

How Employers Are Tackling Student Loan Debt: Evidence From the EBRI Employer Financial Wellbeing Survey

By Lori Lucas, CFA, Employee Benefit Research Institute

AT A GLANCE

Student loan debt is increasingly a hot button in the workplace. In this *Issue Brief*, we examine employers who are offering or plan to offer financial wellness initiatives that assist with student loan debt consolidation, refinancing, and employer-subsidized repayments. Using findings from EBRI's 2018 Employer Financial Wellbeing Survey, we consider the characteristics, driving factors, and financial wellness success measures of employers engaging with employees on student loan debt. We also compare this subset of employers to the typical employer survey respondent focused on financial wellness initiatives in general.

Key findings are:

- Nearly a third (32.4 percent) of the employers responding to EBRI's 2018 Financial Wellbeing Survey reported offering or planning to offer some student loan debt program, such as a student loan debt consolidation or refinancing service or a student loan repayment subsidy that is employer paid.
- These "Student Loan Debt Focused Employers" were more likely than the typical survey respondent (the full sample of all 250 that responded) to have taken steps to measure the financial wellness needs of employees, including examining existing employee benefit data (68 percent), surveying employees (56 percent), holding focus groups (46 percent), and analyzing other quantitative employee data (45 percent).
- When asked to provide a quantitative assessment of the company's level of concern about employees' financial wellbeing, 4 in 10 Student Loan Debt Focused Employers rated their concern as high, compared with a quarter of overall employers in the survey.
- Student Loan Debt Focused Employers cited improved employee retention as the most common top reason for offering financial wellness initiatives (56 percent), followed by reduced employee financial stress (49 percent).
- Student Loan Debt Focused Employers were slightly more likely to offer their programs as one-time initiatives than the overall employers in the survey (16 percent and 12 percent respectively) but about equally likely to offer their financial wellness initiatives as holistic programs (15 percent and 16 percent respectively).
- Nearly half (48 percent) of Student Loan Debt Focused Employers reported spending less than \$50 annually per employee on their wellness initiatives; but 1 in 5 were unsure of the cost of their financial wellness initiatives.
- Student Loan Debt Focused Employers were somewhat more likely than the typical survey respondent either to be the source or provider of the financial wellness initiatives (33 percent), or to have a contracted financial wellness vendor (30 percent). However, as with the typical survey respondent, the likeliest provider or source was a mix of methods (41 percent).

- Human resources was the most likely primary champion of financial wellness initiatives for Student Loan Debt Focused Employers (60 percent).
- When it comes to considerations in determining whether to offer financial wellness initiatives, Student Loan Debt Focused Employers were less focused on cost to the employer than the typical survey respondent (39 percent vs. 50 percent, respectively).
- Student Loan Debt Focused Employers cited complexity of the programs as their number one challenge in offering financial wellness benefits in the workplace — nearly half gave this reason.
- Student Loan Debt Focused Employers measured the success of their financial wellness initiatives in a variety of ways: reduced employee financial stress (38 percent) and improved overall worker satisfaction (36 percent) were top measures, as was increased employee productivity (30 percent).

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Background

Student loan debt is increasingly a hot button in the workplace. The percentage of American families with student loan debt has more than doubled since 1992: from 10.5 percent to 22.3 percent in 2016. The percentage of families with student loan debt is much higher when the head of the family is younger than 35: 44.8 percent of that cohort had student loan debt in 2016.¹ Repayment of this debt can be challenging. In 2017, one-fifth of those with education debt were behind on their payments.² Student loan debt takes a personal toll on individuals: it has been linked with poorer psychological functioning.³ Such debt can also have a bottom-line impact in the workplace: employers such as the City of Memphis have linked workers' need for higher salaries to pay off student loan debt with challenges in attracting and retaining workers.⁴ As such, employers are beginning to take advantage of the plethora of student loan debt financial wellness programs that is available. How are they doing so, and what outcomes are they expecting?

In this *Issue Brief* we will examine employers who are offering or plan to offer financial wellness initiatives that assist with student loan debt consolidation, refinancing, and employer-subsidized repayments. This could involve the employer partnering with a student loan refinancing provider, offering a platform with multiple refinancing partners, assisting employees with paying down student debt by making a direct payment to existing student loan debt, or incentivizing employees to pay down student debt by matching such payments within a 401(k) plan. To better understand the motivations, approaches, and endeavors of such "Student Loan Debt Focused Employers," we extracted the results of employers who affirmatively responded in EBRI's 2018 Employer Financial Wellbeing Survey that they were offering or planning to offer either a student loan debt consolidation/refinancing service or employer-paid student loan repayment subsidies.

The Employee Benefit Research Institute fielded a survey of 250 employers of companies with at least 500 workers and at least some level of interest in financial wellbeing solutions. Financial wellness initiatives were defined in the survey as including such traditional benefits as tuition reimbursement to more recent offerings such as student loan debt assistance. While the traditional offerings were more commonly offered (e.g., 69 percent said they offered tuition reimbursement), nearly a third (32.4 percent) reported offering or planning to offer some student loan debt program, such as a student loan debt consolidation or refinancing service or a student loan repayment subsidy that is employer paid (Figure 1).

This *Issue Brief* will examine the characteristics, driving factors, and financial wellness success measures of this subset of employers. We will also compare this subset of employers to the typical survey respondent (the full sample of all 250 that responded) focused on financial wellness initiatives in general.

Characteristics of Student Loan Debt Focused Employers

In terms of employer size, there was very little difference between the typical survey respondent and those either offering or planning to offer student loan debt initiatives (Student Loan Debt Focused Employers). The greatest concentration in both cohorts was 1,000 to 2,499 employees, with about 3 in 10 of the employers representing organizations that had at least 5,000 employees (Figure 2).

Figure 1
Does Your Company Offer or Plan to Offer Any of the Following Financial Wellbeing or Debt Assistance Benefits to Employees?

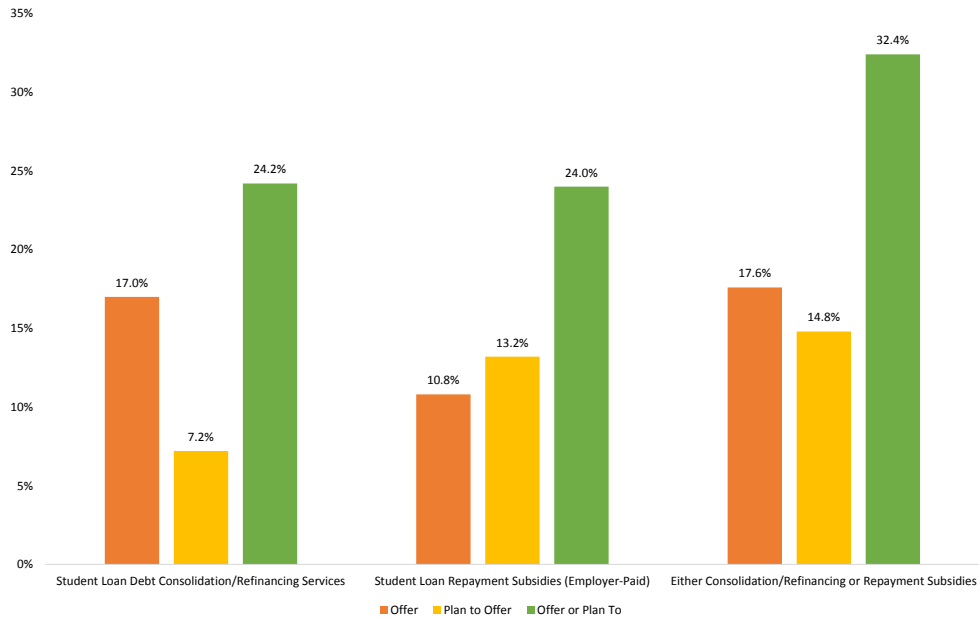
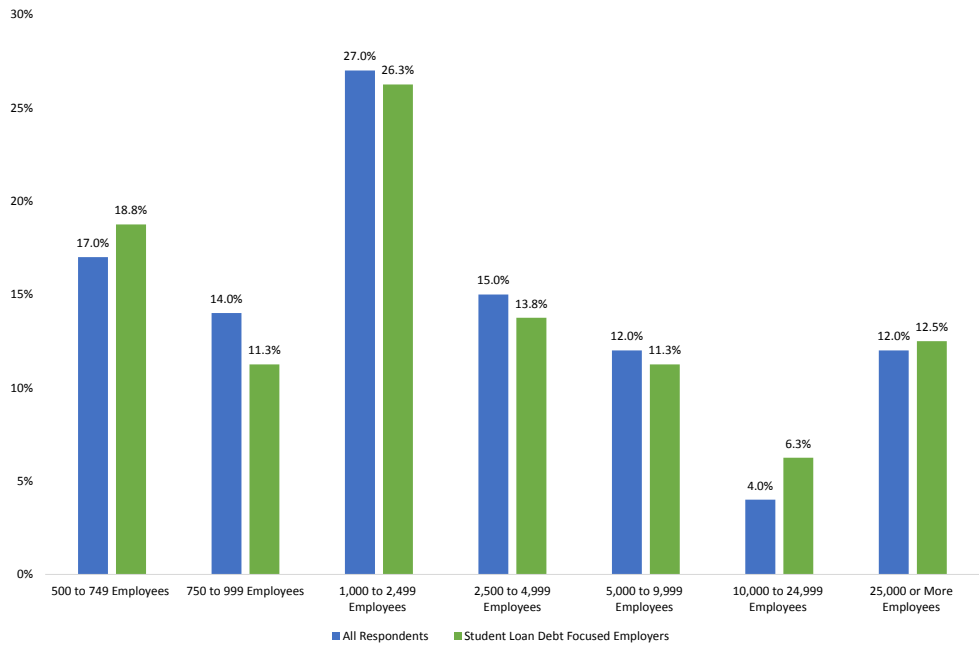
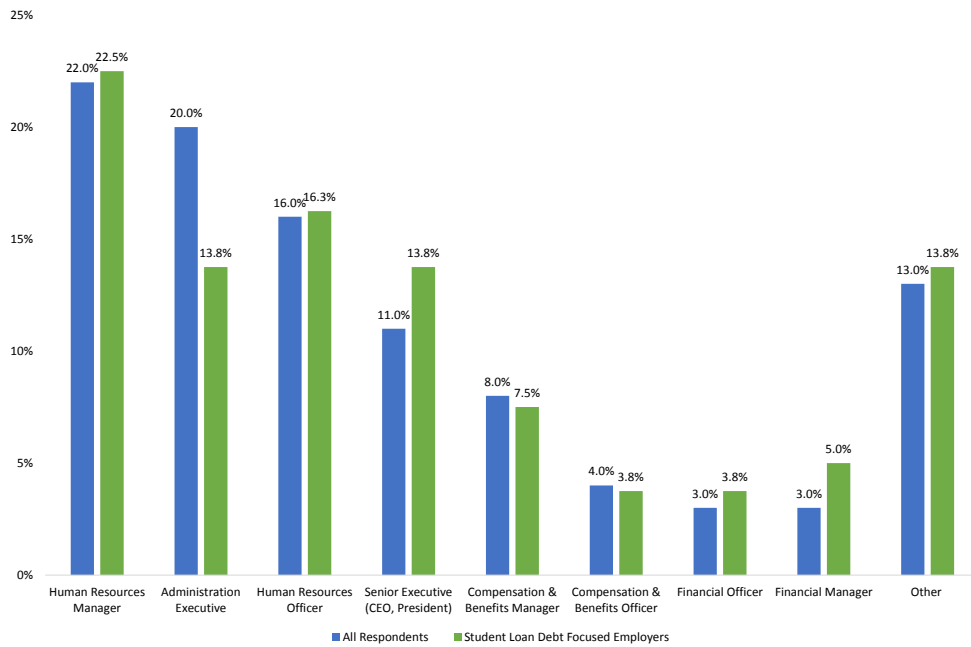


Figure 2
What Is the Total Number of US Employees in Your Company?



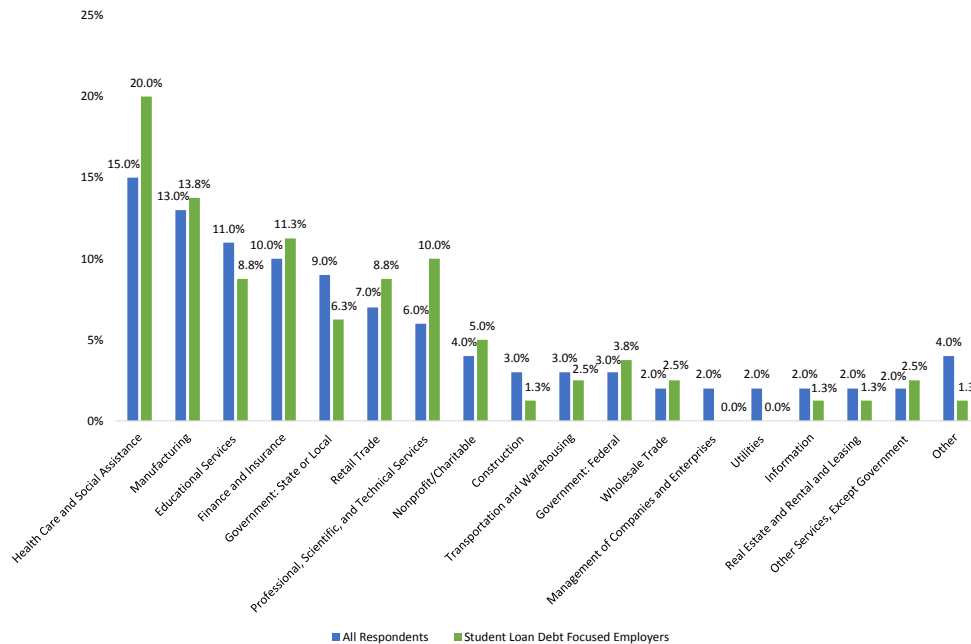
There were some differences in the job function of the typical survey respondent vs. Student Loan Debt Focused Employers, with the latter being more likely to be a senior executive and less likely to be an administrative executive (Figure 3).

Figure 3
Which of the Following Best Describes Your Job Title or Function?



In terms of industry, the Student Debt Focused Employers were more likely than typical survey respondents to be in health care and social assistance (20 percent) or professional, scientific, and technical services (10 percent) organizations. They were less likely to be state or local government entities (6 percent) than typical survey respondents (Figure 4).

Figure 4
In What Industry Does Your Company Primarily Conduct Business?

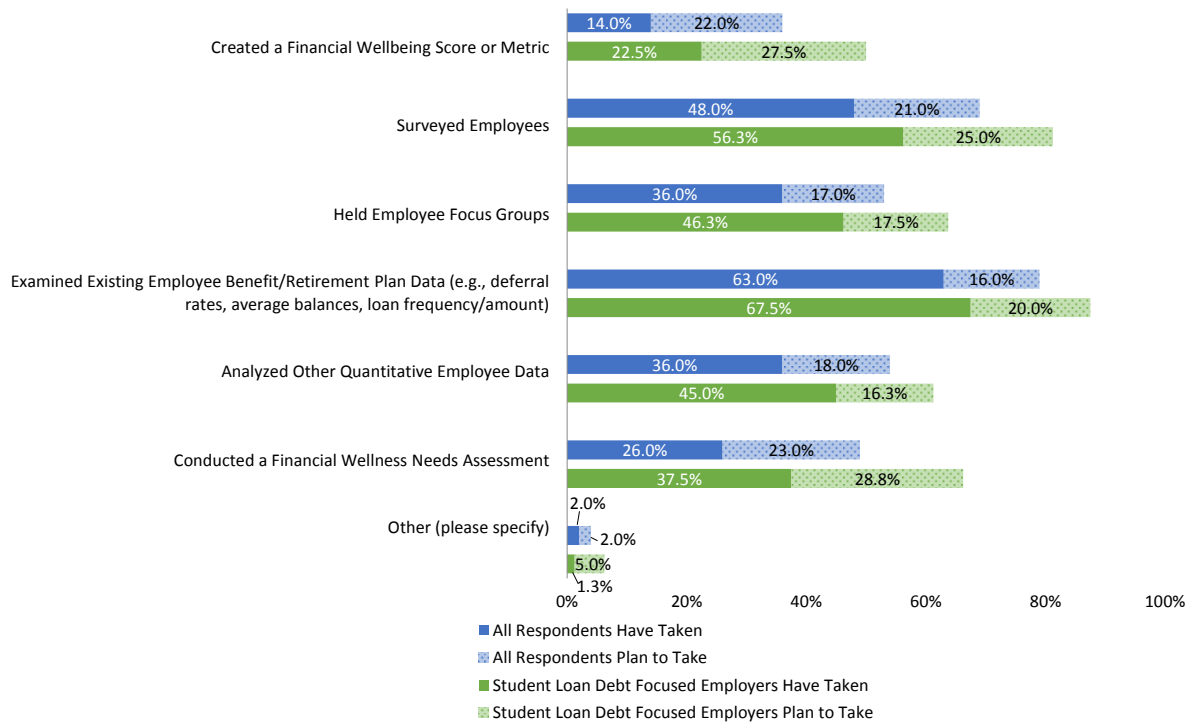


Understanding Employees' Financial Wellbeing

The survey asked "What steps has your company taken or does it plan to take to understand your employees' financial wellness needs?" Across all 250 respondents, the most common approach taken was examining existing employee benefit data, such as retirement plan data, to understand financial wellness needs, including deferral rates, average

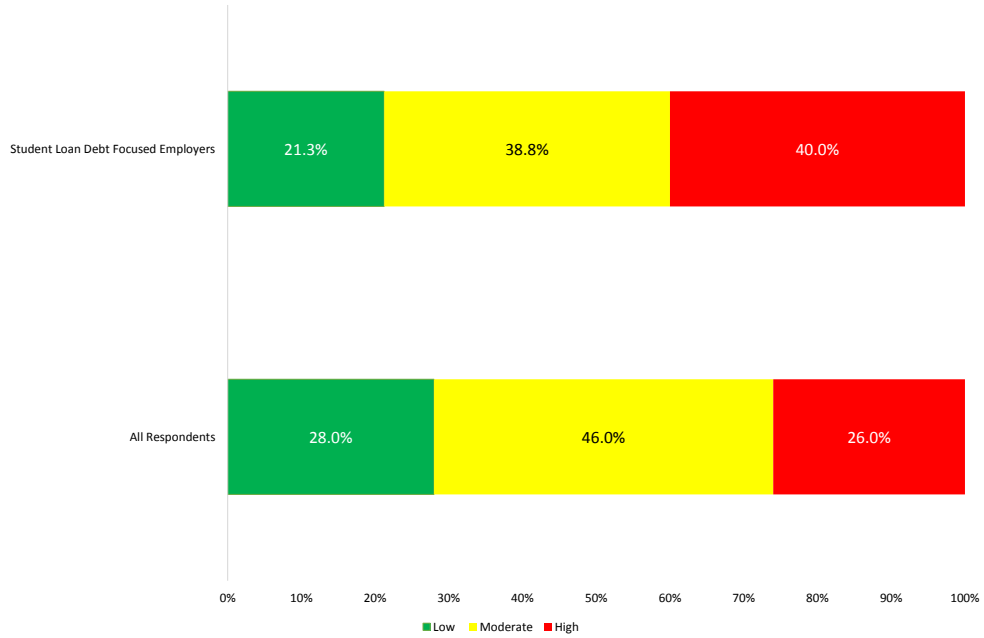
balances, and loan frequency and amounts (63 percent). This scored very high for Student Loan Debt Focused Employers as well, with more than two-thirds (68 percent) saying they had taken this step (Figure 5). However, Student Loan Debt Focused Employers were more likely than typical survey respondents to have taken the measurement steps specified, such as surveying employees (56 percent), holding focus groups (46 percent), and analyzing other quantitative employee data (45 percent).

Figure 5
What Steps Has Your Company Taken or Does It Plan to Take to Understand Your Employees' Financial Wellness Needs?



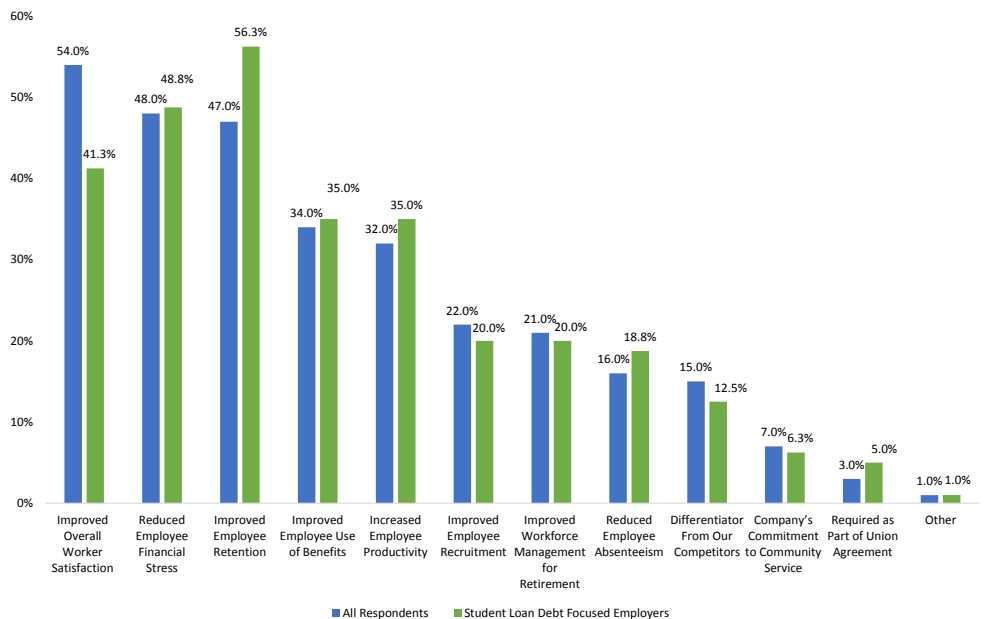
Findings from these measurement approaches clearly led Student Loan Debt Focused Employers to be more concerned than average about their employees' financial wellbeing (Figure 6). When asked to provide a quantitative assessment of the company's level of concern about employees' financial wellbeing, 4 in 10 Student Loan Debt Focused Employers rated their concern as high, compared with a quarter of the typical survey respondents.

Figure 6
Please Rate Your Company's Level of Concern About Employees' Financial Wellbeing

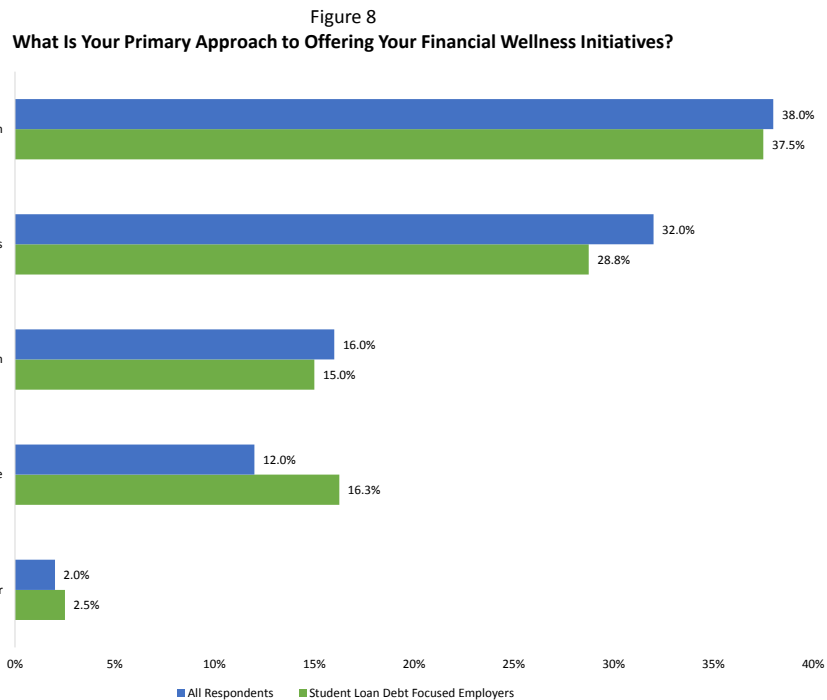


A notable difference between the reasons for offering financial wellness initiatives to employees between the typical survey respondent and Student Loan Debt Focused Employers was that the latter were less likely to include improved overall worker satisfaction as a reason. While that reason ranked number one for the typical survey respondent (54 percent), it ranked third for Student Loan Debt Focused Employers at 41 percent (Figure 7). For these employers, improved employee retention was most commonly given as a top reason (56 percent), followed by reduced employee financial stress (49 percent).

Figure 7
What Are or Would Be Your Top Three Reasons for Offering Financial Wellness Initiatives to Employees?



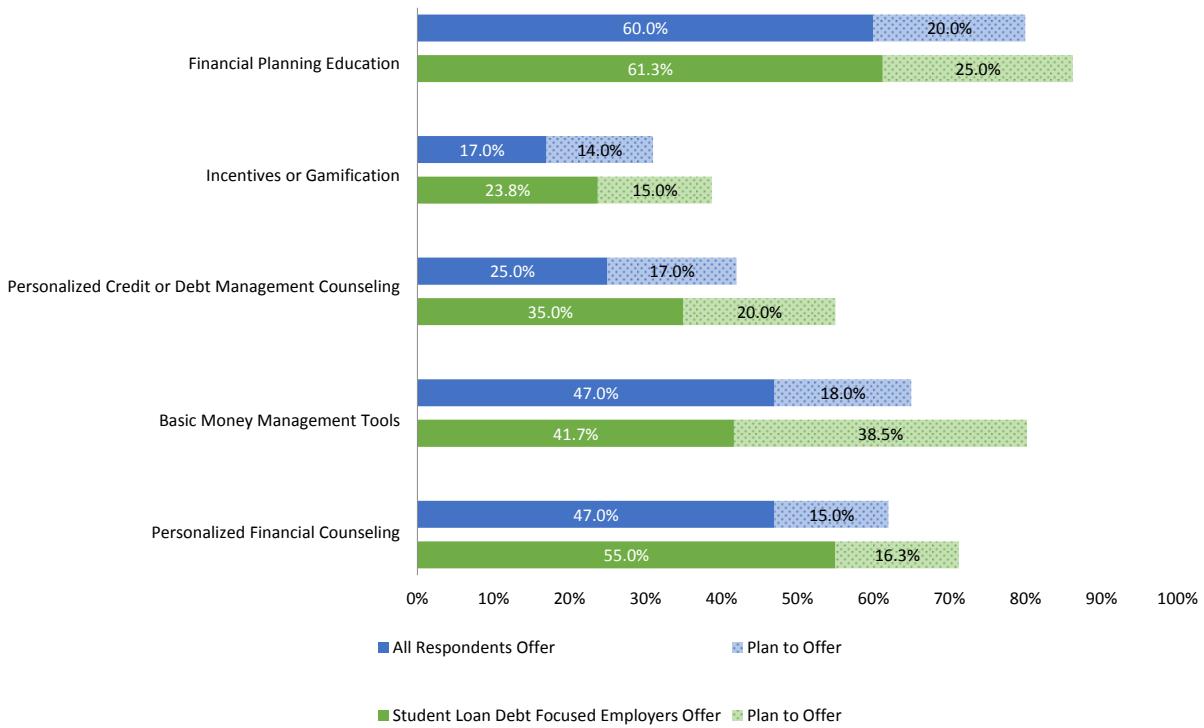
There were very few reported differences between the way financial wellness initiatives are offered between typical survey respondents and Student Loan Debt Focused Employers (Figure 8). Both were fairly equally likely to favor pilot programs (38 percent) or periodic/ad hoc campaigns (32 percent and 29 percent respectively) over holistic programs (16 percent and 15 percent respectively). Student Loan Debt Focused Employers were slightly more likely to offer their programs as one-time initiatives than the typical survey respondents, however (16 percent and 12 percent respectively).



Approaches to Offering Student Loan Debt Financial Wellness Initiatives

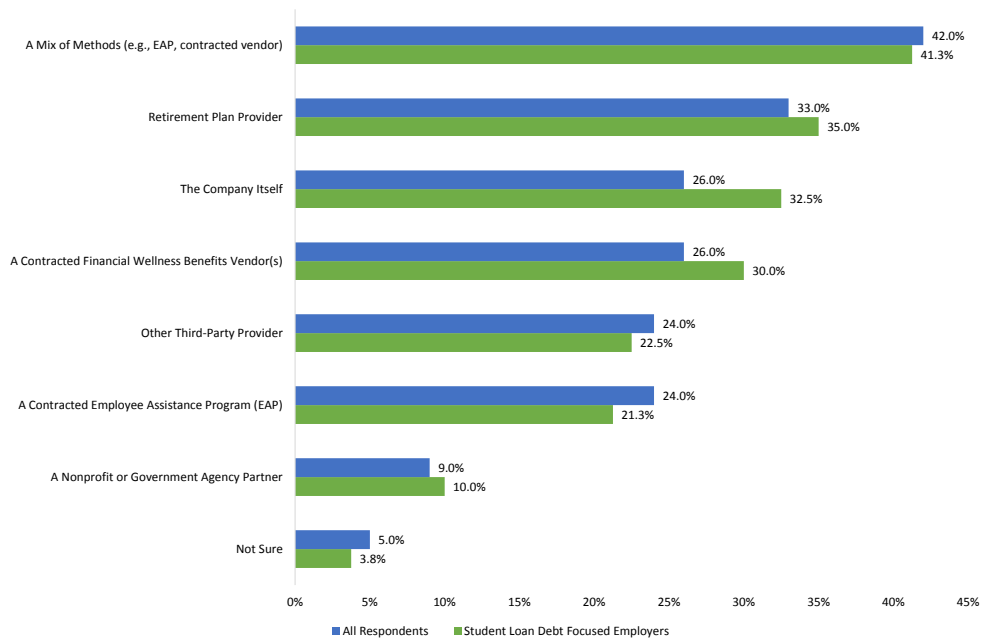
In terms of programs offered, Student Loan Debt Focused Employers were most likely to offer financial planning education to help employees with their personal financial challenges (61 percent), which was in line with the typical survey respondent (Figure 9). Like the typical survey respondent, Student Loan Debt Focused Employers were also least likely to offer incentives or gamification for their financial wellness initiatives (24 percent for Student Loan Debt Focused Employers and 17 percent for the typical survey respondent).

Figure 9
Which of the Following Does Your Company Offer to Help Employees With Personal Financial Challenges?

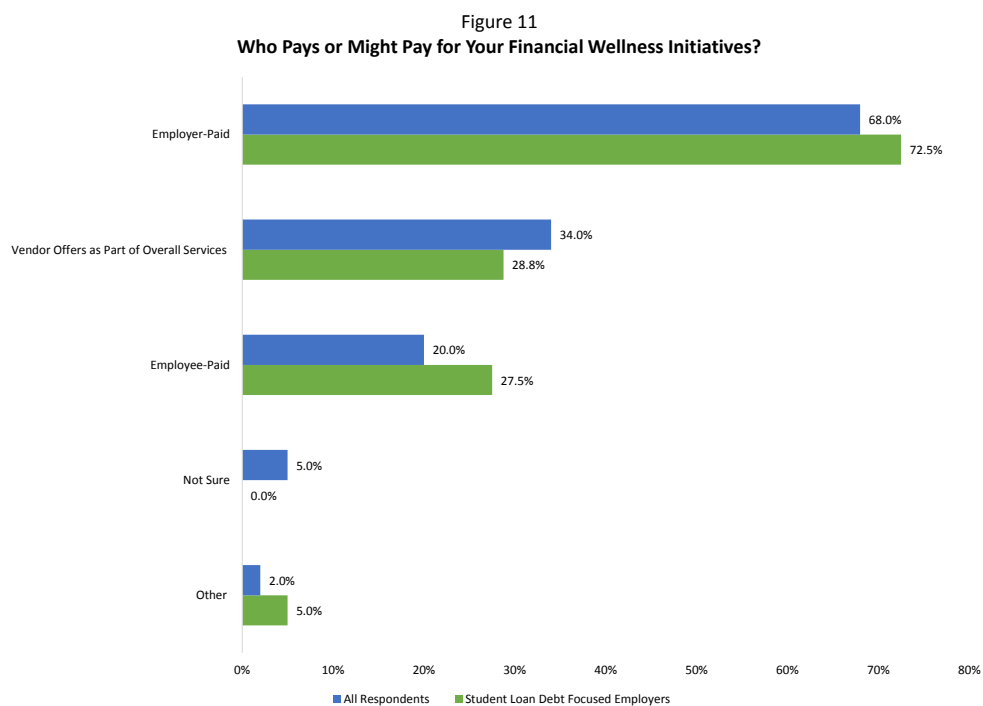


As Figure 10 shows, Student Loan Debt Focused Employers were somewhat more likely than the typical survey respondent either to be the source or provider of the financial wellness initiative (33 percent) or to have a contracted financial wellness vendor (30 percent). However, as with the typical survey respondent, the likeliest provider or source was a mix of methods (41 percent).

Figure 10
Who Is or Might Be the Source or Provider of the Financial Wellness Initiative?

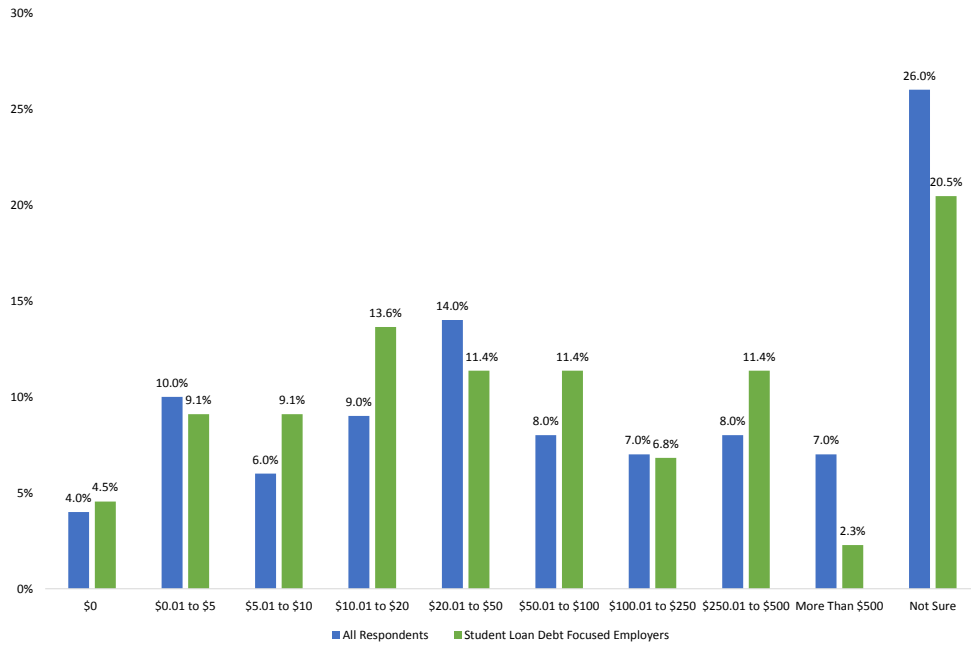


Further, Student Loan Debt Focused Employers were most likely to offer employer-paid financial wellness initiatives — and in fact, a greater proportion did so (73 percent) vs. the typical survey respondents (68 percent). It is interesting to consider figures 8, 10, and 11 together: they paint a picture of employers that are rolling out limited-scope student loan debt help initiatives through a mix of methods that are generally paid for by the employer itself. This suggests that broader rollouts of such initiatives might require proof of concept to gain additional budgeting, or alternative sources of funding, such as by the employee.



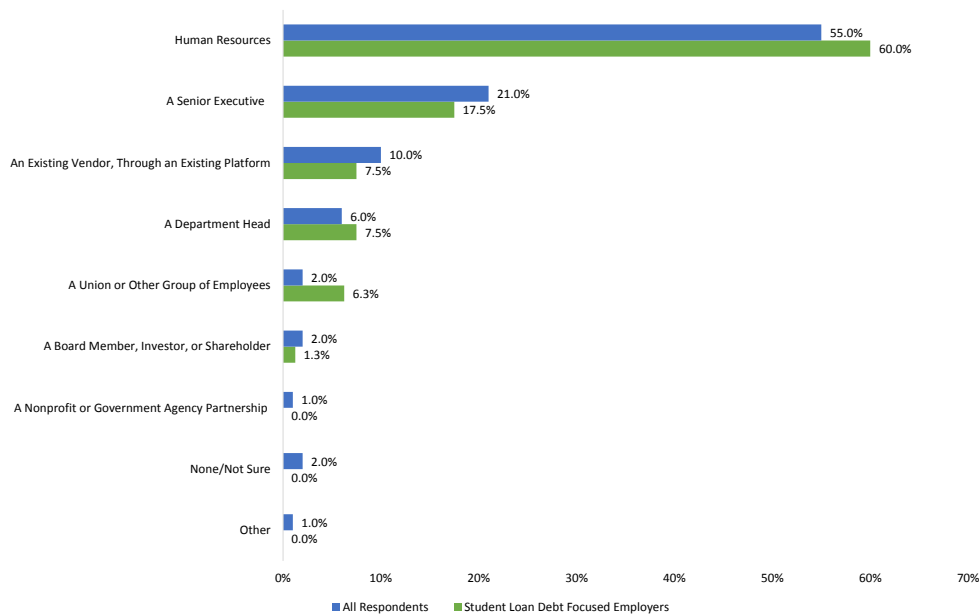
Strikingly, the most common response to the question “What is the annual cost per employee for financial wellness initiatives?” was “not sure,” reported by 26 percent of typical survey respondents and 20 percent of Student Loan Debt Focused Employers (Figure 12). Nearly half (48 percent) of Student Loan Debt Focused Employers reported spending less than \$50 annually per employee on their wellness initiatives, which was in line with the typical survey respondent (43 percent). Student Loan Debt Focused Employers were less likely than typical survey respondents to report spending more than \$500 per employee on financial wellness initiatives (2 percent vs. 7 percent of typical survey respondents).

Figure 12
On Average, What Is the Annual Cost Per Employee for Financial Wellness Initiatives?



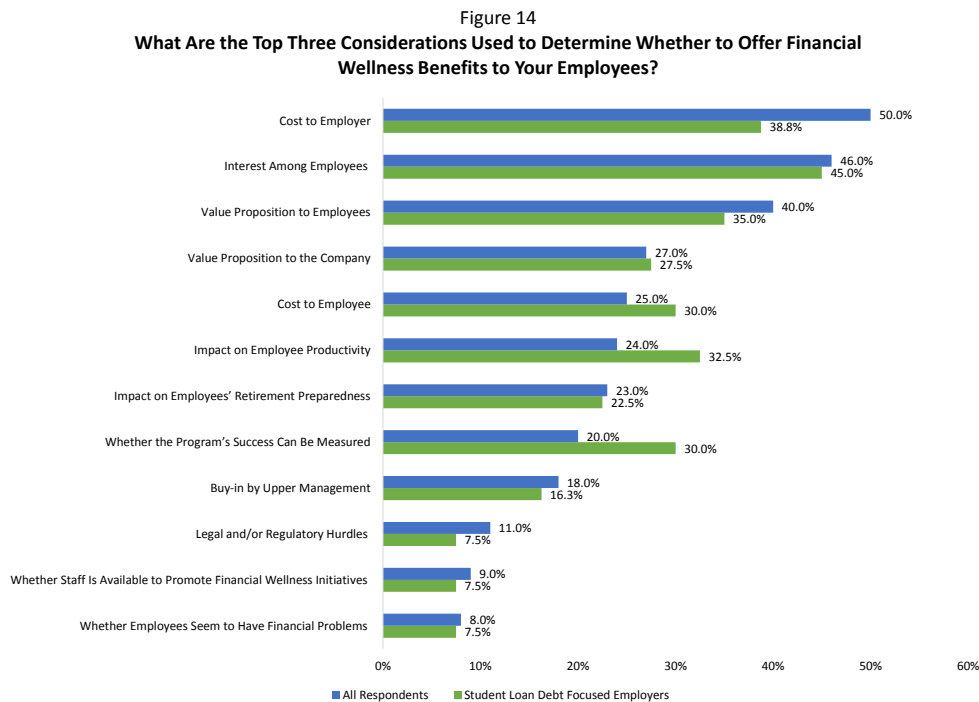
Human resources was the most likely champion of financial wellness initiatives, both across typical survey respondents (55 percent) and for Student Loan Debt Focused Employers (60 percent). A senior executive came in a distant second across both cohorts (Figure 13).

Figure 13
Who Has Been or Will Be Your Primary Champion for Implementing Financial Wellness Initiatives?



Considerations and Outcomes of Offering Student Loan Debt Financial Wellness Initiatives

When it comes to considerations in determining whether to offer financial wellness initiatives, Student Loan Debt Focused Employers were less focused on cost to the employer than typical survey respondents (39 percent vs. 50 percent respectively), according to Figure 14. However, considerations such as impact on employee productivity (33 percent), whether the program’s success can be measured (30 percent), and cost to employee (30 percent) scored higher for Student Loan Debt Focused Employers than for typical survey respondents. As across typical survey respondents, interest among employees was a key consideration for Student Loan Debt Focused Employers when it came to offering financial wellness benefits (45 percent cited this).



Relating to usage of financial wellness initiatives, Student Loan Debt Focused Employers were less likely to believe that the majority of their workers have or would likely make use of the financial wellness benefits provided (38 percent). This compares with 43 percent across typical survey respondents (Figure 15).

There is no lack of challenges to offering financial wellbeing programs, as Figure 16 shows. Similar to what we see across the typical survey respondents, Student Loan Debt Focused Employers cited complexity of the programs as their number one challenge in offering financial wellness benefits in the workplace — nearly half gave this reason, compared with 44 percent of the typical survey respondents. Lack of interest among employees was also commonly cited (43 percent). Challenges in making the business case to management was more commonly cited by Student Loan Debt Focused Employers than typical survey respondents (45 percent and 42 percent respectively). However, Student Loan Debt Focused Employers were less likely to cite lack of ability/data to quantify value added of the initiatives as a challenge to offering financial wellness initiatives (31 percent vs. 41 percent of typical survey respondents). They were also less likely to cite lack of staff resources to coordinate and market benefits as a challenge (36 percent vs. 43 percent of typical survey respondents).

Figure 15
What Percentage of Employees Do You Estimate Have or Would Likely Make Use of These Financial Wellness Benefits?

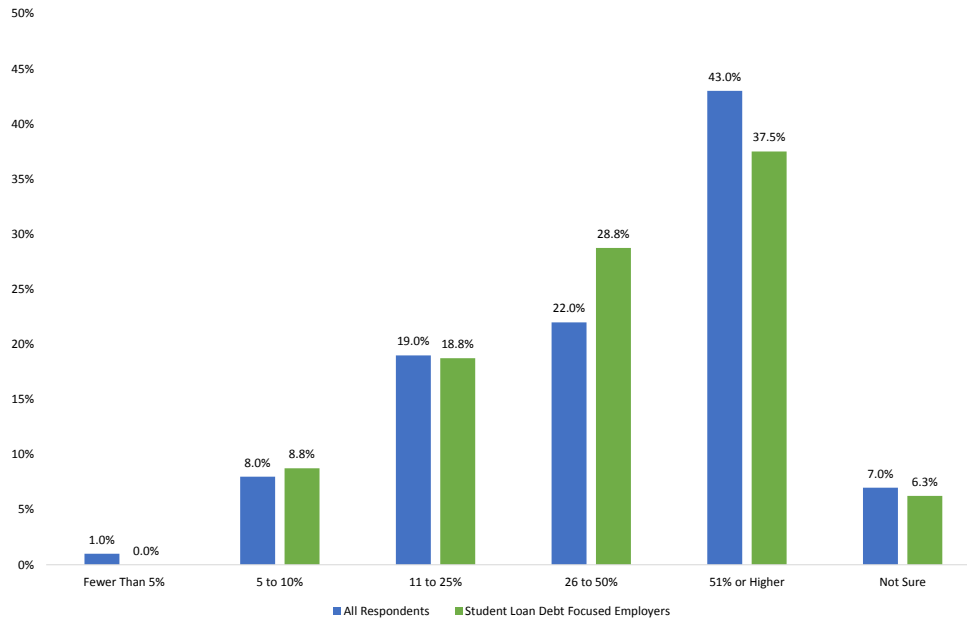
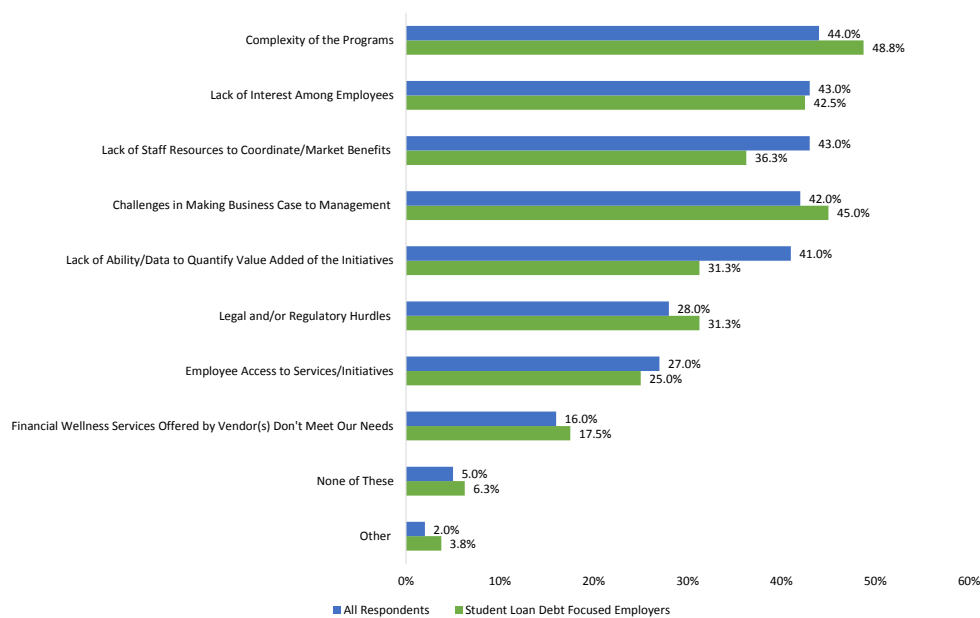
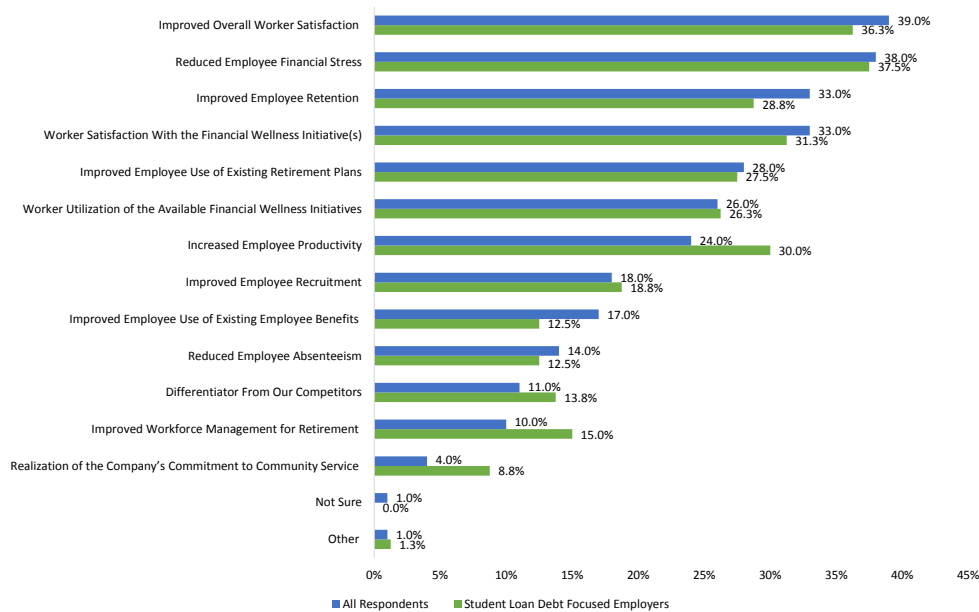


Figure 16
What Are the Top Three Challenges Your Company Faces in Offering Financial Wellness Benefits in the Workplace?



As Figure 17 shows, similar to typical survey respondents, Student Loan Debt Focused Employers measured the success of their financial wellness initiatives in a variety of ways: improved overall worker satisfaction (36 percent) and reduced employee stress (38 percent) were top measures, as was worker satisfaction with the financial wellness initiative (31 percent). However, Student Loan Debt Focused Employers were more likely than overall employer respondents to measure success in terms of increased employee productivity (30 percent vs. 24 percent respectively).

Figure 17
What Are the Top Three Factors That Are Important in the Measurement of Your Financial Wellness Initiatives?



Conclusion

In a competitive job market, student loan debt help is becoming an important tool for employers eager to attract and retain workers. Policymakers are recognizing the need for such help as well. Bills such as the Employer Participation in Repayment Act would allow employers to assist employees with student loan payments, tax free, for up to \$5,250 per year.

Still, evidence from EBRI’s Employer Financial Wellbeing Survey shows that employers struggle to get their arms around complex financial wellness programs, engage the interest of employees, and make the business case to management for their financial wellness efforts. The stakes are high, including goals of improved overall worker satisfaction, reduced employee stress, and increased employee productivity. As employers refine their approaches to measuring the impact of their financial wellness initiatives, they may be able to better draw lines between money expended for these programs and reductions in costs associated with turnover, absenteeism, and health care claims.

¹ Craig Copeland. “Student Loan Debt: Trends and Implications.” EBRI Issue Brief, no. 453 (Employee Benefit Research Institute, July 9, 2018).

² Board of Governors of the Federal Reserve System. “Report on the Economic Well-Being of U.S. Households in 2017.” May 2018. <https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>

³ Walemann, Katrina M., Gilbert C. Gee, and Danielle Gentile. “Sick of our loans: Student borrowing and the mental health of young adults in the United States.” *Social Science & Medicine* 124 (2015): 85–93.

⁴ Craig Copeland, Neil Lloyd, Alex Smith, and Stacy Schaus. “Student Loan Debt Trends and Employer Programs to Help.” *EBRI Issue Brief*, no. 467 (Employee Benefit Research Institute, December 6, 2018).