After a year of COVID-19 disrupting people’s lives, finances are the top cause of employee stress, even above job, health, and relationship stress combined. This has added to the stress many employees are already feeling, with nearly two-thirds of full-time employees saying their financial stress has increased since the start of the pandemic.

63% of employees say that their financial stress has increased since the start of the pandemic

Our 2021 Employee Financial Wellness Survey of 1,600 full-time employed US adults found that many employees are experiencing deep financial strain. Employees whose financial stress has increased due to the pandemic are:

- four times as likely to have experienced a decrease in overall household income
- four times as likely to find it difficult to meet household expenses on time each month.
- twice as likely to have used a payday loan or payday advance in the past year
- twice as likely to have taken a loan or distribution from their retirement accounts
- twice as likely to be considering postponing their retirement

Employers need to engage and retain productive employees, yet the day-to-day challenge of trying to pay bills and manage finances is leaving employees stressed and distracted at work.
How can you foster a culture of financial wellness and support to help your workforce better manage their money during these critical times and in the future?

1. Make the business case for supporting employee financial health

Employee financial distress has intensified in the past year, coinciding with a time in which some employers have taken cost-cutting measures like layoffs, reducing salaries, freezing raises or bonuses or cutting back on other rewards.

Consider the key metrics your organization values — areas like productivity, retention, and physical health. All have costs that directly impact your organization’s bottom line in terms of lost productivity due to distractions, turnover costs like recruiting and training, and larger medical costs when issues aren’t promptly addressed. Employees whose financial stress has increased due to the pandemic are nearly four times as likely to admit that their finances have been a distraction at work. They’re also more likely to be attracted to another company that cares more about their financial well-being and twice as likely to have avoided addressing a medical issue due to cost.

Employers who invest in improving employee financial health can reap long-term benefits in metrics that matter to the organization, but it starts with a commitment to employee financial wellness as an integral piece of your organization’s total wellness culture.

Pandemic financial stress is impacting organization’s bottom line

<table>
<thead>
<tr>
<th>Employees whose financial stress increased due to pandemic</th>
<th>Employees whose financial stress did NOT increase due to pandemic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity</td>
<td></td>
</tr>
<tr>
<td>Finances have been a distraction at work</td>
<td></td>
</tr>
<tr>
<td>45%</td>
<td>12%</td>
</tr>
<tr>
<td>Retention</td>
<td></td>
</tr>
<tr>
<td>Would be attracted to another company that cares more about financial well-being than their current company</td>
<td></td>
</tr>
<tr>
<td>72%</td>
<td>57%</td>
</tr>
<tr>
<td>Health</td>
<td></td>
</tr>
<tr>
<td>Avoided having a medical issue addressed due to cost</td>
<td></td>
</tr>
<tr>
<td>57%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Employee Financial Wellness Survey January 2021: base of 1,600 full-time employees
2. Recognize what’s happening at home

Our survey of full-time employees offers employers a glimpse into employees’ personal lives and their financial constraints. Overall household income has decreased for more than one in four U.S. employees. We see this across income levels and find that many employees are concerned that their household income won’t return to the same level as before. Interestingly, while some people may assume that employees who are able to work from home would be less stressed, our survey found that employees working from home actually are more likely to say their financial stress has increased due to the pandemic.

After a year of uncertainty, household job loss, and reduced incomes, employees have witnessed firsthand the importance of having a financial cushion for unexpected events. Yet they remain woefully underprepared.

- Less than half (47%) say they would be able to meet basic expenses if they were out of work for an extended period.
- Nearly half believe they’ll need to use money in their retirement plans prior to retirement.
- Employees are carrying credit card balances longer and owe more on their cards than last year. Fallout from the pandemic has exacerbated these habits.

Forty-two percent of full-time employees find it difficult to meet household expenses on time each month. Student loan debt, housing and food costs, and rising health insurance rates all contribute to employee insecurity. More employees have considered filing for bankruptcy protection than ever before in the 10-year history of our survey and concerns about housing foreclosures have also increased.

Source: PwC’s 10th annual Employee Financial Wellness Survey, PwC US, 2021

January 2021: base of 1,600 full-time employees
Meanwhile, the weight of caregiving responsibilities during the workday affects the vast majority of those with dependent children — 83% reporting having at least one child at home during the workday. Nearly one in four employees has left the workforce to become a full-time caregiver. This exodus has disproportionately affected women and people of color, which may also be damaging to employers’ diversity and inclusion efforts.

Employees who are not yet concerned about the longer-term personal financial impact of the pandemic are in the minority at this point. Younger workers are worried about day-to-day expenses; older employees are focused on stock market volatility and how long the pandemic will last before impacting them financially.

**Top pandemic financial concern by generation:**

**Gen Z**
- 42% How I’ll pay my bills without additional government relief programs

**Millennials**
- 31% How I’ll pay my bills without additional government relief programs
- 21% How long the pandemic will last before impacting me financially

**Gen X**
- 25% How I’ll pay my bills without additional government relief programs
- 21% How long the pandemic will last before impacting me financially

**Baby Boomers**
- 23% How long the pandemic will last before impacting me financially
- 21% Volatility in the stock market has put my retirement or other goals at risk

One way employers can help is by offering personalized benefits to help employees meet their individual needs. As the US workforce has evolved to become the most multi-generational in our history, employees are looking for a wider range of options to address their own financial situations, from student loan paydown plans to retirement options. While incentives like workplace flexibility are important, employers may also need to rethink incentives and compensation packages to reflect a spectrum of needs.
3. Leverage momentum to promote good financial habits

Even during this pandemic year, we see glimmers of positive change. There’s some indication that employees are saving more — 58% of employees are saving more than 10% of their income (vs. 50% last year). Seventy-two percent have saved more than $1,000 to deal with unexpected expenses (up from 62% last year). Consistent with recession-era behaviors, among the two-thirds of employees who say they’ve changed their spending behavior in the last 12 months, 43% have saved more money and many have reduced their spending on essential items. Yet spending cutbacks may not last.

Employees need a trusted source of guidance customized for both ends of the spectrum -- those employees who are saving more and those grappling with serious financial issues. Employers have a unique opportunity to gain employees' attention and offer practical guidance, capitalizing on employees' desire to protect themselves from future emergencies. This is the time to encourage intention and prudence when it comes to managing and spending money so employees won’t end up in a worse situation later on.

With more than 50% of financially-stressed employees embarrassed to ask for help with their finances, employers need to ask about their financial health in ways that preserve employee dignity and privacy. Employee financial assessments can pinpoint where people are struggling and enable organizations to focus and personalize resources for their most vulnerable populations.

Employees are changing their spending habits

65% of employees have changed their spending behavior in the past 12 months*:

- Reduced the cost of essential items: 53%
- Postponed a major purchase: 43%
- Saved more money: 41%
- Started going without items or services they had been previously purchasing: 27%
- Spent more money on optional expenses: 22%
- Changed spending habits in some other way: 17%

*Respondents could choose as many answers as applicable

Source: Employee Financial Wellness Survey
January 2021: base of 1,600 full-time employees
4. Implement a technology solution paired with human interaction and guidance

The economy is expected to rebound, but economists have predicted an unequal recovery that may leave whole segments of the population behind. Financial guidance for employees will be critical, especially for purpose-led organizations. If employee financial wellness is not addressed, the added mental stress will likely continue to take its toll on productivity and well-being. According to our PwC Pulse survey, addressing employee mental health and wellbeing is a top priority for CHROs.

Employees overwhelmingly crave help with their finances. One-third rank a financial wellness benefit with access to unbiased coaches as the employer benefit they’d most like to see added at their organization, and usage of employee financial wellness programs is at an all-time high. According to the 2020 PwC Touchstone survey of employers, financial wellness programs were more frequently offered after the COVID-19 shutdown occurred, and well-being programs are likely to continue to be a central focus for employers as they look for ways to support their workforce.

Still, nearly one in five employees will wait to seek financial guidance until they experience a financial crisis related to debt, cash flow, unexpected expenses, or job/income loss. To be competitive, employers should provide financial wellness benefit offerings that continuously engage employees. These offerings can help with planning and prevention in addition to intervention when issues may be more severe and options more limited. Implementing such resources now may also help stave off pent up destructive financial behaviors as the pandemic subsides and consumer confidence improves, when employees may have more opportunities for travel and other discretionary spending.

When it comes to personal finances 87% of employees want help

<table>
<thead>
<tr>
<th>13%</th>
<th>51%</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don’t need anyone else’s help</td>
<td>I want to make my own decisions, but want someone to validate that decision</td>
</tr>
</tbody>
</table>

36%

I want specific advice (I want to be told what to do)

Source: Employee Financial Wellness Survey
January 2021: base of 1,600 full-time employees
Online tools can be particularly useful when it comes to educating employees and assisting them in tracking their spending and savings and can also help them better understand how they compare to their peers. Employees also expect a high degree of personalization and benefit from one-on-one financial coaching to motivate them and emphasize the accountability and ongoing support that can lead to meaningful behavioral change and financial resilience.

**Employees who have used the financial wellness services their employers provide***

![Graph showing percentage of employees using financial wellness services over years](chart)

*Of the 35% who say that their employer offers services to assist them with personal finances

Source: PwC’s 10th annual Employee Financial Wellness Survey, PwC US, 2021
January 2021: base of 1,600 full-time employees

---

**About the PwC Employee Financial Wellness Survey**

PwC conducted an online survey of 1,600 full-time employed US adults in January 2021. This is the survey’s 10th year tracking the financial well-being of U.S. employees.

---

**Contact us:**

Cornell Staeger
Principal, PwC US
cornell.staeger@pwc.com

© 2022 PwC. All rights reserved. PwC refers to the US member firm or one of its subsidiaries or affiliates, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.