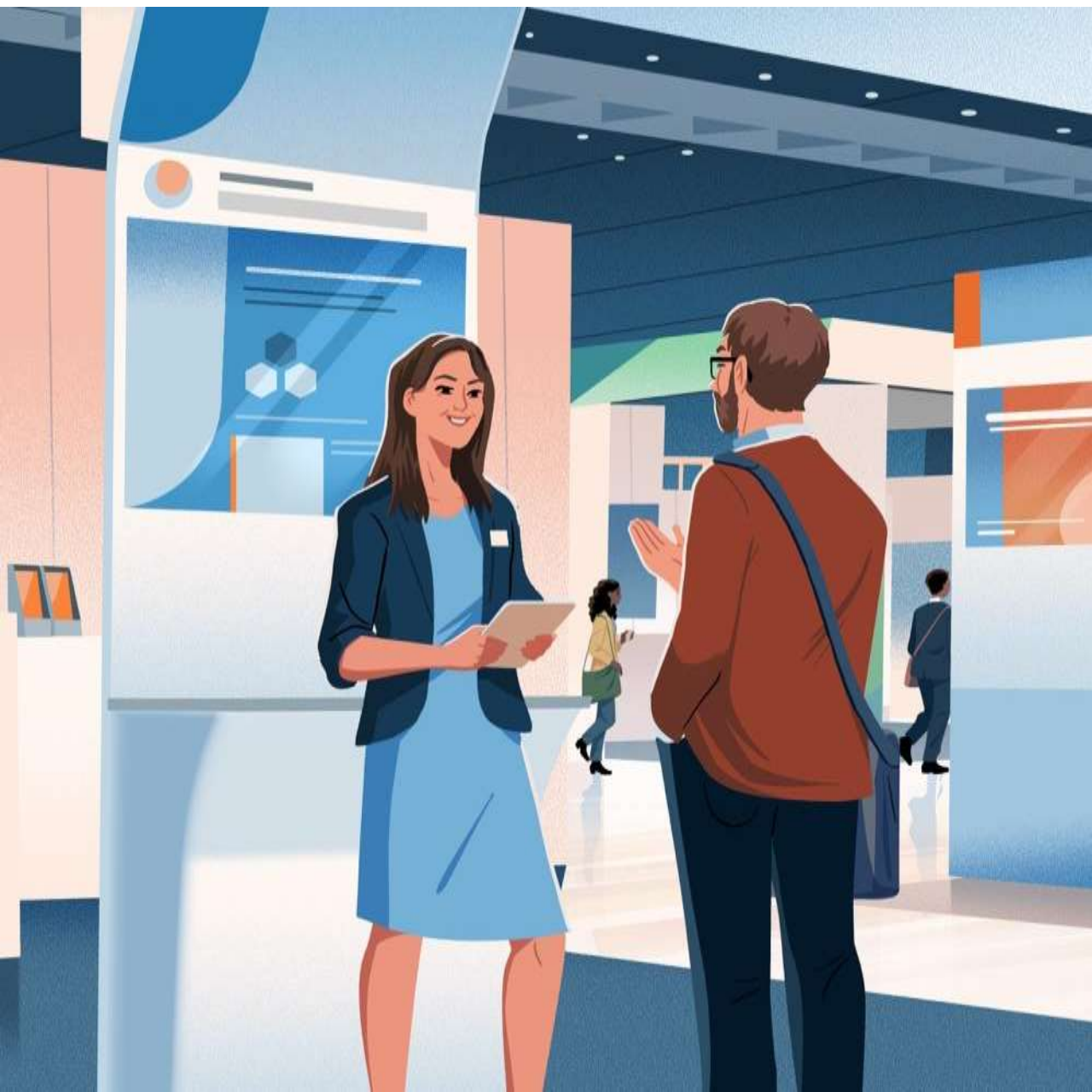


State of the Workplace III

Financial Benefits Study





Introduction

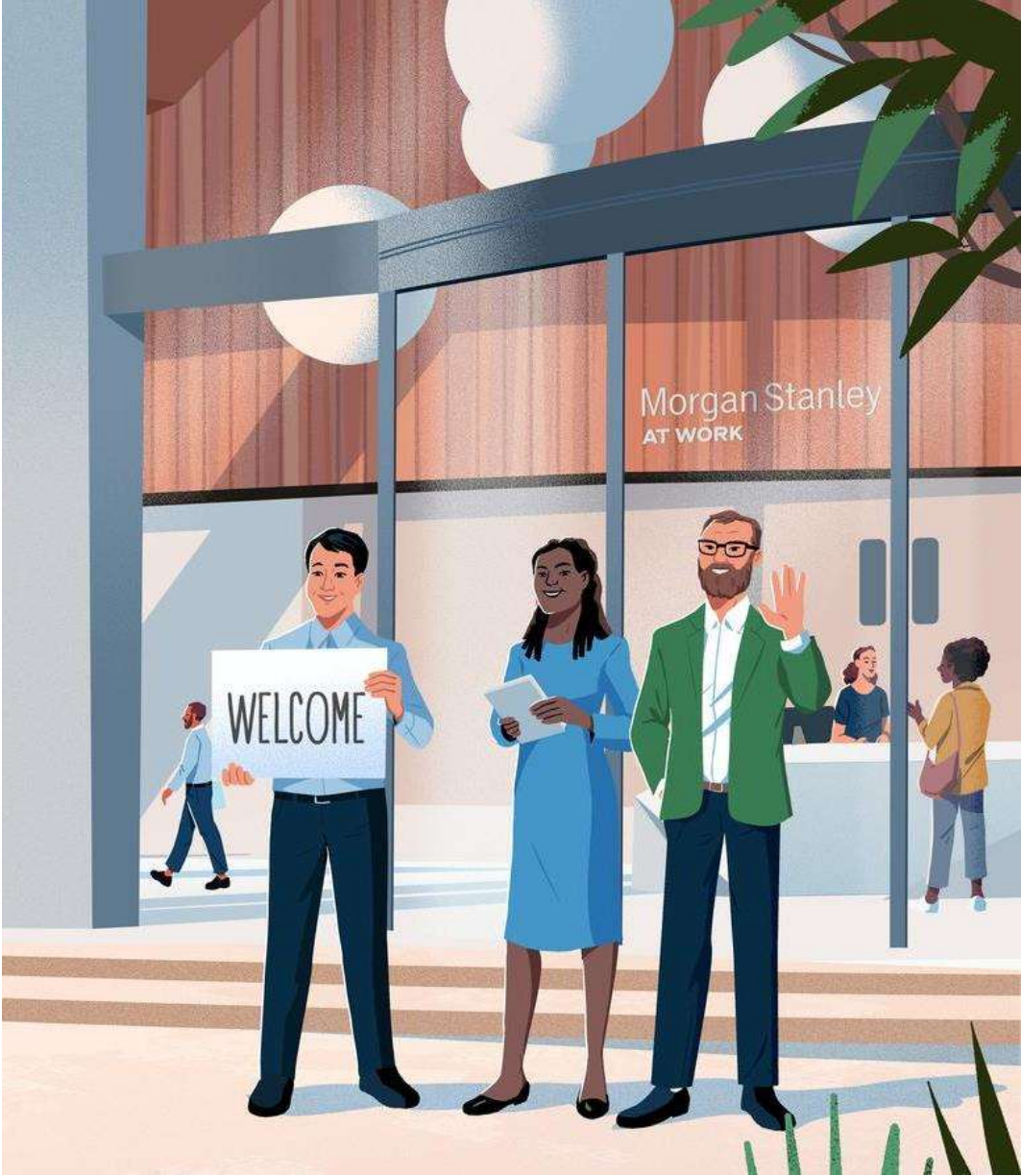
The State of the Workplace Financial Benefits Study explores the role and value of workplace benefits, including equity compensation, financial wellness, and retirement preparation. This report assesses how both HR leaders and employees view their organization's financial benefits.

So far, 2023 has seen an expansion of themes that arose in 2022 such as inflation and market volatility, culminating in fears of a possible recession. As these challenges evolve, the workplace remains a stabilizing force and primary resource for employees' financial health. Employers and employees together must navigate evolving needs and find creative solutions amid continued economic uncertainty.

Because the reality is HR teams are being asked to do more with less as budgets tighten and employees seek additional support.

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Core Findings



Employees want more from their financial benefits

Employees increasingly seek competitive financial benefits when considering staying at their current companies (69%, compared to 60% last year). While HR leaders understand this need, they aren't confident they can provide adequate financial benefit packages to strengthen employee retention during these economic times.



Equity compensation becomes a key driver for employees

Employees consider equity compensation to be the most important benefit for helping them meet long-term investment goals (a 4% YoY increase). And both HR leaders and employees recognize equity as the most effective benefit to motivate and engage employees. For example, equity compensation is now considered the best way to engage employees and has become the most important financial benefit to meet long-term financial goals.

Core Findings



Financial stress affects employee performance

The majority of HR leaders are worried that financial strains on employees are negatively affecting productivity – and for a good reason. More than half of employees agree that financial stress negatively affects them at work. Perhaps as a result, nearly 9 in 10 HR leaders offer employees financial wellness programs to counterbalance work-life stressors.



Retirement benefits and access to Financial Advisors influence retention

The importance of retirement planning assistance increased from last year for both employees and HR leaders, and employees increasingly express the need for a financial advisor to help them plan for retirement. This need comes as employees continue to reduce contributions to their accounts in response to economic volatility.

Financial Benefits





““Economic instability has led both employers and employees to tighten their belts—and ask a lot of their workplace benefits in the process. We're seeing momentum on both the employer and employee side to **engage more intelligently with financial benefits as a ballast against uncertainty**. To meet this moment, companies are going to have to get even more creative and efficient in leveraging holistic benefits offerings to attract, retain, and motivate their employees.”

— Brian McDonald
Head of Morgan Stanley at Work

Key Insights

Employers know employees need more support but are cutting benefits amid budget reductions



Employees are paying closer attention to financial benefits, and employers are taking notice

Nearly 69% of employees say they are paying more attention to reviewing their financial benefits in 2023, up nine percentage points from last year. Similarly, more HR leaders increasingly expect their employees to pay more attention to their benefits (86%).



Financial benefits can drive retention

89% of employees agree they would be more invested in staying at their company if it provided financial benefits that met their needs. And, most HR leaders (90%) are worried that their employees would leave if their company did not provide benefits that met employee needs.

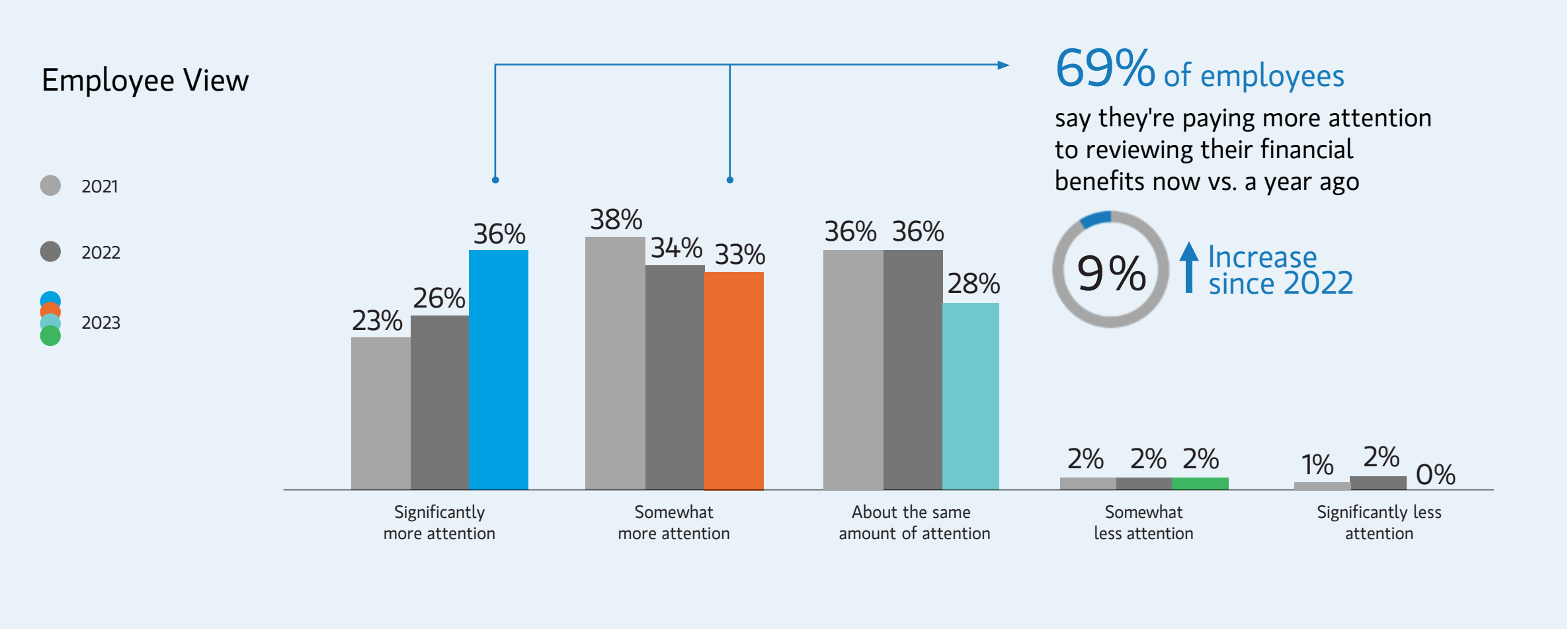


Yet companies have pulled back on benefits

Employees and employers seem to be at odds over expectations around financial benefits, with more employees requesting benefits that their company does not offer (88% vs. 78% in 2021). And one in four HR leaders shared that they are cutting back on employee financial benefits to prepare for a recession.

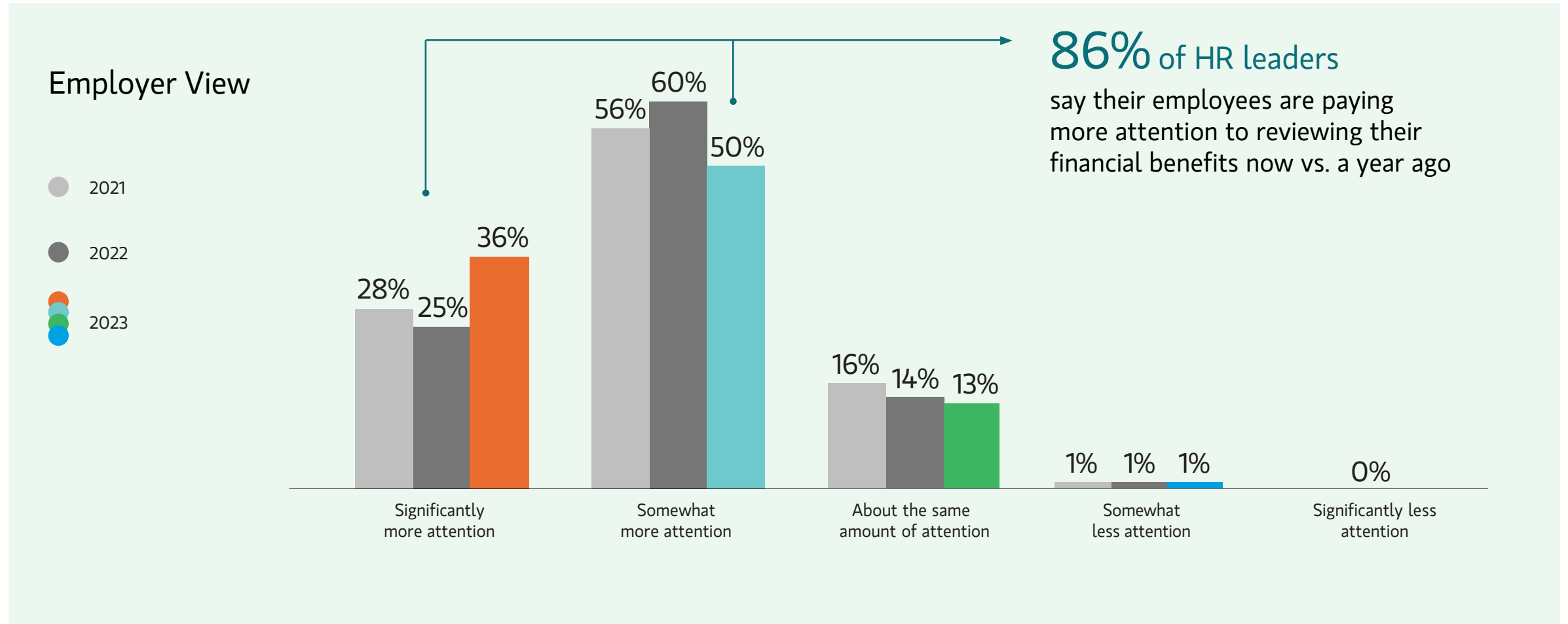
Benefits in the Spotlight

Employees are now laser focused on financial benefits, paying even more attention than the past two years.



HR Leaders Know Employees Are Watching

HR leaders also expect employees to spend significantly more attention to their benefits packages.

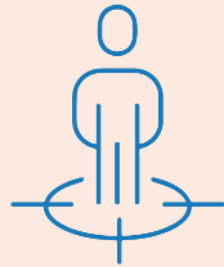
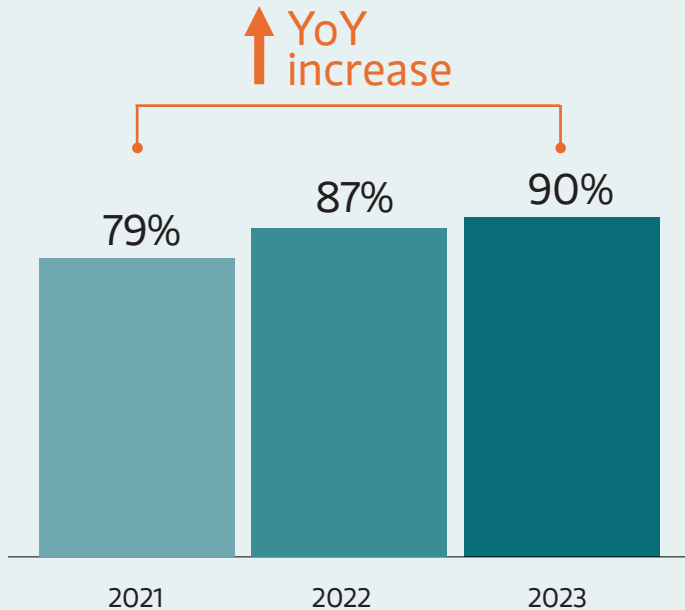


Financial Benefits Can Drive Retention

While HR leaders fear employees will leave if offered weak benefits, employees will stay for the right package.

90% of HR leaders

are worried their employees would leave if their company did not offer competitive benefits

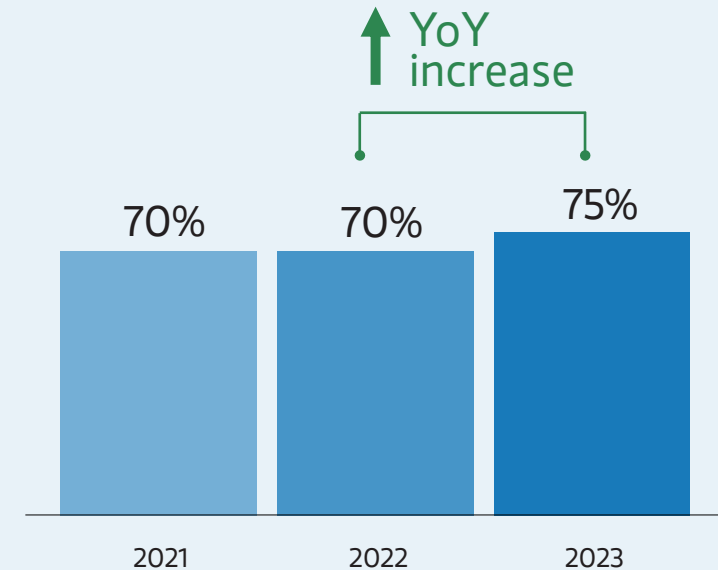


89% employees

agree they'd stay for the right financial benefit package

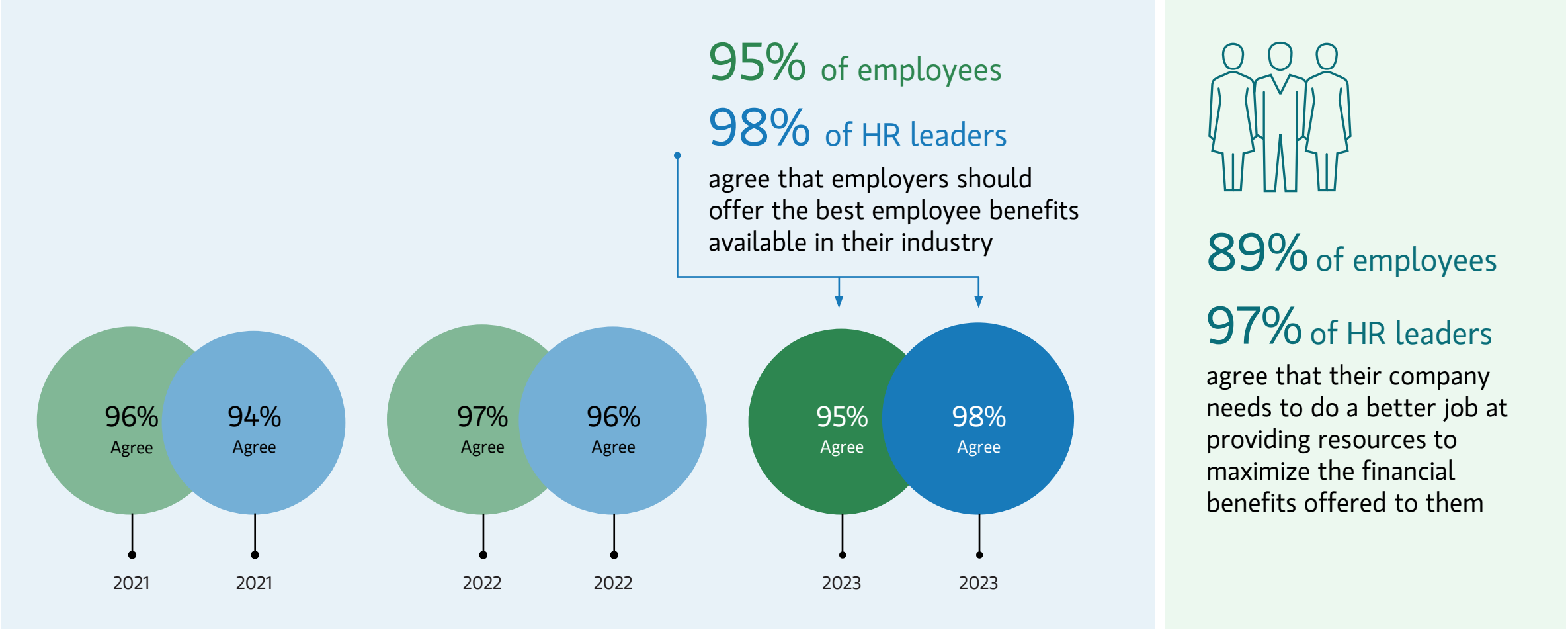
75% of employees

believe financial benefits are essential to meet their financial goals and would be interested in working elsewhere to have those benefits provided



HR Leaders and Employees Agree That Employers Need to Step Up Their Support

Majorities want companies to offer the best available benefits, a consistently strong sentiment over the past three years.



Companies Have Pulled Back on Benefits

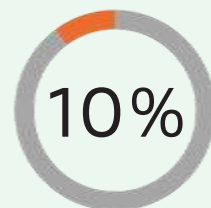
Employees are asking for specific benefits that are not provided by their company – and more than one in four companies are cutting back benefits to prepare for a recession.



27% of companies
are cutting back employee
benefits due to fears of a recession

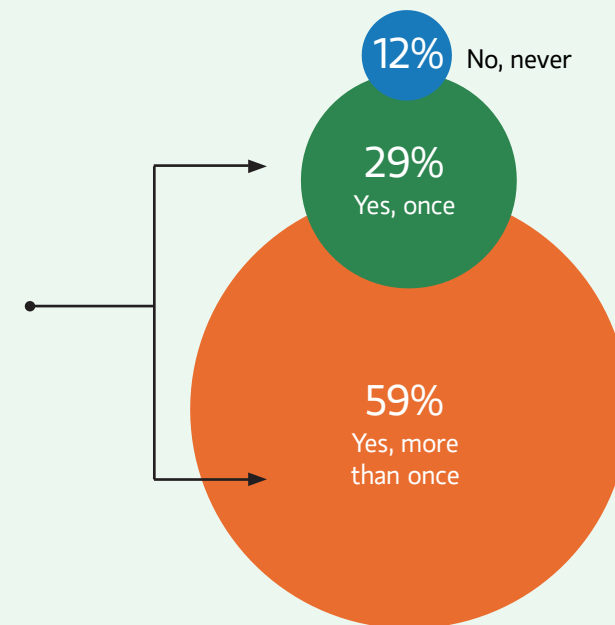


37% of HR leaders
say company is on a good
path to add benefits that
only a few competitors have

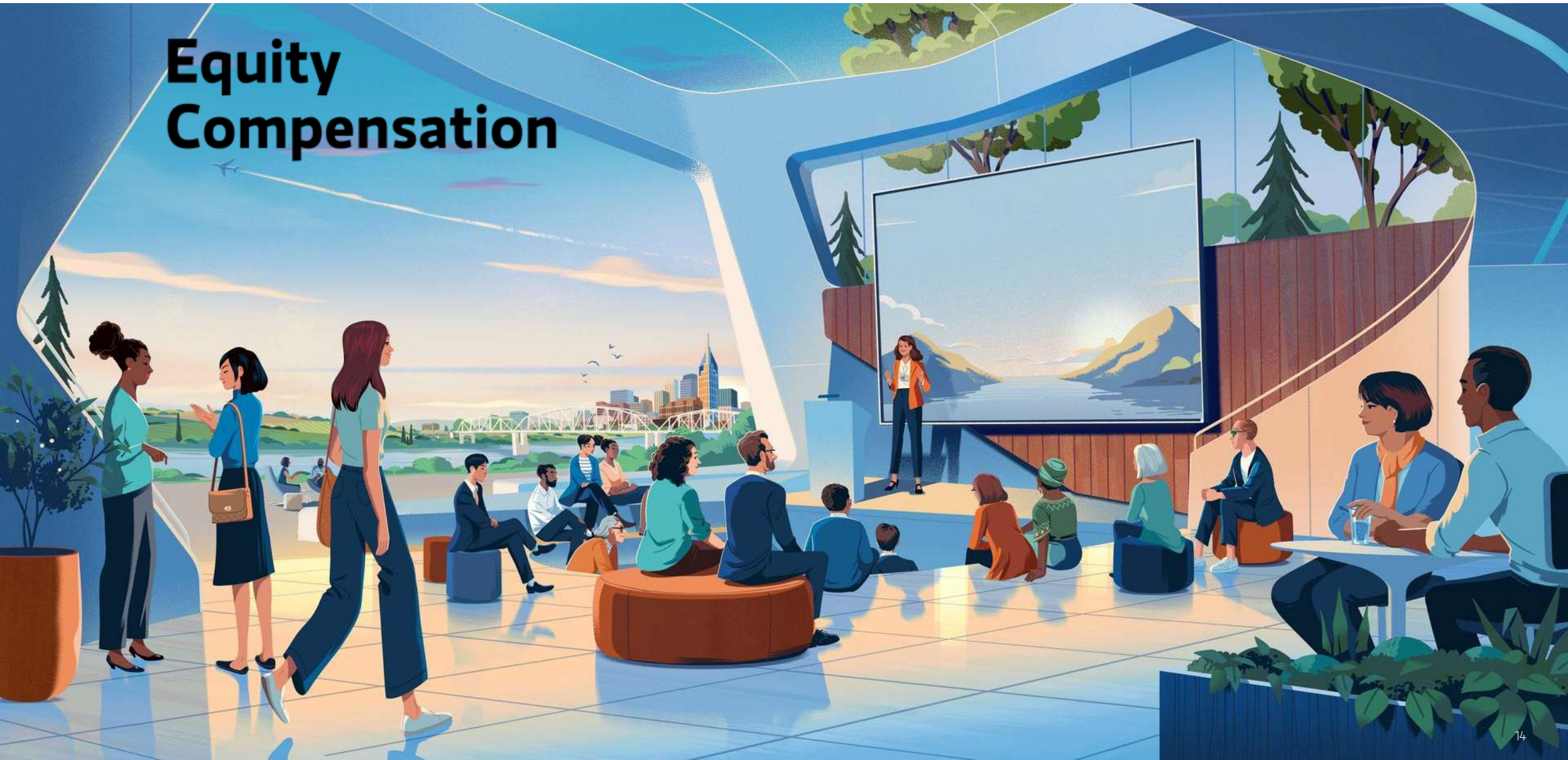


**↑ Increase
since 2021**

88% of HR leaders
say employees have requested
benefits that their company
does not offer



Equity Compensation





“In the decades of work we’ve done with clients, we have seen **an evolution** in how this benefit—once thought of as a one-time bonus—is **now viewed more holistically within an employees’ overall finances as a key driver of long-term investing goals**. As equity compensation continues to gain ground, this is a critical insight for employers to absorb, and help inform how they communicate, package and deliver equity compensation throughout their organizations.”

– **Scott Whatley**
Managing Director & Global Head of Equity Solutions,
Morgan Stanley at Work

Key Insights

Equity compensation becomes the driving benefit for employee long-term financial goals



Equity Motivates Talent

More companies (72%) say they offer some form of equity compensation benefits to some employees (up from 68% in 2022 and 65% in 2021). And most employees (84%, a 4-point increase from 2022) say that having a benefits plan that includes equity compensation and stock ownership is the most effective way to stay motivated and engaged.



Employees Measure Long-term Value

Achieving long-term goals has become the most important perceived benefit of equity compensation: Employee views of equity compensation as a driver of long-term investment goals increased to 28% (vs. 24% in 2022), followed by providing an extra source of income and giving a stake in the success of the company.

Equity Compensation Drives Employee Motivation

Employees and HR leaders both view equity compensation as the most important motivational strategy.

97% of HR leaders

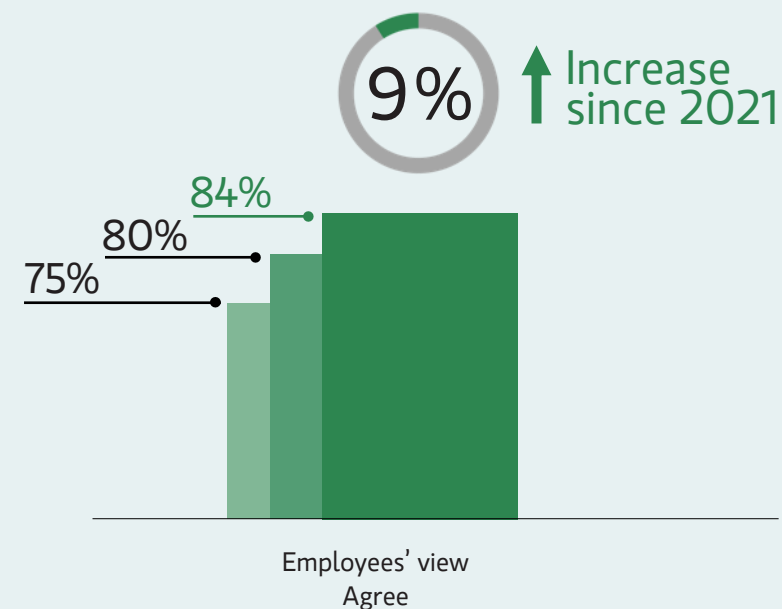
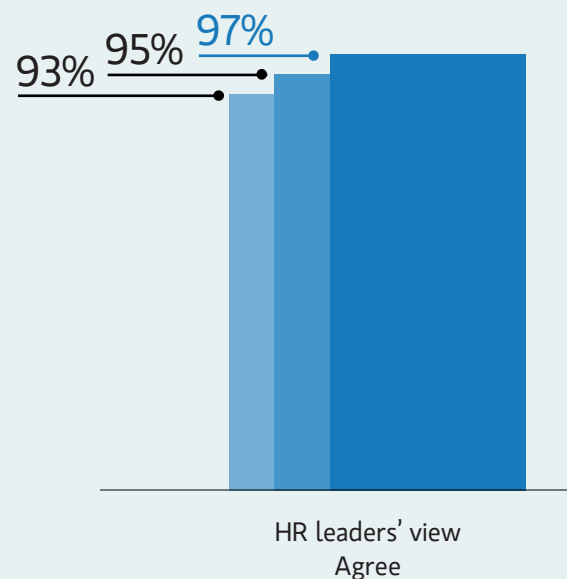
84% of employees

agree that having a benefits plan that includes equity compensation and stock ownership is the most effective way to motivate employees and keep them engaged

2021

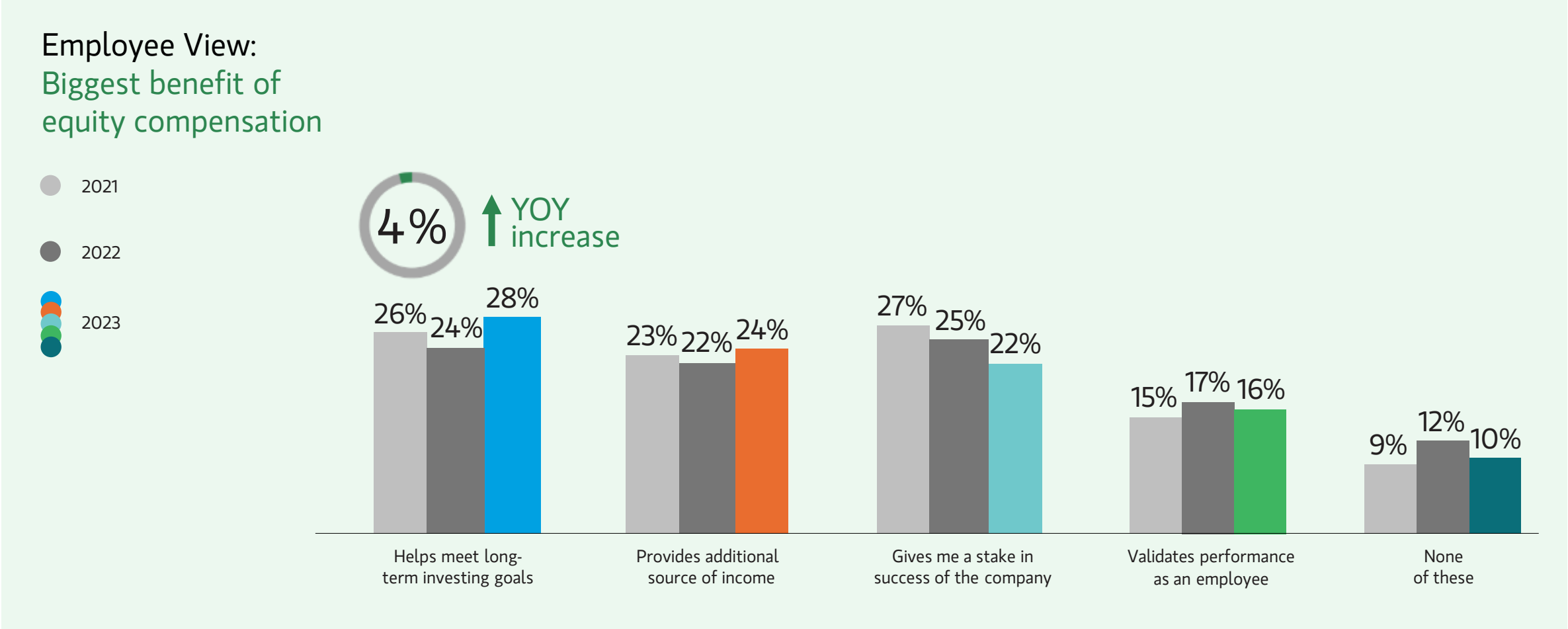
2022

2023



Employees Are Looking at the Long Term

For the first time, employees say the most important benefit of equity compensation is reaching long-term investment goals.



Financial Wellness & Retirement Solutions





"This past year we've seen an **economic climate** that frankly a lot of workplace participants—especially younger generations—have likely **never experienced before**. As a result, financial wellness programs are becoming even more sought-after, and HR leaders can play a vital role by connecting employees with resources to help them **navigate each step of their financial journeys.**"

– Krystal Barker Buissereth
Managing Director & Head of Financial Wellness and
Participant Experience at Morgan Stanley at Work

Key Insights

In response to financial pressure, more employees have reduced contributions to savings compared to last year and are seeking support from employers



Financial stress is a key concern for employers and employees alike

More than 83% of HR leaders worry that employees' financial issues could impact their productivity, while 66% of employees agree that financial stress is negatively affecting their work and personal life. No wonder nearly 9 in 10 HR leaders (89%) now say they offer financial wellness programs (a 10-percentage point gain over 2021).



Employees continue to scale back savings—especially the young

66% of employees (vs. 62% in 2022) reduced contributions to savings, citing inflation and/or recession concerns—particularly to 401(k) plans, long-term savings, and emergency and short-term savings. Gen Z (78%) and Millennials (80%) especially scaled back on contributions compared to their Gen X (58%) and Boomer (40%) counterparts.



Wanted: financial advisory

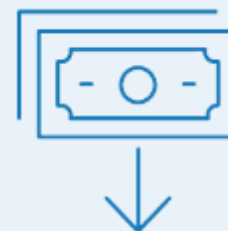
Nearly 3 in 5 employees rank retirement planning assistance from financial professionals as a high priority when choosing where to work—including 25% who say it's their top priority. HR leaders agree, with 84% citing retirement planning assistance as a high or top priority in retaining talent.

Employees and HR Leaders Agree Financial Stress Affects Workplace Performance

Current economic impacts have increased financial stress among employees, raising workplace performance concerns.



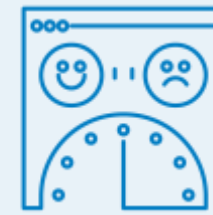
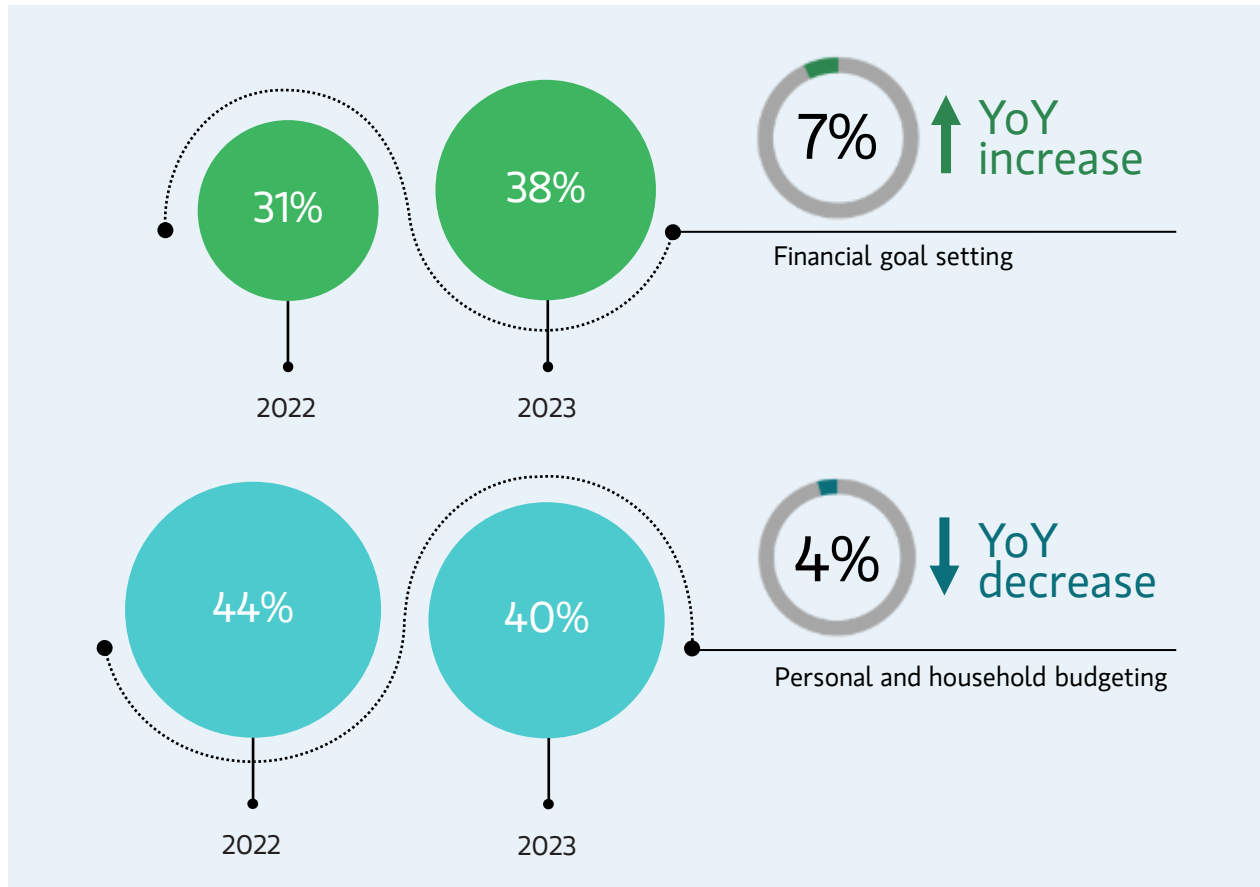
83% of HR leaders
worry that employees'
financial issues could
impact their productivity



66% of employees
agree that financial stress
is negatively affecting their
work and personal life

Employees Are Experiencing Financial Issues in Their Personal Life

Employees say the most common struggle they encounter is personal and household budgeting while nearly as many faced issues with financial goal setting.

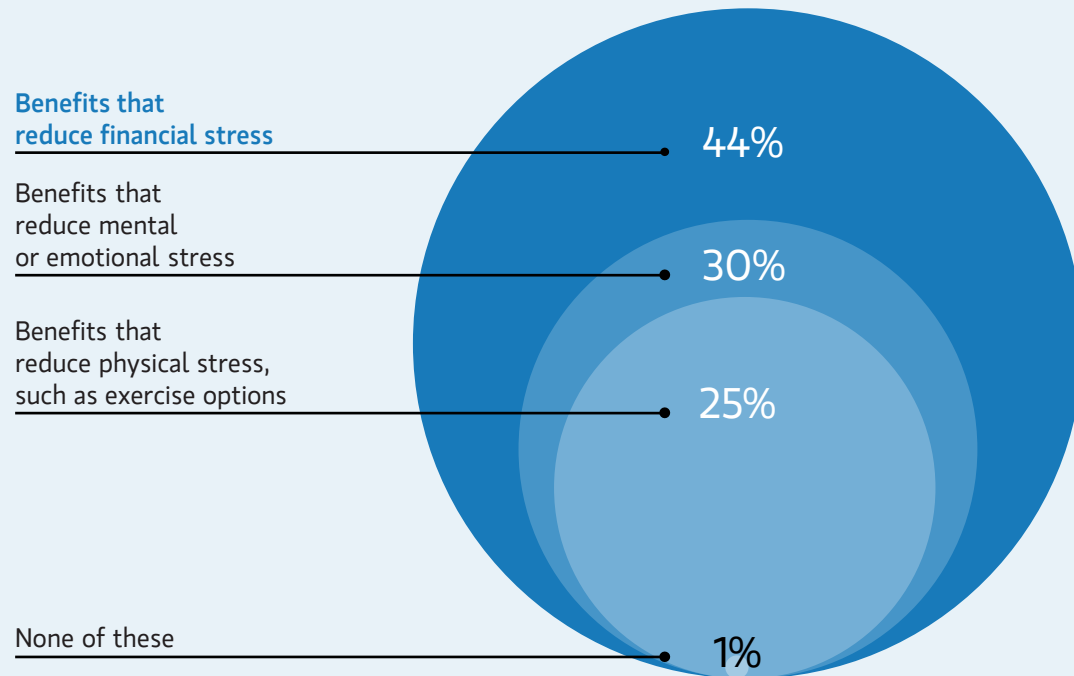


85% of employees
have dealt with financial issues in
their personal life – same in 2022

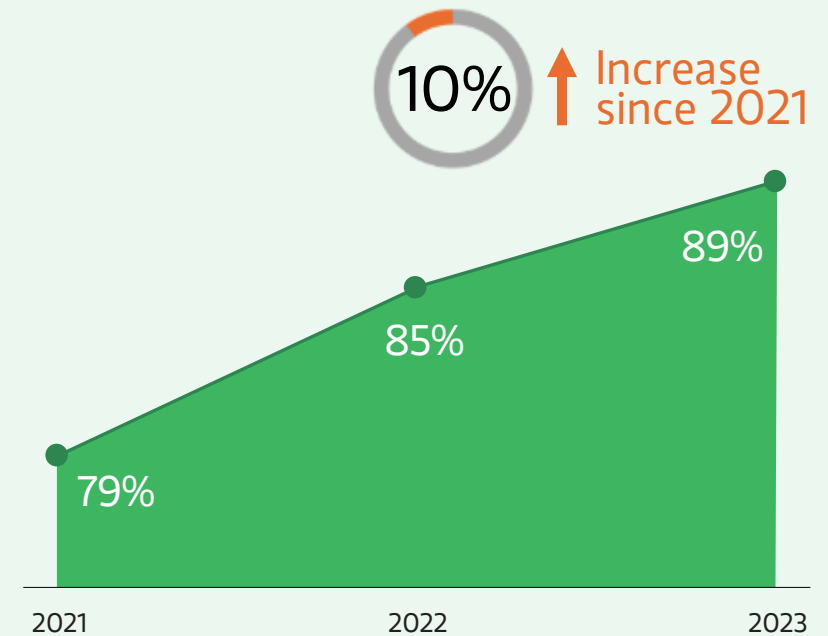
More HR Leaders are Offering Financial Wellness Benefits

Nearly all HR leaders recognize the influence of benefits in reducing stress and are offering some financial wellness program.

HR leaders see benefits that reduce financial stress as the most influential in job satisfaction



Nearly 9 in 10 HR leaders (89%) say they offer financial wellness programs



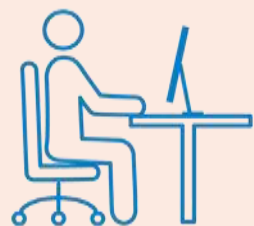


“Employees want and need greater support when it comes to long-term retirement planning, and while we’re seeing financial guidance being recognized as a priority for HR leaders, there is still more employers can do to support and retain talent. **These are the times when plan advisors shine by lending seasoned expertise and a steady hand** to help ensure employee finances and investments are well positioned to weather whatever economic and market conditions may come our way.”

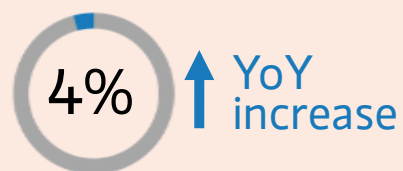
– Anthony Bunnell
Head of Retirement Solutions and Deferred Compensation at
Morgan Stanley at Work

More Employees are Reducing Contributions than in 2022

Retirement and savings are among the most reduced contributions as employees fear recession.



66% of employees
reduced contributions
to their accounts due to
inflation and/or concerns
of a recession



Reduced contributions to...



31% vs 33%
401(k) plans



26% vs 27%
Paying off debts
& loans



25% vs 28%
Long-term savings



24% vs 28%
Emergency and
short-term savings



19% vs 24%
Health Savings
Accounts

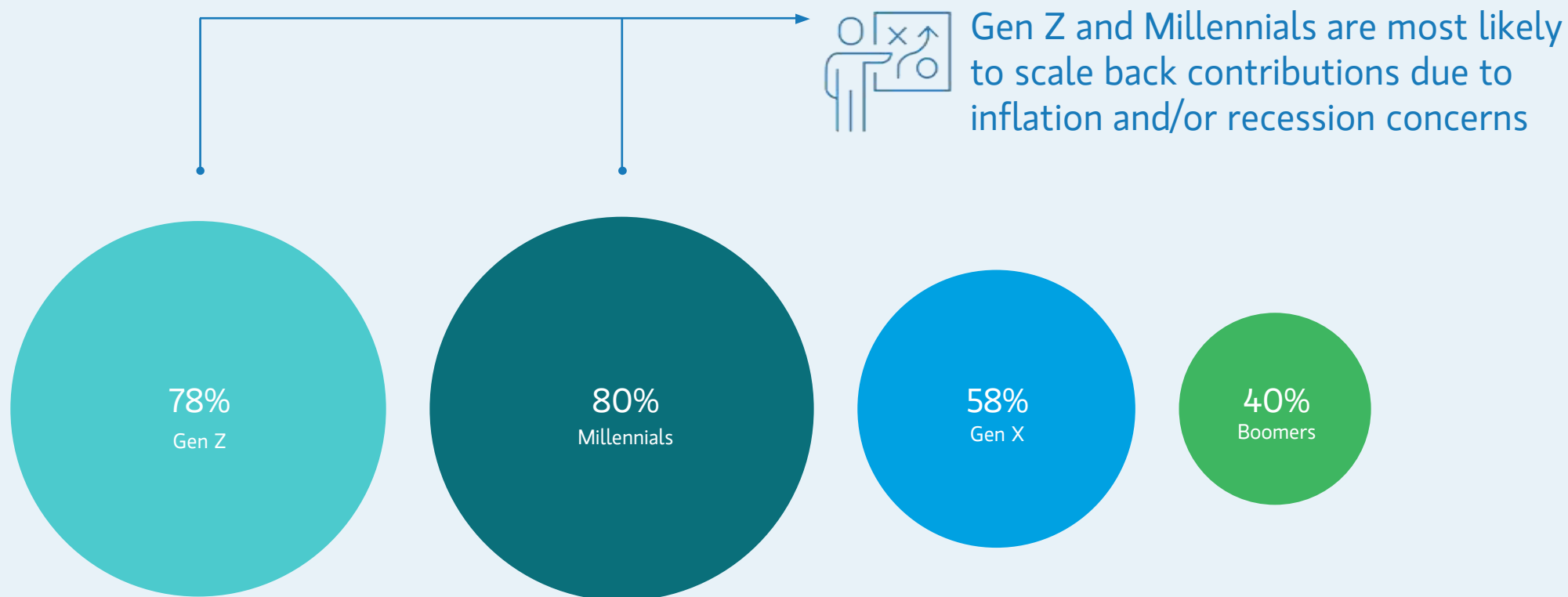


13% vs 14%
Contributing to a
college savings fund

Younger Generations Are Cutting Back

When asked if they have reduced contributions to 401(k) plans, long-term savings, or emergency and short-term savings specifically because of the economic impacts related to inflation and/or concerns about a recession, more Gen Z and Millennials said they needed to scale back compared to their Gen X and Boomers counterparts:

2023



Financial Guidance is High Priority for Employees

Demand for retirement planning assistance grew compared to last year, with employees choosing goals-based retirement investment planning, access to a financial advisor, and access to retirement planning tools and calculators as the most beneficial.



56% of employees,
nearly 3 in 5 employees rank retirement
planning assistance from financial professionals
as a high priority when choosing where to work



25% of employees
are included and say it's
their top priority



Retirement Benefits Boost Retention and Attraction

Most HR leaders and employees agree that retirement planning resources are a key factor in employment decisions.

Retirement Planning Boosts Retention



99% of HR leaders
say providing retirement planning
assistance is a priority in retaining
current employees



Retirement Planning Boosts Attraction



92% of employees
view retirement planning
assistance as a priority when
choosing where to work

Conclusion



As Uncertainty Surges, HR Leaders and Employees Agree Employers Should Step Up Support

The ongoing economic environment continues to heighten financial pressures for employees, who are turning their attention to their workplace benefits for support. But employees feel left behind as employers cut financial benefits offerings amid recession concerns.

A Holistic Approach to Workplace Benefits Can Address Needs for Employers and Employees Alike

Financial benefits are central to help companies attract, engage, and retain talent, as well as becoming the go-to resource for employees to address their personal financial needs. So it's no wonder that both employees (95%) and HR leaders (98%) agree that employers should offer the best employee benefits available in their industry.

In looking ahead, most employees (89%) and HR leaders (97%) agree that their company needs to do a better job providing resources to maximize the financial benefits offered to them.

Methodology



The data from the Morgan Stanley at Work State of the Workplace Financial Benefits Study comes from a survey of 1,000 U.S. employed adults and 600 HR executives.

Quotas were set for both audiences to match representative distributions, including for company size, benefits status and seniority.

The survey was conducted on behalf of Morgan at Stanley at Work using an email invitation and an online survey between March 16–22 and April 6-12, 2023 by Wakefield Research (www.wakefieldresearch.com).



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