Key #1: Wellness Programs Earn Their Place in Human Capital Strategy

Increasing numbers of employers are finding it advantageous to address overall wellness—financial and physical health and social engagement—in their human capital strategy.

As new technologies upend business models and unlock new ways of working, talent is becoming an increasingly important driver of business success. Meanwhile, competition for talent has become fierce—especially in the U.S., where a strong economy has driven unemployment levels to lows last seen nearly two decades ago.

One way organizations can attract and retain top talent is by offering a great benefits program and making sure their employees recognize its value. Employers appear to be getting the message; their spending on employee benefits in recent years has increased faster than their spending on wages.¹

Beyond helping to attract and retain talent, offering employees a broader array of benefits gives employers a chance to better align their benefits program with their strategy and culture, ensuring that they realize maximum value from their benefits investment.

The case for holistic wellness, with financial wellness as a key component

Employers have long recognized the value of supporting the physical wellness of their employees. Simply put, healthy employees tend to be more productive employees. Now, many companies are expanding their vision of wellness to include other aspects of an employee’s well-being, such as their financial health and social engagement,² which also can impact their productivity. These broader, more holistic wellness programs are gaining significant momentum in the workplace.

The need for such programs is clear. The Stanford Center on Longevity has found that Americans are losing ground in three important domains: healthy living, financial security, and social engagement.³ What’s more, these three areas are interdependent; a change in behavior in one can impact quality of life in the others.
These findings underscore Prudential’s belief that overall wellness is important to employees’ personal lives and to the workplace, and that employers should tie all relevant forms of wellness to their human capital strategy.

The very real impact of financial stress in the workplace

Research has shown that financial stress can compromise not only an employee’s physical health, but also their workplace productivity—creating workforce management problems for employers. In a recent round of surveys, 57% of employees said they were very or somewhat stressed about their financial wellness, and four in 10 reported health issues or lost sleep due to financial stress. Additionally, three in 10 said financial stress was impacting their job performance. About one-third (34%) had tried to find another job to improve their financial stability, and over half (54%) said they would have to delay retirement due to insufficient savings.

Employees value employers’ efforts to support wellness

Eighty-two percent of employers believe their companies would benefit from having a financially secure workforce. Accordingly, many are providing financial education programs for their employees as part of a holistic approach to wellness. They’re also providing access to a wide array of additional services, tools, and products that can help employees achieve financial wellness.

Employers are well-positioned to help employees improve their overall wellness. Seventy-five percent of employees say they see their employer as a trusted source of help. Employees also say financial wellness programs demonstrate that their employers care about them. In fact, approximately six in 10 workers say they are more committed to their employer, and more productive at work, when their employer demonstrates a commitment to employees’ financial wellness.
Only 36% of Americans say they use a financial advisor\(^1\) – many say they do not know where to turn for advice. As an example of how employers can help, Prudential introduced the Prudential Pathways\(^{1\text{st}}\) program for its employees. The program includes on-site financial education workshops delivered by financial advisors. Within four years, 8,000 employees had attended these sessions, an indication of high employee engagement. In some locations, Prudential also offers its employees a financial advisor directly on-site for consultation at no cost to employees. Employees have the option to further engage the financial advisor to provide more customized financial services.\(^1\)

While the conversation around financial wellness has thus far been conducted primarily by employers, intermediaries, and wellness program providers, the concept is fast making its way onto employees’ radar, too. It is not hard to envision a scenario in which employees soon expect financial wellness programs to be included in workplace benefits programs.

**Changing behaviors is key to successful wellness programs**

At a high level, the financial wellness components of holistic wellness programs are grounded in the premise that changing behaviors is a key to positive outcomes. At a practical level, they help employees modify their behaviors in ways that help them better manage day-to-day finances, save for long-term goals, and protect against financial risks. Some widely used features to encourage financial behaviors to save adequately in defined contribution plans include automatic enrollment, automatic escalation, and default investments.

Many wellness offerings may have a “multiplier effect” that holistically addresses more than one element of wellness, thereby helping employees maintain their overall physical, financial, and emotional health. For example:

- Emergency fund features in a defined contribution plan can provide quick access to funds when needed, and may also provide emotional comfort in the face of an emergency.
- Budgeting and debt management tools provide customization for employees’ specific financial needs and may give employees a sense of control of their finances.
• Discounted on-site day care facilities can help employees financially and emotionally by alleviating stress as employees juggle work and family responsibilities. Productivity may also increase by reducing the time employees would need to spend traveling to and from an off-site day care center.

• Workplace accommodations for individuals with disabilities may help to alleviate physical discomfort and eliminate barriers to working, making it easier for them to continue earning a paycheck.

• Health coaching may help employees maintain their physical health, which may also lower their out-of-pocket health care costs.

The best financial wellness programs are customizable to meet employees where they are, and appeal to a broad cross-section of people by including educational programs and other offerings relevant across generations, income levels, education levels, and lifestyles.

**Conclusion**

As employers allocate their resources to optimize their benefits budget, they should consider the role of overall wellness a part of their human capital strategy. Like health wellness, financial wellness is an important component of overall wellness. Employees indicate that they view financial wellness as a valuable benefit, which makes it a good way to attract and retain talent. By improving employees’ financial wellness, employers should see improvements in productivity and related costs. In addition, reducing employees’ financial stress can cross over into improving their health and emotional wellness.

Improving financial wellness is about more than just helping people financially. It’s about helping to improve their lives. Employers are embracing financial wellness programs not only because they can help employees lead richer and more satisfied lives, but also because they decrease health care costs and absenteeism and increase worker productivity and morale. The end result is a stronger, more valuable workforce better able to compete in today’s fast-moving economy.
For more information, please contact:

Suzanne Schmitt
Vice President, Financial Wellness
Workplace Solutions Group
860-534-6089
suzanne.schmitt@prudential.com

Endnotes

7 Prudential research and analysis, 2018.