



Employee Financial Wellness Programs: Differences in Reach by Race and Ethnicity

Employee Financial Wellness Programs (EFWPs) consist of a wide array of workplace-based services and benefits that aim to enhance employees' financial well-being, such as in-person financial coaching, online financial management tools, and payroll advances or short-term loans. EFWP provision varies across employers with few organizations offering the same set of services. The recently released Employee Financial Wellness Programs Project: Comprehensive Report of Findings notes that EFWP utilization rates and employee self-reported benefits also vary widely. This report continues the examination of variation in EFWP trends by breaking down measures of EFWP reach by employee race and ethnicity. We examine three measures of differences in EFWP reach: awareness of, use of, and self-reported benefits from EFWP services. By examining these three measures by employee race and ethnicity, we hope to determine whether any group of employees has a substantially different experience with EFWPs than others.

Experience with EFWPs may depend on pre-existing employee financial conditions that prior research indicates vary by race and ethnicity. Historically, wealth building mechanisms, such as homeownership, have been racially restricted, leading to sizable racial wealth gaps. These wealth gaps persist today and have been exacerbated by a continued racial bias in access to wealth building financial products¹. Currently, white households have about six times the wealth of Hispanic households and seven times the wealth of black households².

Compared to white households, black and Hispanic households are also less likely to feel

financially secure³, to be able to come up with \$2,000 in an emergency⁴, and to make ends meet after experiencing a financial shock⁵. Black and Hispanic households also have less liquid savings⁶ and are more likely to experience material hardship⁷ than white households. Furthermore, liquid assets do less to mitigate hardship risk for black and Hispanic low- and moderate-income (LMI) households in the face of financial shocks compared to white households⁸.

In addition to having lower levels of overall financial security, black and Hispanic households are also more likely to use high-cost alternative financial services (e.g., payday loans), which have a greater presence in areas with larger black and Hispanic populations⁹. In this larger economic context, EFWPs may help reduce racial and ethnic gaps in financial well-being by providing services which may otherwise be less accessible to black and Hispanic households. Therefore, it is important to understand whether experiences with EFWPs vary by race and ethnicity.

Methods

The data in this study were gathered from a set of questions concerning EFWPs in the 2016 Household Financial Survey, a survey administered to low- and moderate-income (LMI) tax filers as part of the Refund-to-Savings initiative that was conducted in partnership with Intuit Corporation to encourage tax-time saving.

The study sample included 16,650 respondents who indicated that they were employed either full- or part-time and thus had the potential to be offered an EFWP (see Table 1). Awareness and utilization of, benefits from, and reasons for not using seven different types of EFWP services were examined. This report breaks down these responses by race and ethnicity, using bivariate analyses for each type of EFWP service and multivariate analyses regarding any EFWP service using sampling weights and covariance control¹⁰.

Findings

Characteristics of the study sample are reflected in Table 1 below. A greater proportion of respondents were employed full- compared to part-time, and nearly half of the sample had a college degree or higher. With an average age of 32, the sample was relatively young.

Awareness

Awareness was measured as the proportion of respondents who indicated knowing whether or not their employer offered an EFWP service (vs. not knowing) in response to the question, “Please indicate whether your employer offers each of these services and, if so, if you have ever used it.” Most services had a consistent awareness rate of between 60% and 64%. Yet, for each of the seven EFWP services, there were statistically significant differences in awareness by race/ethnicity, as reflected in Table 2.

Black and Asian employees were less aware of whether or not EFWP services were offered compared to white, Hispanic, and multiracial/other race employees, differences that were consistent across the seven services. After accounting for other factors such as age, educational attainment, employment sector, liquid net worth, and financial habits, black employees had 30% lesser odds of knowing whether or not EFWP services¹¹ were offered than white respondents ($p < .01$). Asian, Hispanic, and multiracial or other race employees did not have significantly different

EFWP awareness rates than white employees.

Utilization

Utilization was measured as the proportion of respondents who said they used an EFWP service out of the total share of respondents who knew whether or not their employers offered each service, based on the same question used to measure awareness. The proportions of respondents who said their

employers offered these services ranged from only 4 to 10%. Consequently, sample sizes to assess utilization rates were small.

For those who said their employers provided an EFWP service, utilization was low. Generally, less than one-third of employees who had access to these services used them. Differences by race and ethnicity concerning utilization rates were evident. All but one service had statistically significant utilization rate differences by race

Table 1
Sample Characteristics (N = 16,650)

	% or Mean (SD)
Race/ethnicity	
White, not Hispanic	72
Black, not Hispanic	7
Hispanic	10
Asian, not Hispanic	5
Multiracial	4
Native American or Pacific Islander	1
Other	1
Age	31.60 (11.94)
Educational Attainment	
High school diploma or less	15
Some college	38
College degree	30
Some graduate or professional school	7
Graduate or professional degree	10
Employment Status	
Full-time	58
Part-time	42

Table 2*Awareness of Whether or Not EFWP Services Were Offered by Race/Ethnicity (N = 16,279)*

EFWP Service	White %	Black %	Hispanic %	Asian %	Multi-racial, other %	<i>p</i>
Financial management classes	64	58	67	59	62	***
Online financial management tools	64	58	66	58	61	***
Financial coaching (in person)	64	59	67	58	62	***
Financial coaching (phone)	64	59	66	58	63	***
Credit counseling	62	56	65	57	60	***
Debt management services	61	56	65	56	60	***
Payroll advances/short-term loans	63	60	66	57	61	***

****p*<0.001

and ethnicity (see Table 3).

White employees generally had the lowest utilization rates, while Asian and Hispanic employees had the highest rates for four and three of the services, respectively. Credit counseling services had the greatest differences in utilization followed by debt management and financial coaching by phone. Conversely, utilization of online financial management tools was very similar across race and ethnicity. After controlling for employees' demographic, financial, and behavioral characteristics, Hispanic employees had 140% greater and marginally significant odds of using any of the seven EFWP services compared to white employees (*p* = .052). No other differences by race/ethnicity were statistically significant.

Reasons for Not Using EFWPs

To measure reasons for not using EFWP services, respondents were asked, "If your employer does offer financial management services and you choose to not use them, why do you not use these services?" followed by a list of six possible reasons reflected in Table 5: "I don't need these services," "I wouldn't want my employer/other employees to hear about my personal financial situation," "I don't think these services would help me," "I wouldn't trust my employer to be concerned with my financial well-being," and, "I can get personal financial help elsewhere."

The most frequently selected reason for non-use was lack of need (63%). Less than 20% of respondents cited any of the other five

Table 3*Utilization of EFWP Services by Race/Ethnicity (N = 1,597)*

EFWP Service	White %	Black %	Hispanic %	Asian %	Multi-racial, other %	<i>p</i>
Financial management classes	25	35	36	31	24	*
Online financial management tools	32	35	38	37	32	ns
Financial coaching (in person)	21	31	33	31	20	**
Financial coaching (phone)	12	22	18	27	15	***
Credit counseling	14	19	31	34	15	***
Debt management services	13	27	29	31	17	***
Payroll advances/short-term loans	11	12	11	17	13	**

p*<0.05, *p*<0.01, ****p*<0.001

Table 4*Reasons for not Using EFWP Services by Race /Ethnicity (N = 2,647)*

Reason for not using services	White %	Black %	Hispanic %	Asian %	Multi-racial, other %	<i>p</i>
Do not need services	65	42	58	66	62	***
Confidentiality - employer	12	22	15	13	17	**
Confidentiality - other employees	9	17	9	9	16	**
Services will not help me	17	18	16	13	20	ns
Do not trust employer	6	10	5	5	8	ns
Can get help elsewhere	18	16	13	14	15	ns

p*<0.01, *p*<0.001

reasons for non-use. Out of the six response options for not using EFWPs, three had statistically significant differences by race and ethnicity: not needing services, not wanting employers to know about their financial situation, and not wanting other employees to know about their financial situation.

The largest differences were in response to the “do not need” option. Most white, Asian, Hispanic, and multiracial employees cited a lack of need as a key reason for non-use, yet less than half of black employees cited lack of need. Black employees had the highest proportion of respondents who cited confidentiality concerns.

Benefits

Employees were asked, “For any of the above services that you have used, how has this service(s) affected you as an employee?” and

given a list of four possible benefits: “Helped me concentrate more on my job,” “Made me feel better about being an employee of my company or organization,” “Made me feel better about coming to work,” and, “Reduced the amount of time I missed from work due to personal financial issues.” Over two-thirds of employees (68%) reported that they received at least one benefit from using an EFWP service.

When looking at specific benefits of EFWP use that employees reported, only the benefit of improved concentration at work had significant differences by race or ethnicity. Though black, Asian, Hispanic, and multi-racial respondents were all more likely to report experiencing any benefit from EFWP services than white respondents, none of these differences were statistically significant after controlling for employees’ demographic, financial, and behavioral characteristics.

Table 5*Benefits from Using EFWP Services by Race/Ethnicity (N = 1,156)*

Benefit reported	White %	Black %	Hispanic %	Asian %	Multi-racial, other %	<i>p</i>
Helped me concentrate more	27	27	33	42	43	**
Felt better about employer	48	48	47	32	54	ns
Felt better about coming to work	30	28	27	22	37	ns
Reduced time missed from work	18	19	19	14	22	ns

***p*<0.01

Conclusions and Implications

When reporting on their awareness and use of EFWP services and benefits gained from using those services, employees of different races gave different responses. We found that black employees were less aware of EFWP services than employees of other races and ethnicities, even after controlling for occupation and other factors. This finding suggests that employer communications about EFWP service availability may not be reaching all employees, possibly due to differences in work conditions such as hours and work site. Given the higher rates of financial distress among black households noted in the introduction, many of the employees who have yet to hear about EFWP services could be the ones most likely to benefit from these services.

We also found that black, Asian and Hispanic employees all had considerably higher utilization rates compared to white employees. These gaps in utilization rates were highest for financial coaching, credit counseling, and debt management services, which all involve interaction with helping professionals, financial self-disclosure, and a greater commitment of time and effort to use. In contrast, there were only slight differences by race and ethnicity concerning use of services requiring little time and no or minimal direct interaction.

Yet, after controlling for a host of factors, including whether employees had bank accounts, only Hispanic employees had much greater odds of using services. Still, these findings suggest that the workplace may offer opportunities for racial and ethnic minority employees to receive services such as credit counseling that these employees otherwise might not seek in community settings.

The workplace as an additional distribution channel for services that can promote financial health may be especially important for black and Hispanic households due to current limitations in access to financial resources. Compared to white households, black and Hispanic households have less access to and use of financial services¹², lower credit scores with less access to affordable credit, and less access to financial help within

their family networks¹³. White employees had the lowest utilization rates of any group and nearly two-thirds said they did not need services, which may reflect that, despite also having lower incomes, white employees have access to resources that black and Hispanic employees may not.

The chief reason why LMI employees in our study sample did not use EFWP services was lack of need. Privacy, trust, and confidence in these services may not constitute significant barriers. However, black employees had greater concerns about confidentiality than other groups and their utilization of credit counseling – a service that requires a considerable degree of financial disclosure – was much lower than Hispanic and Asian employees. This concern may not be unfounded. O'Brien and Kiviat (2018) conducted a survey experiment with hiring professionals and found that a poor credit report as part of an application decreased starting salary offers for black compared to white applicants.

Conversely, Asian employees had the lowest confidentiality concerns and highest utilization of services requiring disclosure. These findings suggest that employers should be aware that employees may have different life experiences (including racial discrimination) that affect concerns about confidentiality in using EFWP services and take extra steps to assure that employees' use of services will be completely confidential.

Though EFWP services hold the promise of reaching LMI households with services and products through the workplace to promote improved financial well-being, experiences with EFWP services are not the same for all employees. Employers who hope to offer these services should anticipate that awareness, barriers, and utilization will likely vary with employees' race and ethnicity. As a result, a good starting point for employers is to survey their employees about their financial needs and engage them proactively in designing or selecting the EFWP service solutions that best fit their needs and circumstances.

End Notes

1. Blanchflower, Levine, and Zimmerman (2003); Dymski (2009); Oliver and Shapiro (2006).
2. Asante-Muhammed, Collins, Hoxie, and Nieves (2016).
3. Larrimore, Durante, Kreiss, Park, and Sahm (2018).
4. FINRA Investor Education Foundation (2016).
5. Pew Charitable Trusts (2015a).
6. Pew Charitable Trusts (2015b).
7. Sullivan, Turner, and Danziger (2008).
8. Despard, et al. (2018).
9. Asante-Muhammed, Collins, Hoxie, and Nieves (2016); Prager (2014).
10. Logistic regression with sampling weights based on the 2016 American Community Survey. Covariates included age, race/ethnicity, gender, number of children, education, full or part-time employment status, occupation, liquid assets, liquid liabilities, home, car, and bank account ownership, health insurance status, financial shocks, material hardship, and budgeting, spending, debt payment, and saving habits.
11. Excluding direct deposit.
12. Despard, Friedline, and Refior (2017); FDIC (2016).
13. Heflin and Patillo (2002). For example, see <http://www.pewresearch.org/fact-tank/2017/01/10/blacks-and-hispanics-face-extra-challenges-in-getting-home-loans/> and <https://www.federalreserve.gov/boarddocs/rptcongress/creditscore/creditscore.pdf>

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Disclaimer

Statistical compilations disclosed in this document relate directly to the bona fide research of, and public policy discussions concerning savings behavior as it relates to tax compliance. Compilations are anonymous and do not disclose information containing data from fewer than 10 tax returns or reflect taxpayer-level data with the prior explicit consent from taxpayers. Compilations follow Intuit's protocols to help ensure the privacy and confidentiality of customer tax data. The views and opinions expressed in this brief are those of the authors and do not necessarily reflect the views and opinions of the funders.

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