

# Supporting ethnic and racial financial equity in workplace wellness

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# The link between ethnic and racial financial equity, productivity and wealth

Today, employers know firsthand how rapidly evolving the labor market truly is. Vast numbers of baby boomers are retiring – and Generation Xers, millennials and Generation Zers are barely keeping up pace to replace them. This is making the labor pool increasingly diverse – and makes recruiting and retention a top concern.

As businesses focus on attracting and retaining top talent, a common trend has emerged across the labor pool that companies need to recognize. Employees are increasingly concerned about their personal financial situations – a trend that’s as old as time, but one that’s jumped even further to the forefront since the pandemic.

Stress over personal financial well-being affects daily work productivity. It’s a lose/lose situation for employees and employers alike. But as we understand more about financial health and employees in the workplace, it’s become clear – not all of the labor market experiences financial wellness in the same way. The ability to manage expenses, build wealth, and prepare for and recover from financial setbacks is sharply divided between ethnic and racial subsets of employees.

Financial equity across ethnic and racial populations of employees significantly **boosts productivity**.<sup>1</sup>

But financial health doesn’t just happen on its own. In many instances, financial education appears to be an afterthought. Starting from grade school, only **22 states** currently require high school students to complete a personal finance course.<sup>2</sup>

No wonder **89 percent of Americans** believe a lack of financial literacy leads to lack of job opportunities, unemployment and wealth inequality.<sup>3</sup>

However, employers are beginning to fill this gap. More and more companies are offering robust financial wellness programs – which is creating a win-win situation for both employers and employees. And increasingly, they are adding components to workplace programs that address ethnic and racial financial equity.

## Ethnic and racial wealth inequities have significant consequences to employers

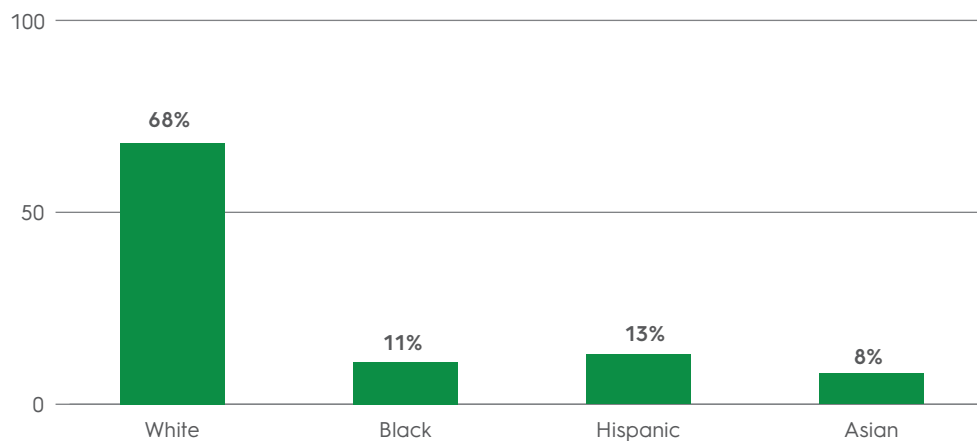
Ethnic and racial wealth inequities in the U.S. take their toll on all aspects of American life, from social/welfare costs, mental health, housing and neighborhood resources, to political and social marginalization. And these inequities have an enormous impact for employers and the workplace.

### Ethnic and racial wealth inequities weaken the economy

Lower incomes due to ethnic and racial inequities lead to lower spending power and dampen the economy, such that employers have smaller markets to sell their goods and services. The impact is significant. A study by [McKinsey & Company](#)<sup>4</sup> estimates that the dampening effect of ethnic and racial wealth disparities will cost the U.S. economy between \$1 trillion and \$1.5 trillion between 2019 and 2028. In other words, were we to decrease ethnic and racial wealth inequities, the real GDP could be 4 to 6 percent higher by 2028.

### ETHNIC AND RACIAL GROUPS HAVE FAR FEWER COST-SECURE AMERICAN HOUSEHOLDS

% of total



West Health-Gallup, June, 2022

### Lack of employment diversity hinders innovation and the diversity of customer bases

Employees representing ethnic and racial diversity in research and development allows for product and service innovations that consider diverse customers and markets that may otherwise be overlooked. According to a study by UNC Pembroke, in a global economy, "[companies need employees who understand all of the markets](#) they currently serve or aspire to serve. These markets may be geographic, or they be market populations or segments such as a particular ethnicity in a certain country. A workforce that mirrors its customer base has fewer barriers and more built-in advantages to plan and execute effective business strategies and communications."<sup>5</sup>

## **Lack of a commitment to racial and wealth equity makes recruiting difficult**

Many employers sincerely want to improve diversity, equity and inclusion in all levels of employment. Yet they may face significant barriers, many unintended, such as:

- Limited outreach
- Biased job descriptions
- Unconscious hiring bias
- Poor training/education programs
- Lack of diversity within leadership positions

Undiversified workplaces can become self-perpetuating through unconscious biases. These factors combine to make recruitment costly and difficult.

## **The business case for ethnic and racial financial wellness programs at the workplace**

There is a strong business case for employers to combat social inequities by instituting financial wellness programs that benefit all employees, including ethnic and racial employment groups.

### **Financial wellness attracts diverse talent**

Workers worried about inflation and facing employment and wage discrimination based on race and ethnicity are attracted to employers that offer financial wellness benefits. A 2023 PNC financial wellness survey indicates **80 percent of respondents** would seek out and stay longer with an employer that offered more financial wellness benefits. And 96 percent of employers from the same survey say financial wellness benefits improve retention.<sup>6</sup>

The survey found that employees equate financial education and counseling with four other financial priorities where they look to employers for help: emergency savings accounts, debt consolidation, equity compensation and retirement fund matching.

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# 80%

of respondents would seek and stay longer with an employer that offers financial wellness benefits.

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# 96%

of employers say financial wellness benefits improve retention.

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2023 PNC financial wellness survey

## Financial wellness boosts employee engagement, productivity and retention

In 2023, PwC's Employee Financial Wellness Survey found that **57 percent of employees** say finances are the top cause of stress in their lives.<sup>7</sup>

The PwC survey found that financially stressed employees:

- Are twice as likely to look for a new job (36 percent who are financially stressed vs. 18% who are not)
- Would move to an employer that cared more about their financial wellness (73 percent)
- Want help with their personal finances (74 percent)
- Are distracted from being productive

However, there is a silver lining. Employers are now feeling a stronger sense of responsibility for their employees' financial well-being. According to a 2022 Bank of America study, **97 percent of employers** feel responsible for their employees' financial wellness — up from just 41 percent in 2013.<sup>8</sup>

This commitment by employers to employee financial wellness is recognizing — and addressing — disparities among employees by ethnicity and race.

**74 percent of employers** believe diversity and inclusion programs, such as financial wellness, are important for retaining talent.<sup>8</sup>

With more companies investing in financial wellness programs for employees, success stories are emerging every day. In addition, workplace financial wellness programs are becoming more robust and addressing a range of broad topics to help employees save for retirement, plan for health care costs, budget, save for college and manage their debt.<sup>9</sup>

Businesses that have incorporated financial well-being into their employee benefits package are seeing positive results — from higher retention rates and reduced absenteeism to increased benefit participation and better overall plan health. Moreover, eight in 10 employers believe financial wellness programs “create more productive, loyal, satisfied and engaged employees,” and are modifying wellness programs to address employees' evolving needs.<sup>9</sup>

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# 73%

The percent of financially stressed employees who would move to a new employer that cared about their financial wellness.

PwC 2023 Employee Financial Wellness Survey

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# Five employer strategies for achieving ethnic and racial financial equity

Financial education programs in the workplace are a critical component for achieving ethnic and racial financial equity. And efforts to achieve ethnic and racial financial equity have paybacks for the employee and employer. The employee enjoys better financial stability and is more productive; the employer sees greater retention and an enhanced ability to attract top talent. But ethnic and racial financial education is just one part of a broader goal to achieve ethnic and racial financial equity.

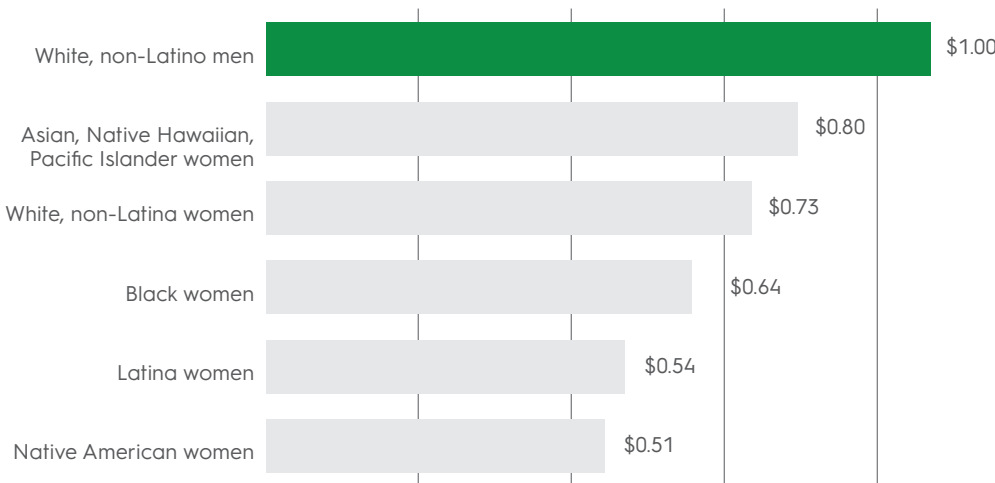
## 1 Equal pay policies

Pay equity is the concept of compensating employees who have similar job functions with comparably equal pay, regardless of their gender, race, ethnicity or other status. Not only do equal pay policies prevent discrimination lawsuits and comply with equal pay regulations, but they also improve productivity, reduce turnover, attract talent, create equal financial opportunities and reduce income inequality, regardless of ethnic or racial background.

As this chart shows, the U.S. has a way to go toward achieving equal pay.

### EARNINGS BY GENDER, ETHNICITY AND RACE ARE LOWER FOR PEOPLE OF COLOR

For Every Dollar Earned by White Males U.S., 2022



Averages based on median earnings for full- and part-time workers. Analysis used the best data available for each group. Data for Native American and Asian American, Native Hawaiian and Pacific Islander women is from the American Community Survey. Data for Black, Latina and White non-Latina women are from the Current Population Survey.  
Source: 2022 National Partnership for Women & Families

## 2 Diverse hiring and advancement

To achieve diverse hiring and advancement, employers set specific goals for hiring, retaining and advancing employees based on ethnic and racial diversity. Shared accountability across the organization is crucial, followed by putting in place mechanisms for measuring progress. Some companies offer performance bonuses to managers based on their success in meeting recruitment, hiring, retention and advancement goals.

These hiring and advancement goals make practical sense that benefit the employer:

- Diversity expands the talent pool, particularly among young workers. Young workers are increasingly diverse. The highest median age of White people in the U.S. is 58; for people of color, it's 23.<sup>10</sup>
- Diverse hiring correlates with better business outcomes. For every 10 percent more ethnically or racially diverse a company's senior team is, earnings before interest and taxes (EBIT) are nearly **1 percent higher**.<sup>11</sup>
- Customers **are more likely to buy** from companies that share their values of diversity.<sup>12</sup>

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## 3 Equitable benefits packages

Traditional benefits packages don't necessarily promote an inclusive environment. Many benefit plans were set before workforces became more diverse. Non-wage compensation that addresses the needs of all genders, race and ethnicities may look different from traditional benefits packages but will act to attract a diverse workforce.

Examples of an equitable benefits package include:

- Broader health care plans that cover domestic partners
- Mental health coverage with access to text-based apps for millennials who prefer text communication or for employees with hearing loss
- Access to financial wellness information or time with a financial planner
- Work-from-home benefits for remote employees that may include reimbursement for coworking space rental or access to remote laptops
- Back-up child care

## 4 Employee Assistance Programs

When EAPs first emerged as an employee benefit, they generally offered health and wellness support, such as family counseling, drug counseling, stress counseling or help with job stress. Today's EAPs can help employees achieve financial wellness too. In many EAPs, financial consultants are available to help with topics such as:

- Buying or leasing a car
- Deciding which credit card to pay off first
- Family budgeting
- Saving plans to afford a home
- Debt consolidation
- College planning

## 5 Support for career development

Ethnic and racial minorities do not have the same success in career development and advancement as Whites. [Black workers](#) make up 12 percent of entry-level jobs and just 7 percent of the managerial workforce. At the senior manager and VP level, Black workers make up 5 percent of the workforce, and at the SVP level, just 4 percent. Only 1 percent of Fortune 500 CEO spots are held by Blacks. Without active commitment to career development, McKinsey & Company estimates that it will take 95 years for Blacks to achieve career parity.<sup>13</sup>

McKinsey found that three of four frontline workers who are ethnic and racial minorities want to be promoted, but [less than one in four achieves it](#).<sup>14</sup>

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## Why consider financial wellness?

Employers can make a difference by offering financial wellness programs [designed to serve all employees](#) regardless of their ethnicity, race or financial situation.<sup>15</sup> Employees across the country are reaping positive benefits from these programs — they're creating lasting behavior changes and becoming less stressed and more confident about their personal finances.

As more companies compete to attract the best candidates, robust financial wellness benefits can also help fortify corporate employee benefits packages, and in turn attract and retain quality employees.



### Learn more

Securian Financial is committed to being a leader in the employee wellness space. We recognize how critical financial wellness programs are to all employers, and we champion our Financial Wellness 360 program in all of our client relationships — inspiring, educating and encouraging employees to use the valuable resources available to them. The program is comprised of mix-and-match solutions so companies can choose the options that best meet their unique needs: Empathy, Enrich™, Advisor Connection and Lifestyle Benefits. Contact your Securian Financial representative or visit [securian.com/fw360-guide](https://securian.com/fw360-guide) to learn more.



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