skill sets on the team, we're actually kind of moving more toward our own in-house content and we're providing [financial education] in a lot of different ways. So [we offer financial education] live in-person [or with] remote webinars. Or, you know, a bunch [of people] learn [with] recorded webinars, podcasts, YouTube channel[s], Facebook page articles, videos, courses, longer video[s], or shorter videos—like we're kind of a pretty broad program because we've got a lot of a different kinds of users."
—employer offering financial education to staff describing the diversity of modalities offered

Employers Offered Financial Coaching and Counseling to Meet Individual Employees' Financial Needs

Half of our interviewed employers offered some type of financial coaching or counseling services to employees, and the duration and type of engagement varied across employers (e.g., different number of sessions offered and differences in whether or not the employer themselves delivered the sessions to employees).[4] Some employers offered limited and brief counseling sessions while others offered longer-term opportunities for coaching and counseling through external partners. Our interviewed employers reported that financial coaching and counseling sessions were designed to meet employees' unique financial needs, and several employers reported that employees often used sessions to discuss first-time home buying and budgeting. Interestingly, several employers reported that even in generic, nonfinancial coaching sessions, employees often used this service to seek financial information and voice financial needs, which could then be met by the employers' other financial capability services.

Employers Offered Emergency Assistance to Employees Through Loans and Grants

Many of the employers we interviewed offered emergency assistance programs that helped employees respond to unforeseen circumstances, but these varied in repayment requirements, repayment structure, and integration with other employer-provided financial capability services. Emergency assistance programs offer loans or grants to employees to meet distinct, and often short-term, emergency needs. Some employers we interviewed made emergency assistance accessible to employees without requiring repayment (i.e., through grants), while others structured their assistance as an installment loan (often called employer-sponsored small-dollar loans, or ESSDLs), in which employees received the money up front and then paid it back to the employer or lender through future earnings at low levels of interest.[5]

Employers Developed Matched Savings Programs with the Goal of Bolstering Employee Savings

In addition to providing emergency assistance to employees, a few interviewed employers developed matched savings programs to help employees build their emergency savings. One employer had a short-term matched savings program for their hourly workforce that matched employees' contributions and enabled them to withdraw saved funds without penalty.

"In a retail environment you have a lot of folks without a lot of disposable cash, and it's hard for them to think about savings for the future when they don't even have immediate emergency savings."

—employer offering a matched savings program describing their goals for the program

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Another interesting program model shared by one of our interviewees paired prize-linked savings with other financial capability services targeted to youth workers. This employer had a workforce composed of young adults between ages 16 and 24 and combined one-on-one financial coaching and financial education to

[4] Though financial coaching and financial counseling are related but distinct interventions in the financial capability literature and our own glossary (Table 3), no employers made the distinction between the two and used these terms interchangeably, so we present insights from these interventions together in this brief.

[5] A fuller review of ESSDLs can be found in Hahn et al. (2020).

help employees achieve a short-term savings goal. Savings were then incentivized through an opportunity for employees to win a prize—the four employees with the highest savings receive a $1,000 incentive toward education expenses.

Employers Used a Range of Partnerships and Staffing Arrangements to Deliver Financial Capability Services

Employers reported delivering financial capability services through a range of internal resources and external partnerships. In particular, employers identified using external partnerships to offer services that were not possible to provide in house, such as access to financial products or more resource-intensive interventions (such as financial counseling or coaching). For example, employers partnered with banks, credit unions, nonprofit service organizations, and for-profit partners to develop and deliver a range of financial capability services. Many of the interviewed employers who partnered with financial institutions also reported that they relied on other external partners and staff to deliver other services. Below, we go into further detail on three different partnership arrangements we learned about during the interviews: (1) nonprofit and for-profit partnerships to deliver financial capability services; (2) partnerships with financial institutions to provide access to financial products; and (3) using nonprofit, employer-based organizations to extend financial capability services to employees.

Employers Partnered with Nonprofit and For-Profit Partners to Deliver Services

The employers we interviewed reported partnering with a range of different nonprofit and for-profit organizations and institutions to develop, deliver, and monitor financial capability services. For example, one employer partnered with an external company to develop a financial education curriculum and bring in financial counselors who could meet one-on-one with staff about their financial concerns. A second partnered with a nonprofit that supported them in marketing, analyzing data, and tracking the success of their employee savings program. And a third employer's nonprofit partner developed financial education modules targeted to employees, which were then delivered by another partner who created a mobile phone app to host the modules. Overall, interviewed employers reported collaborating with a range of nonprofit and for-profit partners to deliver different dimensions of financial capability services to staff. Below, we describe two types of partnerships in further depth—partnerships with financial institutions and nonprofit arms of employers dedicated to offering financial capability services to employees.

Employers Partnered with Financial Institutions to Enhance Employees' Access to Financial Products

Our interviewed employers commonly partnered with financial service providers, including banks, credit unions, and financial technology (fintech) companies to provide mainstream credit access and digital connectivity to financial services. For example, one employer partnered with local banks to provide employees with on-site opportunities to open savings and checking accounts as well as the ability to apply for low-interest loans. Another employer's bank partner offered a $250 incentive if employees set up a bank account with direct deposit, and employees received an additional $50 for opening a savings account.

A few employers had partnerships with fintech companies, reporting that these partnerships made the banking process more accessible to employees by offering mobile banking services and virtual meetings with financial experts and counselors. For example, one employer shared that their fintech partner managed a mobile phone app through which employees could access financial products and an incentivized savings program.

Interviewed employers noted that partnerships with various financial institutions made mainstream financial services more accessible to employees, some of whom might otherwise face barriers or distrust mainstream financial institutions and products. One employer described how financial institution partnerships were a tool to connect employees with bank accounts: "That was part of the impetus behind partnering with the bank—[it] was to try to get people to actually have a bank account rather than have to receive a live check and go to check cashing and incur the expense that that is." Other employers highlighted the role of financial institution partnerships in reducing access barriers for employees, such as creditworthiness, by providing avenues for employees to sign up for financial services on-site or through a designated representative or by offering access to low-cost loan options that otherwise might not be available to them.

"The things that make it [the employer-sponsored small-dollar program] really incredible are [that there are] no questions asked…[and] no credit score necessary."
—employer describing the benefits of their financial institution partnership in offering small-dollar loans

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Employers Leveraged Nonprofit Arms of For-Profit Companies to Deliver Financial Capability Services to Employees

Some employers used complementary nonprofit organizations (or nonprofit arms of employers dedicated specifically to providing emergency assistance to employees) to deliver financial capability services. Employers pursuing this model largely used it to administer emergency assistance programs for staff, although the funding mechanisms and models varied across employers. One employer reported that they funded their employee assistance program with employee donations, which necessitated the development of a complementary nonprofit arm to collect and distribute these funds to employees with financial needs. Another employer we interviewed used blended funding for their nonprofit emergency assistance program, drawing on employee and retiree donations as well as grant funding from the employer. Both employers with complementary nonprofit organizations had dedicated nonprofit staff who led the development of financial capability interventions for employees, including emergency assistance and incentivized savings programs. Each employer reported that in developing and implementing such partnership models, they collaborated with other employers developing similar models through industry conferences and one-on-one calls to learn from one another's efforts.

"But what's amazing with [being employee donation driven] is we actually find the highest percentage of participation in contributions to the fund come from our stores that have the highest number of people that have needed assistance, and I think it really just illustrates that when people see a nonprofit in their own immediate community that's

done something to impact other people…they're willing to give to that nonprofit because they see the end result of it."

—employer with a complementary nonprofit offering emergency assistance describing the value of this model

Some Employers Bundled Financial Capability Services

While most of the employers we interviewed allowed employees to select which services to participate in a la carte, several employers tried to thoughtfully bundle or group different financial capability services together to better meet employees' needs. One of the employers reported that they advertised a range of financial capability services to employees and encouraged employees to take advantage of multiple offerings; for example, when employees come in to learn about their credit score, they are also encouraged to take advantage of counseling sessions or loan services.

Interestingly, we found that many employers we interviewed who offered emergency assistance loans and grants to employees made efforts to pair these with other financial capability services. Only one employer reported having mandatory requirements for financial capability services to be administered jointly. This is further discussed in the section directly below.

Some Employers Bundled Emergency Assistance Programs with Other Financial Capability Services

In our interviews, a common bundling strategy was to pair emergency assistance programs that provided financial support (such as grants, loans, or cash assistance) with other financial capability services. For example, one employer's employee-sponsored small-dollar loan program included automated savings after loans were repaid, enabling employees to automatically save a small portion of their paycheck. The employer shared that "Nine times out of ten, [employees] go, 'You know what, I just got used to that [weekly deduction]! And I looked at my check of like, oh my God, I got $350 in my savings account!'" Similarly, other employers we interviewed bundled emergency assistance programs with financial education, financial coaching, or financial counseling in mandatory and nonmandatory ways. For example, one employer required employees who requested emergency assistance grants multiple times to participate in a financial education course before receiving subsequent grants. This employer reported that pairing multiple requests for assistance with financial education was intended to help employees identify and potentially address the "root cause" of their financial challenges that led them to frequently request assistance.

Many Employers Offered Financial Capability Services to All Employees When They Started; Others Limited Participation in Services According to Eligibility Guidelines

In this section, we discuss (1) eligibility guidelines for employees' participation in financial capability services and (2) how employers shared information about service offerings with eligible employees.

Employers Often Offered Financial Capability Services to All Employees

Most employers we interviewed offered financial capability services to their entire full-time staff because they believed all employees could benefit from them. If employers reported limiting eligibility to certain groups, they often reported limiting services to employees making below a specific income threshold, those who were employed full time, or those working certain types of roles (e.g., noncorporate office staff). For example, one employer reported their eligibility guidelines as follows: "You had to be a benefit-eligible employee [to access a program]. So you had to be here for at least three months, and I believe it was for full-time and part-time employees, so contingent employees and seasonal employees wouldn't have been eligible."

Employers Introduced Employees to Financial Capability Services at Onboarding and throughout the Year

Employees were often introduced to financial capability services when they started, with some interviewed employers reporting that they made efforts to consistently communicate with employees about financial capability services available to them. Some employers used formal mechanisms such as weekly newsletters, internal advertising campaigns, information on a website, and physical advertising in person to share information about financial capability services with employees, while others relied on word-of-mouth and informal referrals. A couple of the employers interviewed reported developing automatic mechanisms to get employees connected with services—for example, one employer made paycheck deductions for savings automatic after employees repaid employer-sponsored small-dollar loans to support employees in accruing savings.

"We do home mailing, so we'll either work with a vendor to send something standalone or every October [or] November [to promote our financial capability services, as well as] during our open enrollment period, where people can reelect their medical insurance and things like that. We…send a packet of materials to employees, homes, and in addition to our big benefit booklet, we have highlighted resources. [Employees] can use it as a time to think about everything they have going on."
—employer describing how they promote financial capability services offerings to employees

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Many Employers Measured the Performance of Financial Capability Services, but None Conducted Impact Evaluations

Although none of the employers we interviewed conducted impact evaluations to measure the efficacy of services, many tracked program outputs, collected anecdotes, and informally assessed progress toward goals. Several reported conducting surveys to capture employees' perspectives on financial capability services or using program data to explore changes in employees' performance and outputs over time.

Interviewed employers most often reported that they tracked program outputs or gathered anecdotes and feedback from employees to gauge how employees (and their organizations) were benefiting from financial capability services. However, employers differed in their definitions of success, which we further explore in the section below. In addition to using program information to understand how well the program was operating, employers also reported using surveys, anecdotes, informal feedback, and program data to further develop services, including determining what kinds of services to offer in the future and which services were most impactful and deserved further investment. Below, we describe in further detail the different definitions and metrics employers used to understand the success of the financial capability services they offered.

Employers Used Different Definitions of Success for Financial Capability Services

The employers we interviewed had varying definitions of success for their financial capability services and used a range of metrics to track progress toward these goals. Across employers, there were several common definitions of success, including (1) reducing employee financial distress and improving financial stability; (2) improving employees' financial knowledge; (3) changing employees' financial habits and behavior; and (4) improving employee satisfaction and retention.

Reducing Employees' Financial Distress and Improving their Financial Stability

Several employers highlighted that they tracked metrics that provided a window into employees' financial stability and distress—a key measure of program success articulated by several interviewees. However, each employer varied in what metrics they used to capture this. Some employers we interviewed reported tracking the number of financial emergencies across the organization, levels of emergency savings, and the number of employees experiencing emergencies, such as housing crises or food security struggles.

"So how do we define success? I think the reduction in emergencies that come up...If we were able to lower the number of people who come to us or come to the case manager with housing struggles, with food security struggles, with anything that like that. I think that helps us to know that we're heading in the right direction, and we're helping people be more self-sufficient. I think seeing a reduction in those types of crises would help us know that we're moving in the right direction."
—employer describing program outputs for financial capability services

Improving Employees' Financial Knowledge and Confidence

A couple of the employers we interviewed defined the success of financial capability services in terms of improving employees' financial knowledge and comfort using financial systems. Several employers described the role that financial capability programs could have in connecting employees to mainstream financial services and improving their ability to navigate these systems, especially for employees who distrust financial institutions.

While some employers identified an interest in building employees' financial knowledge, others identified a need for employees to feel supported and confident navigating complex financial systems. For example, one employer described how "people know how to budget. We don't think of people as being financially illiterate. We think that actually people that are living paycheck to paycheck are pretty financially savvy. They just don't have the same backstop as other people," and financial capability services play a role in connecting employees to these needed backstops.

Changing Employees' Long-Term Financial Behaviors

A couple of employers we interviewed were interested in helping employees develop better financial behaviors over the long term. These employers reported that they hoped the financial capability programs they offered would have a long-term impact on improving economic stability and security in employees' lives beyond the immediate financial product or service offered. For example, one employer described their efforts to capture anecdotes of how employees changed their financial behavior and measured employees' continued savings after the matched savings program ended: "It was not even necessarily the stats on the amount of money that people saved but to see the habits changing—that to me is the ultimate in success when you're trying to convince people to have emergency savings, so that that was certainly our metric. There is how many people save, and then, how many people continue to save."

Bolstering Employee Retention and Referrals

The employers we interviewed often assessed the success of financial capability services using program data on employee retention and referrals, which helped them capture how well programs helped them keep and hire staff. Several employers reported that these metrics helped justify the program and its value to business operations. For example, one employer reported how financial capability services were a "huge deal [because] it actually helped us retain more people."

Employers Faced Some Challenges in Implementing Financial Capability Services

Employers offering financial capability services to employees reported several challenges in implementing and scaling these programs and described their efforts to address challenges. In our interviews, employers highlighted several key challenges, including (1) sharing information about service offerings with employees and reaching a large group; (2) tailoring financial capability service offerings to meet employees' needs (3) capturing program impact amid employee turnover; and (4) scaling administrative processes in enrolling, tracking, and delivering financial capability services. Each of these challenges is described further below.

Finding Ways to Effectively Share Information about Services with Employees

Successfully sharing information about financial capability services was reported as a challenge for some of the employers we interviewed because of constraints on staff time and resources. Several employers we interviewed reported that communicating about financial capability services with employees requires staff time and attention, which may not be feasible to give based on other work obligations. A few employers described how this is crucial because take-up connects to the levels and types of information available to employees about financial capability services offerings. Additionally, some employers identified language translation as a challenge in reaching employees who could benefit from financial capability services, but often employers were unable to translate materials into all the languages requested by employees.

Tailoring Financial Capability Services to Meet Employees' Needs

Ensuring that financial capability programming met employees' needs was a key challenge reported by interviewed employers. Multiple employers we interviewed noted that they had concerns about whether the financial capability services were a good match for the financial situations of their employees and debated about the types and mix of services they should offer. For example, one employer reported they had concerns that offering a low-interest loan led employees to divert money from potential savings to paying interest instead: "I like having the option to offer a low, relatively low interest loan to our staff. But my [goal] is that they don't have to use that because there is still interest that's incurred…I don't like them to have any interest that they have to pay back because it pulls away from their ability to save." Other employers reported on how their concerns over whether financial capability services were meeting employees' goals inspired them to develop new services. For example, one employer reported that employees with low incomes were often not able to save enough money to access a 401(k) match because they were struggling to meet basic financial obligations, making an emergency savings program necessary to facilitate access to other employer benefits.

"Part of the implementation of it is to kind of correlate the emergency savings program to a lack of involvement in the 401(k)...People don't have emergency savings, and this is probably why they are not doing a 401(k). It's going to be years and years before you can draw on it. [The emergency savings program] is a pretty low-cost program to run."
—employer describing how their emergency savings program was established

Capturing Program Impacts and Sustainability amid Employee Turnover

During the interviews, multiple employers cited frequent employee turnover as a key challenge, describing how this made it difficult for financial capability programs to be effective because employees may not spend a long time in the programs and there are regularly new employees to train and get connected to services. Additionally, employers described that when employees leave the organization after short periods, it is hard for them to understand if the financial capability programming is effective and if employees are in a better financial position after the program. One employer reported that turnover led them to suspend operations for one of their services, as it was financially untenable to continue offering loans as a service, as many loans went unpaid when employees stopped working at the organization.

"How do you know what was working when that person was here for four months. All of a sudden, it's a no call, no show. Where did they go? We have no idea. That's a challenge—how do you help people do a good job?"

—employer describing the challenge of employee turnover within financial capability services

Scaling Administrative Processes to Serve More Employees

Employers we interviewed also identified that scaling financial capability services to reach larger numbers of employees could be challenging. Employers described how providing financial capability services to employees required significant staff time and attention. Specifically, meeting documentation requirements (e.g., applications and forms) was challenging because of the volume of work and complexity of information needed to administer programs. For example, one employer reported the pace of administering services was reaching capacity: “This year the number that we work with is pretty high for literally a team of one case manager. She goes through a lot of applications and it’s very busy, so I think that’s a challenge.” Several employers we interviewed expressed similar sentiments about building capacity for not only implementing, but also scaling financial capability services across a greater number of interested employees. They articulated the ways that systems for administration and staffing may not be sufficient for expanded scope.

Implications for Practice and Research

The information we gathered for this project suggests that some employers offer a range of financial capability services to employees to support their financial well-being, drawing on internal and external partnerships to make such services available. Although these findings have implications for possible policy changes, exploring such implications is out of the scope of this brief. Here we focus on implications for employers, financial capability partners, and E&T programs and services under the current policy environment. Future research could rigorously evaluate the impact of employer-provided financial capability services on employee financial well-being, as well as explore implementation challenges and solutions in providing these benefits, to advance our understanding of how employers can best support financial well-being.

Considerations for Employers

Employers’ experiences in our study suggest that they could offer financial capability services to employees to help them build financial skills, knowledge, and agency, and to facilitate employees’ access to resources to promote positive financial behaviors. Employers reported that they found offering these services helped them retain employees by providing additional supports for them to weather financial emergencies, even in industries that have high levels of employee turnover—and felt it ultimately helped them meet their organizational mission. Despite this, there were still employees with demonstrated financial needs who left the organization. For these employees, employers reported interest in finding ways to understand how their services influenced these former employees so they could get a more holistic understanding of the reach and impact of services.

Similarly, employers we interviewed reported interest in assessing the financial feasibility of offering services, or the costs of offering such services in relation to potential benefits. Most employers described how although financial capability services take time, effort, and resources to administer, they ultimately felt that offering these services to staff supported the organization’s business operations. However, this was not the case for all employers and services offered—some employers reported that severe employee turnover threatened the financial viability of offerings, particularly of loan programs, where repayment was a key component of the financial solvency of such services. Together, these insights suggest that employers may benefit from offering financial capability services to employees by boosting employee retention, but careful attention must be paid to ensuring that offering these services remains possible and sustainable.

Beyond understanding the benefits financial capability services can bring to employees and the organization as a whole, employers described how to strengthen and improve services for employers who already offer them. Employers we interviewed suggested the following: (1) leveraging digital tools, such as digital apps and web-delivered services, to more efficiently and effectively reach employees; (2) developing services across languages spoken by employees; (3) bundling services strategically so they meet specific employee needs; and (4) helping employees build trust in navigating financial institutions and services comfortably and confidently. For example, several employers we interviewed reported on how digital apps and platforms for offering financial capability services enabled them to connect with more employees in ways that fit into their lives well. Similarly, some employers acknowledged that current financial capability services, such as financial education or coaching, were not available in all the languages their employees communicated in, and this could be an opportunity for expanding the accessibility of services to a broader group of employees. As discussed before, some employers also thoughtfully considered how to bundle financial capability services—employers who did this saw it as an area for further refinement so they could build a suite of services well-tailored to employees' needs. Finally, several employers described how employees were distrustful of financial institutions and acknowledged that in developing and offering financial capability services to employees, employers could be mindful of opportunities to build employees' trust and comfort in navigating complex financial systems.

Considerations for Financial Capability Services and E&T Providers

Financial capability partners and practitioners can advance their goals of successful participant financial security by continuing to develop resources and partnerships with employers to deliver services directly to employees. Several employers we interviewed described how they began offering financial capability services as outside financial capability partners approached them with opportunities. They described how even cold outreach from partner organizations encouraged them to think about what financial capability services they could offer to staff, as such services were not previously on their radar. Based on what we heard from employers during this study, financial capability practitioners could consider continuing to invest in partnership development, including cold emails or cold calls, with employers to help reach employees who could benefit from their offerings. Additionally, it was evident from our interviews that a subsect of employers offered financial capability services as a key benefit to employees. Financial capability partners and practitioners could meet their goals of successful participant financial security by encouraging participants with employment or seeking employment to ask questions about what potential services employers offer to employees, to ensure participants get the financial well-being supports they need from employers.

E&T programs and services could draw on several lessons we learned from employer-provided financial capability services in developing their partnerships to deliver financial capability services to program participants. For example, E&T programs and services could start or continue (1) assessing how to integrate financial capability services in existing program offerings by partnering with external nonprofit organizations, financial technology firms, and banks and credit unions; (2) tracking metrics of program success to better tailor financial capability services to meet program participants' unique needs; and (3) strategically bundling services to help program participants get access to the financial resources they need and gain the confidence, knowledge, and ability to meet their financial needs. Such suggestions are not unique to employer-based financial capability or E&T services but were mentioned by several employers as strategies they used to tailor services to meet employees' needs and meet predefined metrics of success.

In addition to these lessons, E&T programs can see how employer-provided financial capability services are part of the landscape the people they serve may encounter.

Directions for Future Research

Further research is needed to better understand how employer-offered financial capability services support employee financial well-being.

- **Tracking implementation challenges and solutions.** First, our interviewees identified challenges in implementing financial capability services, especially as employee demand for them rises. Specifically, interviewees named challenges in (1) scaling up administrative capacity as employee demand for services has increased; (2) meeting all employees' information needs through materials in multiple languages; (3) creating information-collection processes to inform the development and tailoring of services to diverse employee financial well-being needs; and (4) assessing the balance of costs and benefits (to employees and the organization) in offering such services. Research could help explore these implementation challenges and potential solutions to support employers in efficiently and effectively administering financial capability services to employees.
- **Rigorously evaluating financial capability services' efficacy.** Second, while several of the employers we interviewed reported that they tracked program outputs, none evaluated the *efficacy* of program offerings, meaning the impact or effect that services have on participants' outcomes, relative to similar nonparticipants. Many employers we interviewed reported tracking program outputs among participating employees but did not develop this type of causal evidence that quantifies the impact of program offerings on outcomes. Research on program efficacy through quasi-experimental studies or randomized controlled trials can help changemakers understand how financial capability services impact different dimensions of financial well-being, for whom different services work best, and in what contexts these services are most effective. This research could inform employers' decisions and the development of financial capability services for their employees.

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