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commonwealth

illuminating a Hidden Safety Net:

Lessons from research into employee hardship funds

OUTLINE

- Research context
- Project goals
- Research methodology
- Employer perspective
- Employee perspective
- Conclusions and recommendations





RESEARCH CONTEXT

- Financial insecurity has risen in US households in the past decade
 - 4 in 10 families could not pay a \$400 emergency expense without borrowing or selling something
 - Almost 60% of US households experienced at least one financial shock in 12 months
- The frequency of natural disasters has increased, creating large and highly visible shocks for workers and their families
- The workplace has traditionally been a resource for workers facing a tough time financially
- Employee hardship funds are a mechanism to help workplaces manage financial assistance for workers in a more formal and consistent way while providing a unique resource: **a flexible, quick cash grant in a moment of need**



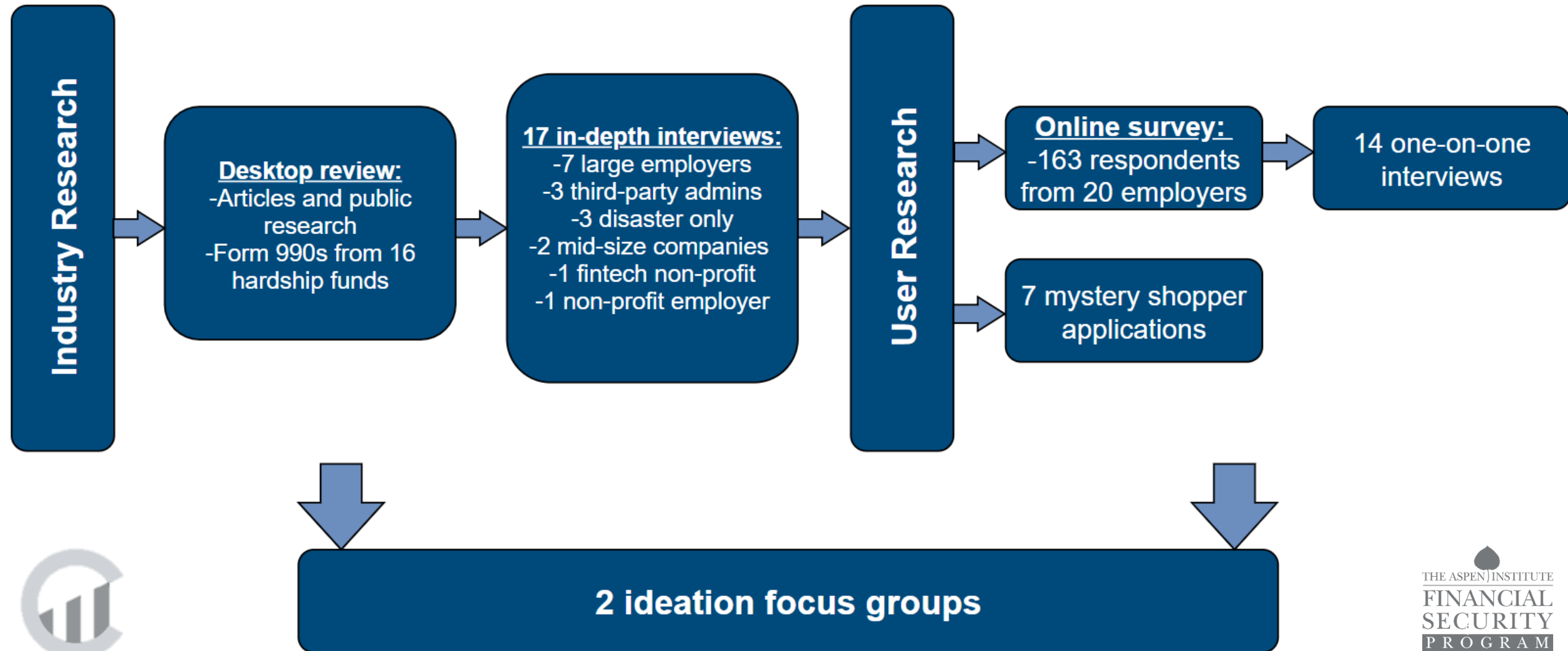


PROJECT GOALS

- Understand the role that employee hardship funds play from both sponsors' and workers' point-of-view
- Identify best practices, challenges, and opportunities
- Share findings that contribute to the dialogue about the changing nature of work and inform the design of a 21st century social safety net that delivers financial security for working families



RESEARCH METHODOLOGY



EMPLOYER PERSPECTIVE

STATED LEGAL MISSION

WHO is covered?	For WHAT?	WHEN?
associates	confidential, timely, short-term financial relief	as a result of disasters or other emergency hardship situations
employees	short-term, emergency financial assistance	in times of crisis when other resources are not available
and their immediate families		encountered [events] beyond their control
members of the United family		qualifying events
retirees		could not be expected to be adequately prepared through responsible financial planning and budgeting
qualifying associates		when experiencing extreme financial hardship
		due to natural disaster, illness or accident



WHAT MANAGERS SAY ABOUT PURPOSE

TOP ANSWERS:

Do the right thing

Let employees and others know what kind of company we are

Give employees a way to help each other

EMERGING ANSWERS:

Recruiting, retention and performance

Support financial health more broadly





OPERATIONAL DECISIONS

1	2	3	4	5	6	7
Fund Structure	Eligibility Guidelines	Application Process	Decision Making	Grant Disbursement	Fundraising	Complementary Offerings
Self-managed or outsourced? On P&L or separate charity?	Evidence or need based? Disaster only or personal hardship? Which hardship? Tenure?	Online, direct by employee, through HR or manager? Within a few days or weeks? Level of documentation?	Rule-based or committee-based?	Direct to vendor or individual?	Open to all or just certain levels? One-time campaign or ongoing? Tied to natural disaster?	Low-cost loans? Matched savings? Financial counseling? Connections to social services?

MATCHING USAGE AND FUNDING

The greatest challenge funds face is matching fund usage with available dollars. Funds have three levers here:



Successful fundraising campaigns can simultaneously increase funds available and drive awareness and an increase in applications.

EMPLOYEE PERSPECTIVES



RESEARCH PARTICIPANT PROFILE

- **88% of survey respondents received funds after applying**
- Survey respondents had relatively low and fluctuating incomes, low levels of assets, and high levels of debt
 - **69% do not save regularly**
 - **50% have drawn from retirement savings** for non-retirement expenses
- There was a wide range of use for the funds, but **housing expenses were most requested (50% of participants)**. Other common uses included:
 - Medical bills (29%)
 - Utilities (25%)
 - Food (22%)
- Interviews highlighted that **uses for funds are not necessarily linked to the emergency itself**

FINDINGS: AWARENESS

AWARENESS

- **There are issues with fund awareness across almost all funds investigated** - with exceptions related to:
 - Funds set up as a result of specific emergencies
 - Funds that were made a clear part of company culture
- **Word of mouth was the primary driver of fund awareness** – when asked how participants first heard about the fund, the two highest survey results were:
 - From a coworker – 33%
 - From a manager – 25%



AWARENESS

- The most prevalent recommendation we heard from interviewees was that organizations should market it:

Broadly

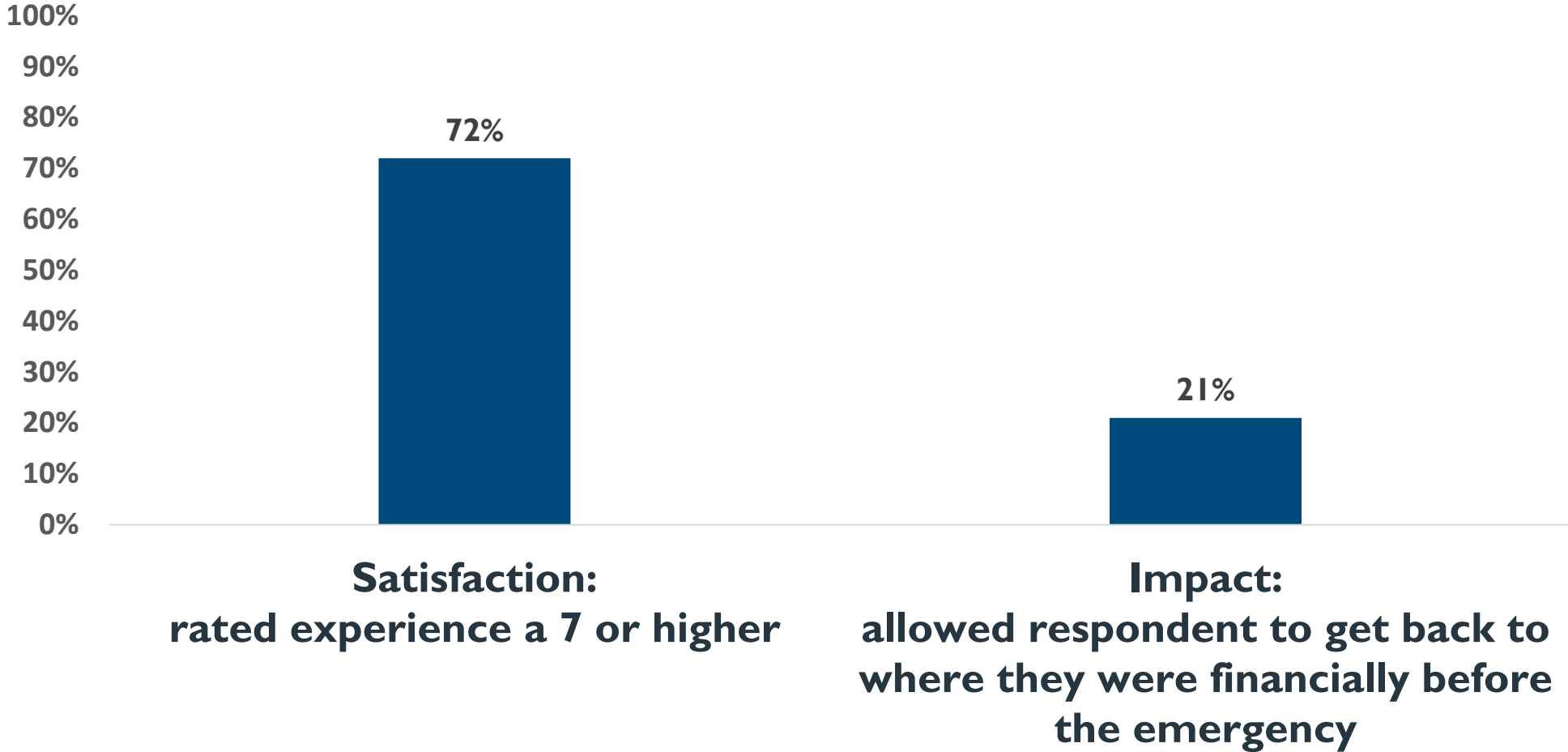
Clearly

Consistently



FINDINGS: SATISFACTION AND IMPACT

SATISFACTION VERSUS IMPACT OF EMERGENCY HARDSHIP FUNDS





DRIVERS OF SATISFACTION AND FINANCIAL IMPACT

SATISFACTION

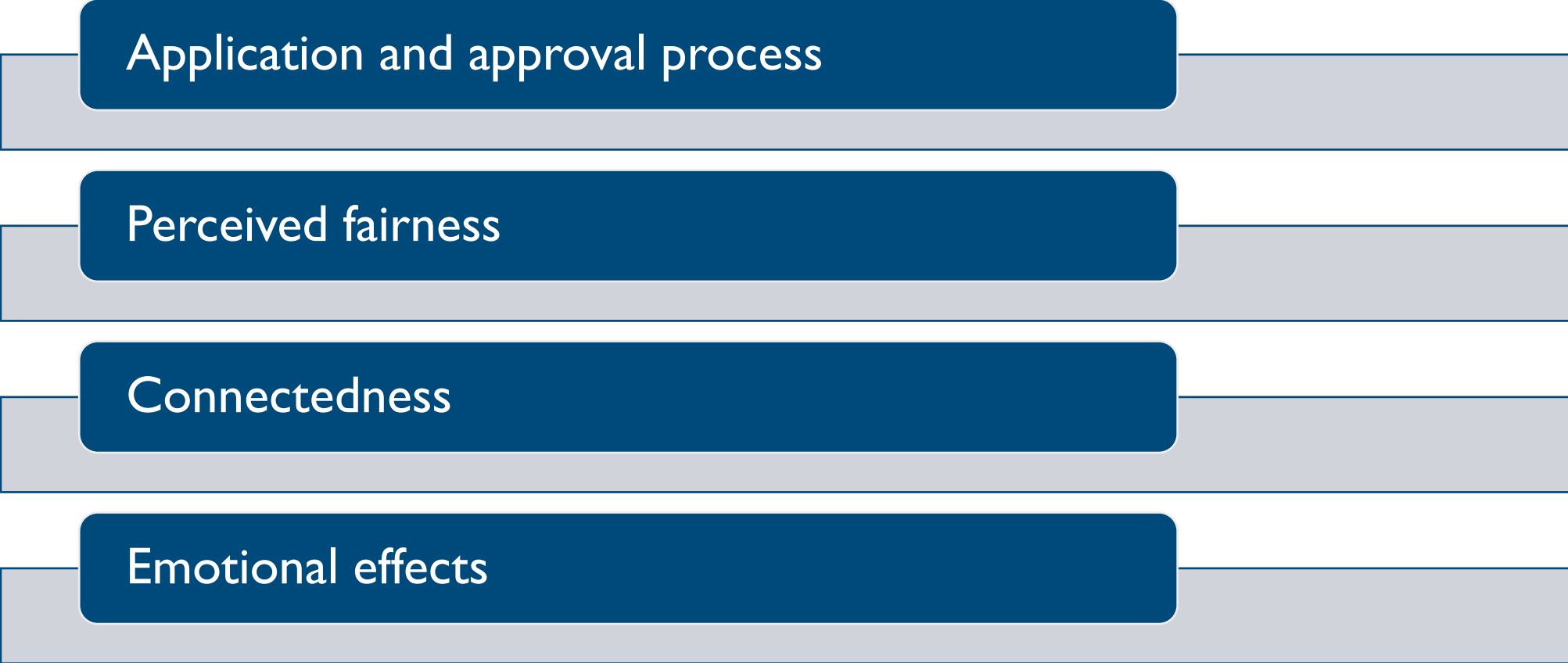
- Application and approval process
- Perceived fairness
- Connectedness
- Emotional impact

FINANCIAL IMPACT

- Application approval
- Award amount
- Additional resources provided
- Compensation and benefits context

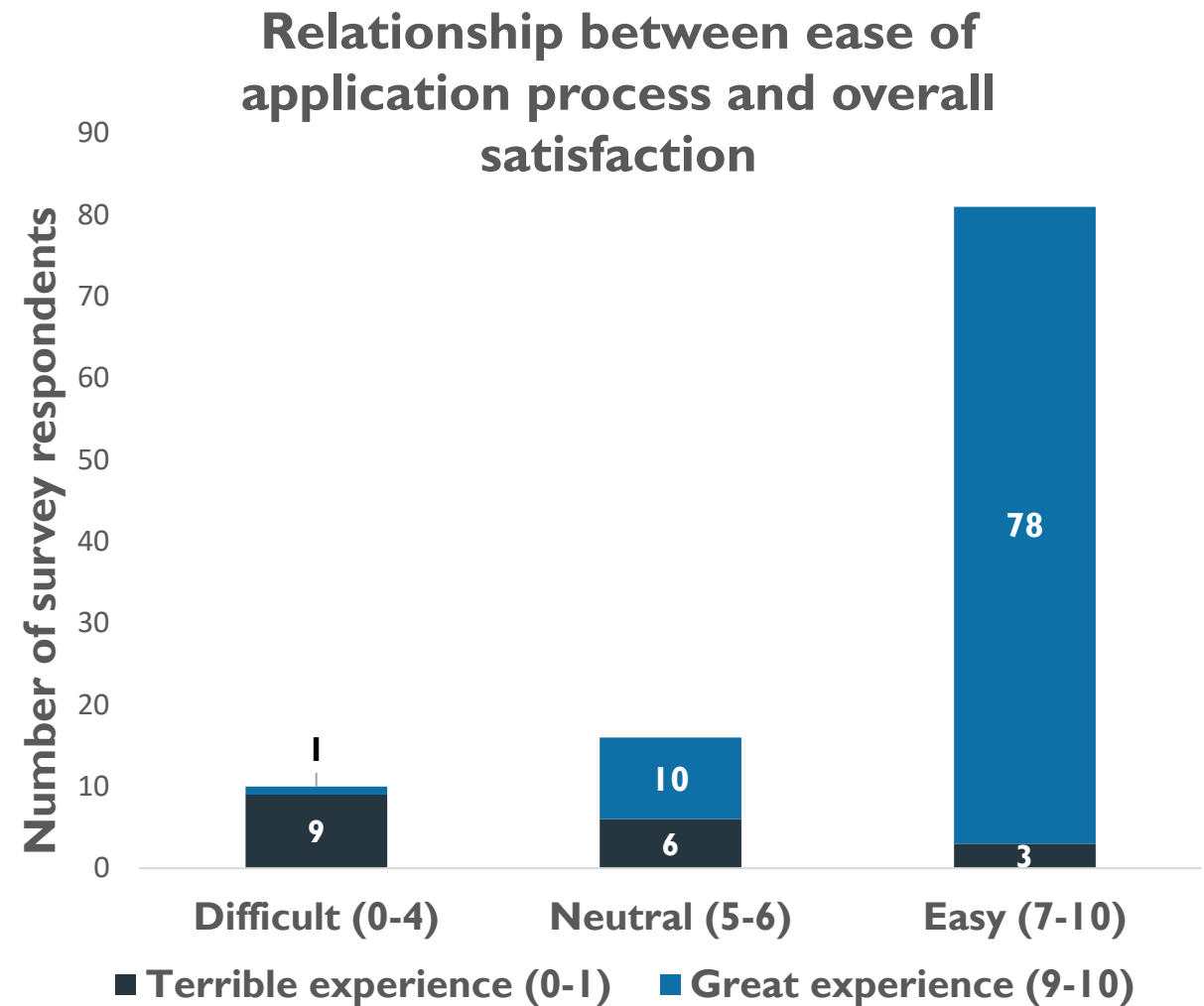


SATISFACTION DRIVERS



SATISFACTION DRIVERS: APPLICATION AND APPROVAL PROCESS

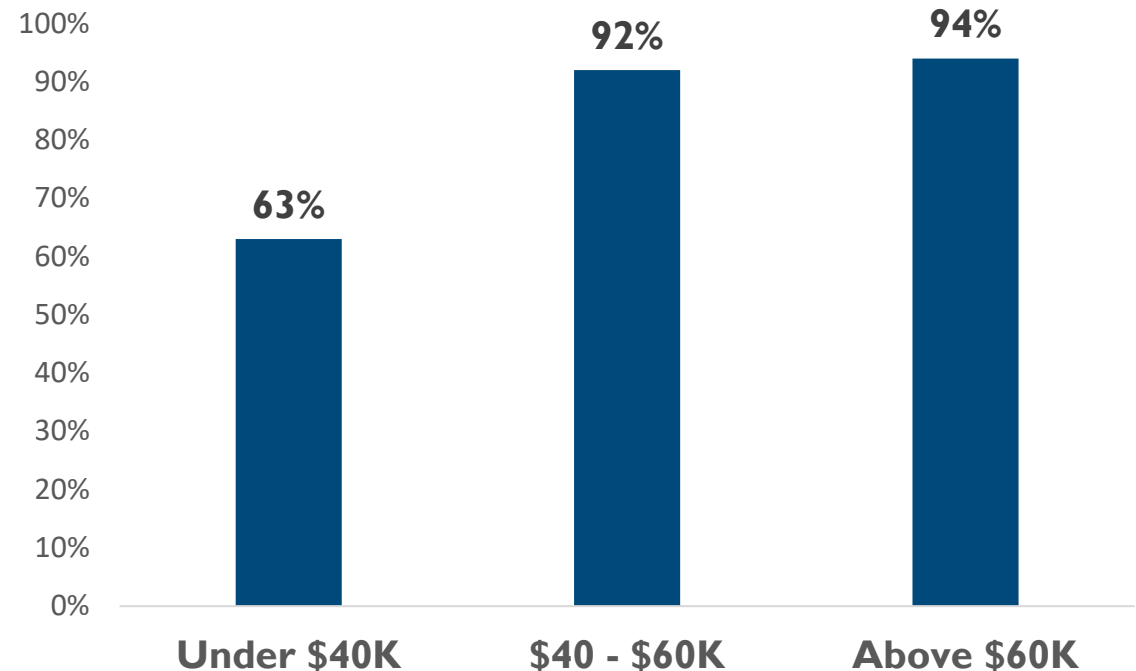
- The ease of application process had a **major impact** on overall satisfaction
- Common challenge areas
 - Anonymity
 - Communication
 - Information requested
 - Payment



SATISFACTION DRIVERS: PERCEIVED FAIRNESS

- 80% of survey respondents agreed that their **fund was helping those who really need it**
 - Remaining 20%, the primary reason cited was that eligibility requirements were too strict
- There was variation in perception of fairness across funds and level of income.

Participants who believe their employer's hardship fund is helping all those who really need it by income group





SATISFACTION DRIVERS: CONNECTEDNESS

86% agreed, “It is important to me that the organization I work for offers a hardship fund.”

“It’s indescribable because you wouldn’t think that your job or company would have that for you.”

“Even if you don’t use it, just to know it is there in case you need it is really awesome.”

“It made me feel like my coworkers had my back.”



SATISFACTION DRIVERS: EMOTIONAL EFFECTS

“What three words would you choose to describe how the fund makes you feel?”



FINANCIAL IMPACT DRIVERS

Application approval

Award amount

Additional resources provided

Compensation and benefits context





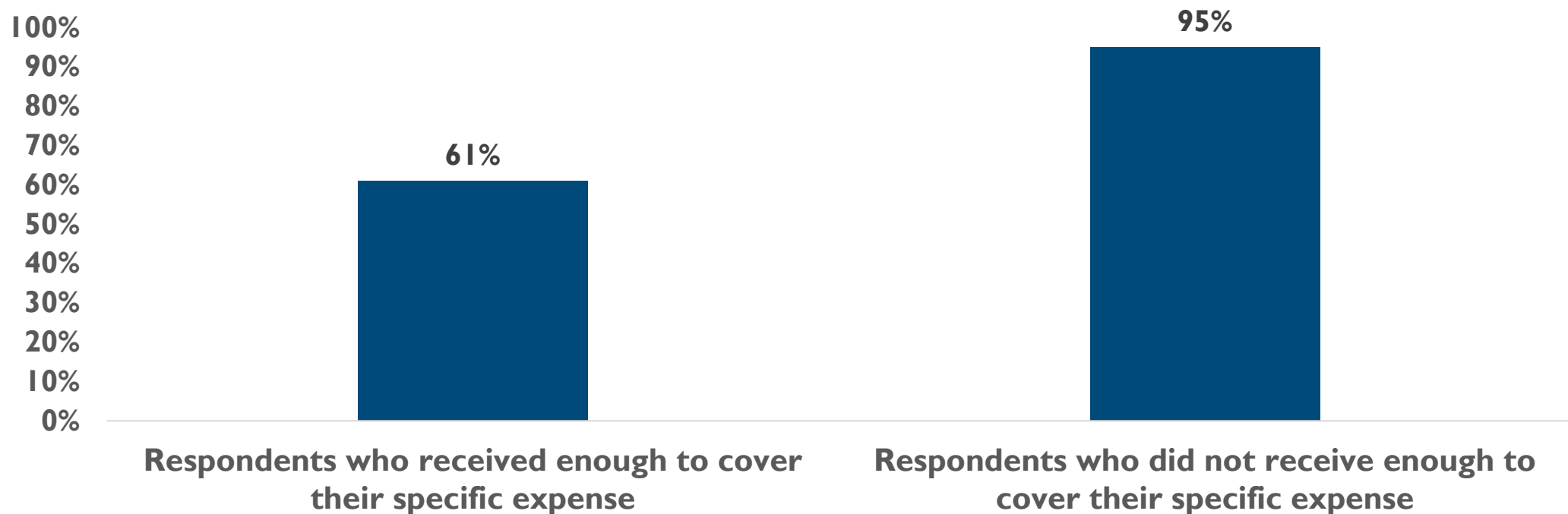
FINANCIAL IMPACT DRIVERS: AWARD APPROVAL

- Participants who did not receive funds **reported severe consequences**
 - Two interviewees we spoke with **lost their homes** because they did not have access to the necessary financial resources after being denied fund access.
- Even among those who received funds, in some cases, **it came after they had already turned to harmful financial alternatives** such as:
 - Payday loans
 - Withdrawing money from their 401K
 - Accumulating credit card debt



FINANCIAL IMPACT DRIVERS: AWARD AMOUNT

Respondents unable to return to their pre-emergency financial position as a result of the fund



- Roughly **half** of respondents received enough money to cover specific need request





FINANCIAL IMPACT DRIVERS: ADDITIONAL RESOURCES PROVIDED

- **Interviewees who received additional support alongside the fund reported the most significant impact**
- **Other supports provided by funds included:**
 - Financial advice and coaching
 - Access to non-predatory loans
 - Legal counsel
 - Mental health services
- **Participants felt it was important that additional resources were available broadly and voluntary**
 - Particularly with financial coaching



FINANCIAL IMPACT DRIVERS: COMPENSATION AND BENEFITS

- **The fund seems to have the most impact** on employees at a certain income level and with access to specific benefits
- The middle income group (40K-60K) reported **the highest impact of the funds** in terms of:
 - Feeling less distracted at work (88%)
 - Spending less time worrying about finances (71%)
 - Being less likely to miss work due to personal finance issues (67%)
- **Interviewees with access to paid leave** were able to use funds to cover direct emergency expenses, **while those without** had to use funds to **cover lost wages** and were unable to cover the emergency itself.





MEASURING OUTCOMES

- **Limited to no outcome measurement is typical**
 - An occasional survey, or question on an employee engagement survey
 - Emphasis on storytelling as a way of sharing impact
- **Those interested in quantifying outcomes can consider measuring two categories of results:**

Employee financial and emotional well-being

- Ability to financially recover, avoid other emergencies, hardships, etc.
- Level of stress
- Holistic employee financial health or well-being

Employee satisfaction and engagement

- Overall rating of fund experience
- Attitude toward employer and work community
- Ability to show up and stay focused at work

CONCLUSIONS & RECOMMENDATIONS



CONCLUSIONS

- When well-implemented, hardship funds **largely meet their stated goals of helping employees:**
 - Cope with a specific crisis
 - Feel supported by their employer and work community
 - Provide support to each other
- Most people who receive hardship grant funds are **very satisfied with their experience and extremely grateful for the support**
- Hardship grant funds on their own **don't generally bolster employee financial health** more broadly
- Hardship funds **work best as complements to, rather than substitutes for, pay and benefits** that provide fundamental financial stability
- **Operational choices** in fund design are very important to user experience





OPERATIONAL BEST PRACTICES

1. **Maximize dignity:** clear communication and respect for employee privacy are crucial aspects of a good application process;
2. **Be efficient:** onerous paperwork requirements and burdensome interactions lead to applicants dropping out of the process and generate frustration rather than goodwill
3. **Balance rules with flexibility:** a standardized process facilitates consistency, but employers that maintain some decision-making flexibility are better able to respond to workers' problems
4. **Integrate in culture:** funds are most successful when fundraising and awareness campaigns are integrated thoughtfully into company culture
5. **Proceed expansively:** hardship funds that complement a robust workplace financial health infrastructure can most effectively address workers' inevitable fiscal ups and downs

