FINANCIAL HEALTH NETWORK

Financial Solutions Lab

Fintech as a Solution for Employee Financial Health

Findings from Five Exploratory Studies

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The research in this report was conducted in partnership with the Social Policy Institute (SPI) at Washington University in St. Louis. The Financial Health Network selected SPI to conduct exploratory studies of fintech solutions from select FSL Accelerator companies. These exploratory studies examine the characteristics of employees who use these products, employees' product engagement, and ways in which these products help promote employee financial health.

Washington University in St.Louis
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The Financial Health Network is a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding, and proven best practices in support of improved financial health for all.

The Financial Solutions Lab (FSL) is a $60 million, 10-year initiative managed by the Financial Health Network in collaboration with founding partner JPMorgan Chase and with support from Prudential Financial. FSL's mission is to cultivate, support, and scale innovative ideas that advance the financial health of low- to moderate-income (LMI) individuals and historically underserved communities. FSL focuses on innovative solutions that support populations facing acute and persistent financial health challenges including communities of color, women, older adults, and people with disabilities.

Executive Summary

The financial technology (fintech) sector has grown rapidly in recent years. Awareness and use of fintech has grown as companies in this sector have increased their user-friendly design, convenience, and accessibility. A unique fintech niche that has developed rapidly alongside the overall industry is known as "employer-channel fintech." Offered by employers, these solutions or benefits range from financial coaching to savings and loans, with the goal of supporting employees' financial health and well-being. By helping employees with financial challenges, the fintechs also have the potential to improve related workplace outcomes like retention, satisfaction, and productivity.

Better understanding the impact of employer-channel fintechs is important to a range of actors, including employers, the fintechs themselves, and investors. To explore the role these products and services play in workers' financial health and employment outcomes, our Financial Solutions Lab (FSL) partnered with the Social Policy Institute (SPI) at Washington University in St. Louis to study five companies from our Accelerator program that operate in this space.

We conducted research with these companies to examine uptake and usage patterns, as well as to gain initial insight into their ability to improve key areas of worker financial health, such as savings and access to affordable credit.

The results from the exploratory studies suggest that employer-channel fintechs are in demand among employees, can be an effective method for improving employee financial health, and can improve employee retention.

Though the research was exploratory in nature and further study is required to determine causality, employees who use employer-channel fintech products generally have improved financial health outcomes and lower turnover than infrequent or nonusers.

Our findings from individual exploratory studies with each company – Brightside, HoneyBee, Manifest, MedPut, and Onward – are highlighted in this report and fully explored in separate company-specific briefs.

Brightside HoneyBee manifest. MedPut Onward

Findings

While the companies varied in terms of their products offered, customer base, and financial health strategies, analysis of their employee data together offered three key findings:

01 Fintech products are in demand among financially vulnerable employees.

Users were more likely than nonusers to report facing financial challenges, such as difficulty paying bills on time, prior to use of fintech products.

02 Employees who engage more with fintech benefits show lower turnover rates.

Those who used different products from the same fintech or who engaged frequently with a fintech tended to have lower turnover than employees who engaged less.

03 Employer-supported savings and loans products can replace high-cost alternatives.

Employees reported that they would have turned to alternative products, like payday loans, if employer-channel fintechs were not available to them. Other fintechs provided useful alternatives to help employees weather instability or challenging financial circumstances.

Implications

Stakeholders can specifically enhance their offerings and better support employee financial health by doing the following:

Employers

- Diagnose employees' financial health
- Offer benefits that meet employees' diverse financial health needs
- Assess the impact of benefits, including those offered by fintech vendors

Employer-channel fintechs

- Measure the financial health of users and the impact of their products
- Offer products to address different employee financial health needs
- Share impactful results publicly

Investors

- Insist on, incentivize, and facilitate impact research
- Replicate and scale ideas with proven impact

Contents

Introduction

The financial technology (fintech) sector has exploded in the past decade. Fintech companies have grown, evolved, and increased in number over time to address numerous dimensions of consumers' financial health needs.

Stakeholders assert adoption has grown because customers are better served by fintech's user-friendly design, convenience, and accessibility relative to the traditional financial services industry.[1]

Such trends extend to fintechs that work with employers to offer employee benefits, often known as "employer financial wellness programs," "financial wellness benefits," or "employer-channel fintechs."[2] Fintechs in this specific field work with employers to utilize the unique employer/employee financial relationship and payroll "rails," taking advantage of the practical "levers" available to employers and benefits providers to help employees with their financial health. Employer-channel fintechs in particular may offer unique and innovative opportunities for employers to improve financial health, especially for low- to moderate-income employees.[3]

Furthermore, the benefits of employer-channel fintech products can extend beyond just the employees who use them. Stakeholders contend that employees who use these types of products are more productive, less stressed, and have lower turnover, which can translate into improvements to employers' bottom lines. Given the relative youth of the industry, however, the body of evidence on the impact of these benefits is limited.[4]

There are many stakeholders who benefit from a better understanding of impact, including employers, the fintechs themselves, and fintech investors. After all, employers want to offer products that have been demonstrated to help their employees and improve their business metrics; fintechs want to establish that their designs, products, and business models are successful; and investors want to understand which investments are most effective.

[1] EY Global FinTech Adoption Index 2019, Ernst & Young, accessed Jan. 27, 2021.

[2] These terms are not exclusive to fintechs. National nonprofits like Neighborhood Trust, Working Credit, and SaverLife also meet this definition.

[3] Franklin Allen, Xian Gu and Julapa Jagtiani, "A Survey of Fintech Research and Policy Discussion," Federal Reserve Bank of Philadelphia, June 2020; Lucy Gorham and Jess Dorrance, Catalyzing Inclusion: Financial Technology & the Underserved, Center for Community Capital, May 2017; Todd H. Baker, "FinTech Alternatives to Short-Term Small-Dollar Credit: Helping Low-Income Working Families Escape the High-Cost Lending Trap," Harvard Kennedy School, 2017.

[4] See literature review of existing research: Despard, Mathieu and Frank-Miller, Ellen, "When a Job is Not Enough," Asset Funders Network, 2019.

Mindful of these interests, FSL worked with five fintechs from our Accelerator to conduct exploratory research regarding employees' use of employer-channel fintechs and their impact on employees' financial lives. Fintechs were selected for the Accelerator program based on several criteria, including the quality of their product, positive impact on the consumer, and the ability of their leadership to execute. As such, the companies participating in the research represent particularly innovative solutions targeted toward employee financial health, including low-cost loans, financial coaching, and tools for specific financial challenges.

The exploratory studies were designed to help stakeholders better understand the use, user base, and impact potential of each company. Uncover greater detail about each companies' specific research and access their respective exploratory studies in the Fintech Spotlights later on in this report. We summarize results across the companies in the Findings section and share insights from this research project for specific stakeholders in the Implications section.

[5] Craig Copeland, "2020 EBRI Financial Wellbeing Employer Survey: COVID-19 Driving Benefit Offerings and Potentially Forcing Tough Budget Decisions," Employee Benefit Research Institute, Oct. 22, 2020.

Brightside

Brightside is a holistic employee financial care offering that uses data, a platform of financial products, and financial assistants to give personalized guidance and assistance in all areas of a person's finances.

HoneyBee

HoneyBee is an employer-sponsored annual benefit providing employees access to 0% APR, no-fee loans, and unlimited financial coaching.

manifest.

Manifest is a product facilitating 401(k) transfers for individuals that switch employers.

MedPut

MedPut is an employee benefit that provides an interest-free payment plan and negotiates discounts on out-of-pocket healthcare bills. There is no interest charged and no impact to an employee's credit score.

Onward

Onward is a nonprofit employer-sponsored mobile savings and financial education app that enables workers of all income levels to build financial security.

Employee and Employer Characteristics

The employers who partnered with the fintechs were typically in the service or education industries; employees worked in retail, education, or other service-oriented roles. However, this selection of employers is not necessarily representative of the landscape of employers who offer benefits via employer-channel fintechs. Limited research has been conducted on fintech benefits based on employment industry, but research from other sources indicates that the employer size correlates with offering wellness benefits.[5]

The employees whose companies partnered with fintechs tended to be lower-income and experienced income and/or expense volatility overall. Among these employees, fintech users generally had lower income and experienced more volatility than nonusers. We explore specific employee trends further in the Findings section.

Methodology

FSL selected the Social Policy Institute (SPI) at Washington University in St. Louis as a partner to conduct exploratory studies of the fintechs. FSL and SPI started working with the participating fintech companies early in 2019; researchers worked with each of the companies to understand their hypothesized impact, the available data from the fintech and its employer partners, and the fintechs' ability to collect new data.

Research approaches differed by the company: some fintechs fielded multiple surveys to users and nonusers, while others analyzed historical usage data. The specific research questions and approach were tailored to the specific company, its specific products, and its employers.

The fintech companies executed their respective study plans between June 2019 and June 2020, regularly sharing de-identified survey and product usage data with SPI throughout the process. SPI conducted analysis and synthesized results in individual reports specific to each company.

For more information on each company's methodology and results, see the Fintech Spotlights below and individual company briefs linked throughout this report.

Impact of the COVID-19 Pandemic on the Research

The pandemic limited the ability of some of the companies to conduct new research, but confirmed market need for their products.

Several of the companies had to scale back their research plans as the COVID-19 pandemic forced them to shift their priorities. Companies pulled back on fielding surveys or implementing new research initiatives at the beginning of the pandemic out of an abundance of concern for their users, and out of respect for individuals adjusting to dramatic changes in their everyday lives.

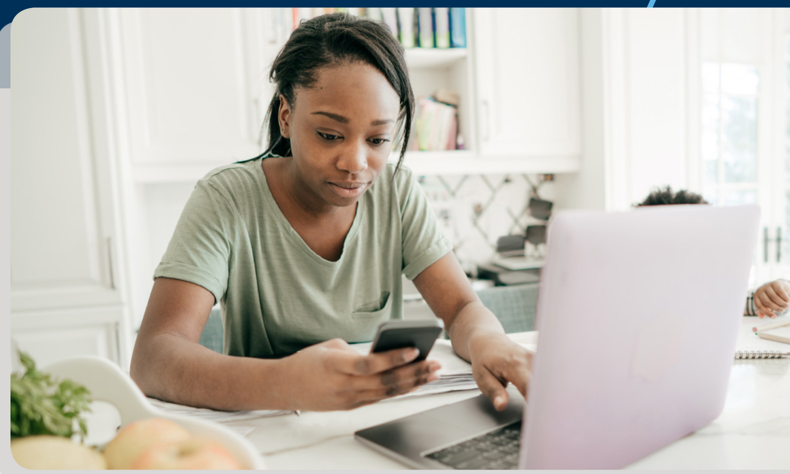
Some fintechs were able to observe the impact of the COVID-19 pandemic in their collected data. For example, Onward observed that the savings rates of its users increased during the pandemic relative to the prior time period. These results could be attributed to lockdown measures reducing the opportunities for users to spend money, users reducing spending because of concerns about economic conditions, or government stimulus payments increasing users' cash on hand.

Additionally, several fintechs experienced increased demand for their services during the pandemic. Though an incredibly financially difficult time for many of these fintechs' users, the increase in demand affirmed that the mission to improve financial health resonated profoundly during this time.

For instance, HoneyBee experienced an increase in demand for its services from users, while also seeing increased demand from new employers eager to offer its services to their employees. Likewise, MedPut observed that users reduced their use of medical care in the early days of the pandemic, likely reflecting concern about receiving medical care during the beginning of the COVID-19 pandemic (although use returned to normal levels in the third quarter of 2020).[6] The research efforts for Manifest and Brightside were not impacted, as data collection for these companies had largely concluded prior to the onset of the pandemic.

[6] Czeisler MÉ, Marynak K, Clarke KE, et al., "Delay or Avoidance of Medical Care Because of COVID-19–Related Concerns, United States, June 2020," Morbidity and Mortality Weekly Report, Centers for Disease Control, Sept. 11, 2020.

Findings



Research conducted with the five individual companies indicates that fintechs can improve employee financial health. Generally, fintech users experienced more positive outcomes than nonusers and viewed fintech products as providing valuable assistance, although the research methods do not allow us to establish causality definitively.

We explore three specific findings that indicate the potential impact of employer-channel fintechs:

01 Fintech products are in demand among financially vulnerable employees.

The research results generally confirm that fintechs provided assistance to the most financially vulnerable employees because the products are aligned with these employees' financial needs and goals. Not only are financially vulnerable employees generally the most in need of financial assistance, they also have higher rates of turnover.[7] Thus, employers may improve metrics like turnover and average tenure by providing employer-channel fintechs that assist their most vulnerable employees.

While every individual's financial health circumstances are unique, Financial Health Pulse research shows that those more likely to struggle with financial health include Black, Latinx, and young people, as well as women and individuals with low income.[8] Employment conditions are also highly correlated with employee financial health.[9]

[7] Lowest-paid industries have the highest rates of turnover. "Usual Weekly Earnings of Wage and Salary Workers Fourth Quarter 2020," U.S. Bureau of Labor and Statistics, Jan. 21, 2021; and "Economic News Release," U.S. Bureau of Labor and Statistics, March 16, 2020.

[8] "Financial Health Pulse: 2020 Trends Report, Financial Health Network," accessed Jan. 27, 2021.

[9] "Good Jobs Matter: Improving Job Quality for Low-Income Workers," EMERGE Financial Health Network (blog post), Dec. 1, 2020.

Consistent with prior research, findings across the five fintech companies revealed that users in need of assistance typically had shorter employment tenure, lower income, and greater financial health needs compared to nonusers. Specifically, users were more likely to struggle to pay bills, struggle to manage emergency expenses, and were more likely to support dependents.

Specific findings from the companies illustrated how financially vulnerable employees were more likely to use employer-channel fintechs:

Onward

More Likely to Skip a Bill or Pay a Bill Late and Less Likely to Pay $400 Emergency Expense

Onward users were more likely to report skipping a bill or paying a bill late in the past six months than nonusers, and less likely to report that they would be able to pay a $400 emergency expense with cash or cash equivalent.

MedPut

More Likely to Find It Difficult to Pay a Medical Bill and to Put off Medical or Prescription Costs

Of the 29% of eligible employees who enrolled in MedPut, users had lower tenure, were more likely to be middle income, and were more likely to have dependents than nonusers. MedPut users were more likely than nonusers to report having difficulty paying a medical bill, being contacted by a collection agency, and putting off medical or prescription costs than nonusers.

HoneyBee

More Likely to Find it Difficult to Pay Their Bills and to Cover Their Typical Monthly Expenses

More than half of HoneyBee users said it was difficult to pay their bills and cover their expenses in a typical month. While HoneyBee was not able to compare data to employees who did not use its services, of the employee users it was able to survey, 66% of its users were female, 70% did not live with a spouse, 53% had income below $50,000, and 82% were people of color.[10]

[10] These trends may be driven in part by the eligible employees who seek out and use HoneyBee, but they are also impacted by the overall employee composition of employers who offer HoneyBee as a benefit. HoneyBee has found that that most of its clients have a female-majority workforce and active Diversity, Equity, and Inclusion initiatives to attract and retain employees.

Brightside

FINTECH SPOTLIGHT

Brightside's exploratory research used approximately two years of Brightside usage data and information on employee characteristics for about 5,300 employees.

The research sought to explore the characteristics of Brightside users, Brightside registration and usage patterns, the financial needs of Brightside users, and the association between Brightside registration, usage, and employee turnover.

Findings

- Brightside users tend to be younger, female, have job tenure between one to five years, and have income between $25,000 and $50,000.
- "Money Emergency" was the case type most frequently used by Brightside users (70%), followed by "Savings" (52%). Users typically opened multiple cases and case types throughout their time with Brightside (3.9 on average).
- **Users with high engagement had lower turnover than those who did not engage with Brightside or had low engagement.** Likewise, employees who opened different types of cases had lower turnover than those who opened only one type. This may be indicative of the support Brightside provides to employee financial stability being an incentive to retention.

Read the complete brief on Brightside's research.

Brightside and Manifest also had indications that employees who used their products were more likely to struggle with their financial health. More than half (58%) of surveyed Brightside users reported being "very" or "extremely" stressed about their finances at onboarding. Manifest users who transferred retirement savings to their employer had far lower savings balances than the average prior to Manifest's launch.

Taken as a whole, these findings suggest that employer-channel fintechs are used by individuals who are most in need of assistance. Especially considering that employment benefit takeup rates are typically low among those with lower incomes and who work part time jobs, the adoption and use of employer-channel fintech products by more financially vulnerable employees is notable.[11] The more user-friendly design of fintech products may explain why their uptake is higher among financially vulnerable employees relative to traditional benefits platforms.[12] As such, these findings suggest that employer-channel fintechs are reaching the employees who could use their assistance the most.

[11] "Economic News Release," U.S. Bureau of Labor and Statistics, Sept. 24, 2020.

[12] Alycia Chin and Alanna K. Williams, "Take-Up of Financial Education: Demographic Characteristics and Prior Knowledge," Journal of Public Policy & Marketing, Aug. 27, 2019; William F. Bassett, Michael J. Fleming, and Anthony P. Rodrigues, "How Workers Use 401(k) Plans: The Participation, Contribution, and Withdrawal Decisions," Federal Reserve Bank of New York, accessed Jan. 27, 2021.

MedPut

FINTECH SPOTLIGHT

MedPut's exploratory research used MedPut administrative data from 4,317 employees across 21 companies over the course of 2.5 years. This data was linked with survey data from 189 MedPut users from two surveys administered over the course of an eight-month period.

The research sought to understand the characteristics of MedPut users, the take-up rate and frequency of use of MedPut's features, and employee self-reports of their experience using MedPut.

Findings

- MedPut users were more likely to have a shorter tenure, lower income, and dependents. Users reported struggling with medical bills, being likely to delay seeking health care, and worrying about how to pay for health care relative to nonusers.
- The average amount of bills submitted by employees to MedPut was $1,379. **Over a third of these bills resulted in reduced charges negotiated by MedPut for a discount rate of 18%.**
- MedPut may offer an important option for helping employees – especially among those with high-deductible health plans who may delay care due to high medical costs – manage their out-of-pocket health care expenses.

Read the complete brief on MedPut's research.

02

Employees who engage more with fintech benefits show lower turnover rates.

The fintech companies' exploratory research showed that users who took advantage of multiple fintech features had lower turnover rates than those who did not use the fintech's services or engaged in a very limited way.[13] This is perhaps unsurprising given the complex and multifaceted nature of financial health. Simply put, employees with diverse needs can benefit from multiple forms of assistance.[14] Previous research has also found employees report being more likely to stay at their job if their employer offered benefits that allowed them to manage their finances more effectively.[15]

Other research demonstrates a connection between employer benefits, employee financial health, and reduced turnover. A Metlife survey of employees found that employees who were rated as "healthy" on a comprehensive wellbeing scale were "more likely to be loyal, engaged and productive, compared to those who rank poorly for all aspects of health" and that a comprehensive benefits package was a significant driver of employee well-being.[16] Meanwhile, Prudential's "Pulse of the American Worker" indicated employees are more loyal to employers who help improve their financial resiliency and provide useful employee benefits.[17]

[13] Analyses controlled for demographics and other employee characteristics. Our research methods do not allow us to see employees' use of other external fintechs; these reported results reflect product use at a single fintech company

[14] Sarah Parker, Nancy Castillo, Thea Garon, and Rob Levy, "Eight Ways to Measure Financial Health," Financial Health Network, May 10, 2016.

[15] "Better for Employees, Better for Business: The Case for Employers to Invest in Employee Financial Health," Financial Health Network (infographic), accessed Jan. 27, 2021.

[16] "MetLife Employee Benefit Trends, Navigating Together: Supporting Employee Well-Being in Uncertain Times," MetLife, 2020.

[17] "Pulse of the American Worker Survey," Prudential, Nov. 2020.

HoneyBee®

FINTECH SPOTLIGHT

HoneyBee's exploratory research used administrative data from the HoneyBee platform for 979 employees in 62 companies over the course of three years. Additionally, HoneyBee supplemented this data with survey responses from 199 borrowers on topics including their borrowing behavior, financial health, and experience with HoneyBee.

The research sought to understand the characteristics and circumstances of HoneyBee borrowers and trends in use of HoneyBee loans using the two sources of data.

Findings

- Most HoneyBee users had low to moderate income and indicated they had trouble covering their expenses and paying their bills before taking out a HoneyBee loan.
- Employees used their loans to cover essential expenses and cover bills; 62% said the loan made it easier for them to meet their basic needs.
- **A quarter of borrowers said they would have used a payday loan had a HoneyBee loan not available**, indicating that HoneyBee provides a safer and less expensive substitute for alternative financial services or higher-interest loan options.

Read the complete brief on HoneyBee's research.

While these findings establish a relationship between employee benefits and reduced turnover, our research went one step further and examined these trends using data from an employer-channel fintech.

Brightside's findings showed high uptake for multiple offerings and lower turnover for those users. For example, about 90% of Brightside users sought help from financial assistants on multiple issues, such as emergency loans, credit building, or savings, with an average of 3.9 "cases" per user.

Turnover for employees who opened four or more cases was 20 percentage points lower than for those who opened fewer cases. Similarly, users who opened multiple types of cases also showed lower turnover: the turnover rate after two years was about 40% for Brightside registrants who sought help with one case type (about 10% of Brightside's total user base), versus 15% for those who opened three or more case types.[18]

One limitation of the research is that the fintechs were not able to control for selection bias. Fintech users may already have been more inclined to seek out ways to improve their financial health than nonusers, meaning we cannot prove fintech use caused positive employment outcomes. Likewise, it is possible that the relationships in Brightside's findings are caused by longer-tenure employees being more likely to engage with different aspects of their benefits than employees who worked with a company very briefly.

Still, survey responses indicate employees who used fintechs found the products useful. The companies that surveyed users about their product experience found positive user sentiment: An average of 83% of MedPut users reported that its product offerings were somewhat or very useful, while 62% of HoneyBee users said that it became easier to cover usual expenses after they received a HoneyBee loan. Therefore, having access to fintech products may aid employees' financial health and increase their likelihood to stay with an employer.

[18] This analysis controlled for employee demographic and employment characteristics.

FINTECH SPOTLIGHT

Onward's exploratory research used survey data of 351 employees from a single employer, and Onward usage data for 31 employees from a nine-month period.

This research sought to clarify the characteristics and financial circumstances of Onward users, the takeup rate for registering and using Onward, and the savings behavior of Onward users.

Findings

- Onward users had significantly more challenges in paying their bills on time. Compared to the nonusers, more users reported that they had overdrafted their bank account and borrowed from a payday loan/pawn shop in the past six months.
- The median amount of net savings was $150, an amount that can provide employees with protections from financial emergencies. **Users frequently used their savings as balances grew over time.**
- Nearly three-quarters (73%) of users increased their savings contribution during COVID-19.

Read the complete brief on Onward's research.

03

Employer-supported savings and loans products can replace high-cost alternatives.

Prior research shows that many employees in the United States have volatile financial lives. Many, particular those with lower income, struggle with income and expense volatility.[19] For example, data from the Financial Health Pulse shows that 45% of employed individuals with household incomes below $60,000 have income that varies month-to-month, and 71% are not able to predict their income every month.[20]

Unpredictable schedules and on-demand work through the gig economy can further contribute to employees' financial challenges. As a result, employees may turn to alternative financial services (AFS) to maintain their cash flow when expenses are high or income is low. While use of these products – such as payday, auto title, and pawn shop loans – has generally decreased in the past decade and even during the COVID-19 pandemic, the high interest rates and subsequently high cost of using these products can make them detrimental to employee financial health.[21] Use is also higher among those who are younger, have lower income, and have less education.[22]

[19] Jonathan Morduch and Rachel Schneider, "Spikes and Dips: How Income Uncertainty Affects Households," Financial Diaries, accessed Jan. 27. 2021.

[20] Author's calculations, Financial Health Pulse.

[21] Ying Lei Toh and Thao Tran, "Pandemic Relief Has Aided Low-Income Individuals: Evidence from Alternative Financial Services," Federal Reserve Bank of Kansas City, Dec. 30, 2020.

[22] "How America Banks: Household Use of Banking and Financial Services," 2019 FDIC Survey Executive Summary, October 2020.

The employer-channel fintechs we studied can provide higher-quality solutions than AFS and better aid financial health. More specifically:

Onward

Users Ultimately Saved An Average Net Amount of $245 After Nine Months

Onward surveyed employees prior to rolling out its services at a new employer. The survey showed that those employees who chose to use Onward reported significantly higher rates of financial challenge – use of payday or pawn shop loans, instances of overdraft, and inability to pay a $400 emergency expense – than employees who did not use Onward.[23] **Users ultimately saved an average net amount of $245 after nine months (with a median of $150), indicating employees were able to build their total savings while still having a cushion to weather financial emergencies.**[24] These accumulated savings can allow employees to reduce their frequency of overdraft, begin to supplant the use of payday loans, and build financial stability.[25]

HoneyBee

25% of Users Said They Would Have Used a Payday Loan if Not for the HoneyBee Loan

Over a third of HoneyBee users had used a payday, auto title, or pawn shop loan in the past 12 months. But survey responses from users indicated that a HoneyBee loan had provided a direct replacement for AFS. **One quarter (25%) of users said they would have used a payday loan if not for the HoneyBee loan.** Those who had used a payday loan in the past year were more likely to report that the HoneyBee loan replaced a payday loan. These results suggest that HoneyBee may be able to interrupt a pattern of payday loan use by providing a 0% loan alternative to other higher-cost options.

The research from two other fintechs – MedPut and Manifest – also indicates how employers could provide higher-quality financial products to employees around health care and retirement planning. MedPut's 0% interest payment plans for medical bills can provide users with lower-cost options to pay down medical expenses, particularly in instances where an employee would turn to higher-cost options like credit cards. Likewise, Manifest has the potential to reduce retirement plan leakage by reducing the friction of account transfers, helping employees maintain their savings, and supporting their financial decision-making.[26]

[23] 31% of eventual Onward users reported using a payday or pawn shop loan in the past six months, 60% indicated they had overdrafted a bank account in the past six months, and 24% of Onward users said that they would not be able to pay for a $400 emergency expense. Employees who did not use Onward reported financial challenges at the following rates: 10% had used a payday or pawn shop loan in the past 6 months, 26% had overdrafted a bank account in the past six months, and 11% said they would not be able to pay for a $400 emergency expense.

[24] One limitation of the research is that we cannot observe savings held by users outside of the Onward savings account.

[25] The median transaction amount which causes an overdraft is $50. "Data Point: Checking account overdraft," Consumer Financial Protection Bureau, 2014. The average payday loan amount in MIssouri, where the employer is located, is about $306. Survey of payday lenders, Missouri, Feb. 5, 2019. The national payday loan average is $350. Payday Loans and Deposit Advance Products, Consumer Financial Protection Bureau, April 24, 2013.; SaverLife research showed that savings of over $100 were associated with lower rates of utility shut-off, high-cost borrowing, and financial dissatisfaction. "Savings: A Little Can Make a Big Difference," SaverLife, Dec. 9, 2020.

[26] Leakage is estimated to reduce long-term savings by more than 20%: Alicia H. Munnell and Anthony Webb, "The Impact of Leakages on 401(k)/IRA Assets," February 2015. More than a third of retirement plan participants are estimated to withdraw assets when they change jobs. "Cashing Out: The Systemic Impact of Withdrawing Savings Before Retirement," Savings Preservation Working Group, Oct. 29, 2019.

manifest.

FINTECH SPOTLIGHT

Manifest's exploratory research used payroll and retirement plan administrative data on 14,935 employees from a single large employer over a period of three years. Manifest usage data was also analyzed for 700 of these employees.

Research using Manifest's data sought to clarify the characteristics of employees and their retirement plans in relation to their retirement plan decisions when they change employment. It examined the frequency of retirement plan transfers of employees with access to Manifest compared with those who did not.

Findings

- Manifest users were more likely to be female and nonacademic staff than the total population of employees with retirement plans at the university.
- **Employees who were offered access to Manifest had a 55% transfer-in rate from an external retirement plan, relative to an 18% transfer-in rate prior to Manifest's introduction.** This finding suggests Manifest makes the retirement plan transfer process easier for users.
- Manifest's transfer of retirement accounts can save employees money by reducing their fees and retirement account "leakage."

Read the complete brief on Manifest's research.

Given the structure of the U.S. retirement system, Manifest has the opportunity to enable consumers to maintain their retirement savings and more easily move them across jobs.

These findings together indicate that fintechs are able to help employees build resilience so that they may be able to better weather financial volatility. Specific examples from Onward and MedPut show how these fintech products can serve as lower-cost and higher-quality alternatives to AFS, while still helping users manage fluctuations in income or expenses.[27]

The findings from these companies also demonstrate that employer-channel fintechs can aid employees beyond solely providing an alternative to AFS by providing other financial health resources in the same platform. Offering and bundling other products or services, such as financial coaching, provides employees with more robust assistance and a better opportunity to improve their financial health.

[27] While Brightside financial product usage wasn't analyzed as part of this research project, it provides employees with multiple loan options, savings accounts, and a platform of solutions, and reports delivering an average of $1,200 in savings annually for each employee it works with.

Implications

There are several implications for employers, employer-channel fintechs, and fintech investors who are dedicated to improving employee financial health. These different stakeholders can improve their offerings and employee financial health by considering the following actions:

Employers

Diagnose employees' financial health

Our research suggests that employees who are struggling are likely to use products that can improve their financial health, but employers can't know what products to offer without first understanding employees' specific needs. Measuring the financial health of employees, and acting on these insights, also demonstrates a commitment to employees. Breaking down results by demographics or other key factors to assess potential disparate impacts can allow employers to better tailor their approach. The Financial Health Network's FinHealth Score can be a starting point for identifying employee needs, and other toolkits, including the Financial Health Network's pending employer toolkit, can offer further guidance.

Offer benefits that meet employees' diverse financial health needs

Employers can go beyond a one-size-fits-all approach and give employees options to choose the products best suited to their financial health needs. Our research indicates that there is an inverse relationship between engagement with multiple products and turnover. This suggests that employers may see benefits if they can meet multiple employee financial needs, either by offering a single employer-channel fintech or a product suite. Employers should look for opportunities to offer employees comprehensive financial health benefits, including supplementing more traditional benefits such as healthcare. For example, a service like MedPut might pair well with employees' high-deductible health plans.

Assess the impact of benefits, including those offered by fintech vendors

Employers can move beyond marketing claims to closely analyze their data with the goal of understanding the impact of benefits on employees. Fintech companies that have taken the time to evaluate their own offerings and share results demonstrate their commitment to improving their products and better serving employees. Employers should consider working with these organizations and supporting fintech efforts to conduct research about how to better serve employees. Collecting feedback directly from employees on their use of and experience with these benefits can also be valuable.

Employer-channel fintechs

Measure the financial health of users and the impact of their products

A robust measurement tool, such as the FinHealth Score, can be useful to understand the financial health of users and their financial needs.

Fintechs can measure the impact of their products by doing high-quality research. Understanding the needs of the consumer and building financial health both make for a better product and demonstrate commitment to clients. Look here for a quick how-to.

Where possible, fintechs should break results down by demographics or other key factors to assess potential disparate impacts, tailor approaches, and target assistance to the most vulnerable.

Offer products to address different employee financial health needs

Given the multifaceted nature of consumer financial health, our research suggests a product suite, whether through one platform or through partnerships, can lead to greater financial health impact and lower employee turnover.

Share impactful results publicly

Sharing results from rigorous research will help others learn from successes, prove viability to investors, and demonstrate a company's commitment to its users.

Investors

Insist on, incentivize, and facilitate impact research

While impact research takes time and effort, the findings from impact research can either confirm an investee is impactful or help inform an investment approach. Investors should ensure impact metrics are well-defined and tailored to the company and its products.

Investors should consider offering technical support or funding specifically for impact research to reduce the workload on the fintech and to enable a rigorous approach. Providing companies with a cohort experience can also support peer learning.

Replicate and scale ideas with proven impact

By learning from this report and other research, investors can invest in successful fintech models and encourage young companies to build off of proven concepts. This will improve the success of investments and ensure consumer financial health needs are better met by fintechs.

Investors can share learnings, findings, and remaining questions so that others may learn from them.

Future Research

More research is needed to better understand the impact of employer-channel fintechs on employee financial health.

Randomized controlled trials and quasi-experimental research are particularly important to establish the causal relationship between fintech benefits and employee and employer outcomes, though the complicated nature of overlapping relationships in this space, which includes employees, employers, and fintechs, can make this research difficult. Still, researchers and fintech companies continue to implement high-quality research and experiments in the field. The Financial Health Network's Leaders Lab is releasing results of research on innovations and behavioral design approaches that move the needle on financial health. FSL works with fintech companies and their partners to help assess consumer financial health needs and evaluate the impact of innovative tools and solutions.

Conclusion

Research on employee use of employer-channel fintechs demonstrates a positive relationship between use of these products and both employee financial health and employer outcomes. Findings from research conducted with Brightside, HoneyBee, Manifest, MedPut, and Onward show that financially vulnerable employees are likely to use employer-channel fintechs, employees who use multiple fintech products have lower turnover, and that employer-channel fintechs can replace the use of AFS.

The findings and implications can provide a guide to employers, employer-channel fintechs, and investors to better assess the impact of employer-channel fintechs. Employers can use this information to improve the benefits offered to their employees and select the fintechs with whom they work. Fintechs can use the research findings to inform their product development and as a guide to start evaluating their impact.

Investors can use these findings as inputs as they consider new investments and as a tool to push for their own assessments. Still, more research is needed. In particular, research with a rigorous experimental design can help all parties understand the best way to build the financial health of employees.

Employer-channel fintechs represent a viable path to improving both employee financial health and business outcomes for employers. As employees come to expect more from their employers and as fintechs become even more sophisticated in their employer integrations and products, offering effective employee benefits will become even more important. Employer-channel fintechs present an innovative, efficient, and impactful way to do so.

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