



State of the Workplace II

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.

In 2021, all eyes were on how pandemic changed the face of the workplace. Now, other disruptive economic challenges have surfaced.

This year's study highlights how employees are handling rising inflation and market volatility, as well as their evolving views on the role of financial benefits and how they're administered in the workplace.

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Executive Summary



As COVID-19 concerns fade, inflation, geopolitics, and economic uncertainty have taken center stage—ushering in new anxieties. **In response, employees' needs and expectations of their employers are evolving.** Building on last year's sentiments, conversations around financial wellbeing continue to gain momentum.

The data suggests that employees' heightened expectations of their employers are here to stay. To attract and retain talent, employers must rise to the challenge and support their employees in both their short- and long-term financial challenges.

Core Findings

Employees Expect More From Their Employers

Employees are paying even greater attention to their financial benefits, and increasingly report that their needs are not often fully addressed. Companies looking to better support their employees have an opportunity to step up their offerings to meet the evolving needs of their workforce.

When it Comes to Benefits Guidance, There is a Disconnect

When asked which types of retirement planning assistance would be most beneficial, more than half of employees believe working with a Financial Advisor would be most advantageous. Yet access to a Financial Advisor tied for third choice among HR leaders, suggesting a disconnect between employers and employees.

Core Findings

Financial Benefits & Guidance Are a Competitive Advantage

Both HR leaders and employees say personal financial challenges have an impact on workplace performance. Many employees are scaling back on retirement contributions and short-term financial goals, and as the workforce becomes increasingly dispersed, it's critical that companies align their offerings with their employees' needs.

Equity Compensation Can Be a Motivator

The view that equity compensation is simply a bonus is waning as employees place equity within their larger financial picture. In fact, according to employers, employees report that the greatest benefit of equity compensation is that it helps them meet their long-term goals.

Financial Benefits





For employees and employers alike, the stakes today are high when it comes to ensuring employee financial **wellbeing**. Amid new challenges like persistently high inflation, many employees are seeking help managing their short- and long-term financial needs. We have seen firsthand that many employers are stepping up to tackle these challenges, yet there remains more work to be done.”

– **Brian McDonald**
Head of Morgan Stanley at Work

Key Insights

HR leaders acknowledge evolving employee needs, but companies lag expectations

01

Employees Are Opening Up About Personal Financial Struggles

Most employees (84%) agree employers should be more involved with helping them through financial challenges—providing an opportunity for employers to build more meaningful connections with their employees.

02

Employers Are Being Asked To Step Up Their Benefits Offerings

Despite more HR leaders saying they offer quality financial benefits, 83% (up from 78% in 2021) can recall a recent time when they were unable to grant a specific benefits request. With 87% of HR leaders expressing concern over employees leaving due to unmet needs, employers must step up.

03

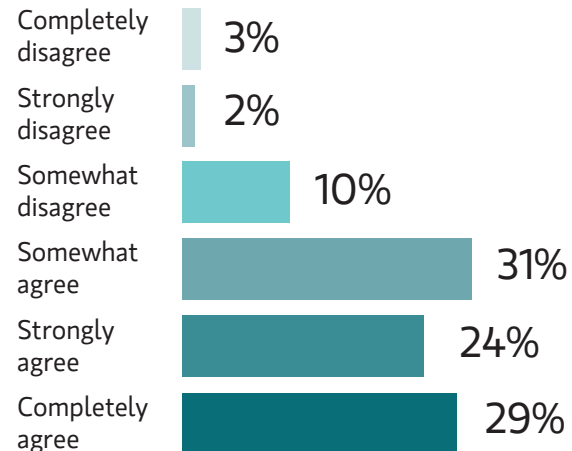
Employers And Employees Agree More Education Is Necessary

Almost all HR leaders (96%) and employees (89%) recognize their company needs to do a better job helping employees understand how to maximize their financial benefits. Without ongoing education, vital resources may be underutilized and underappreciated.

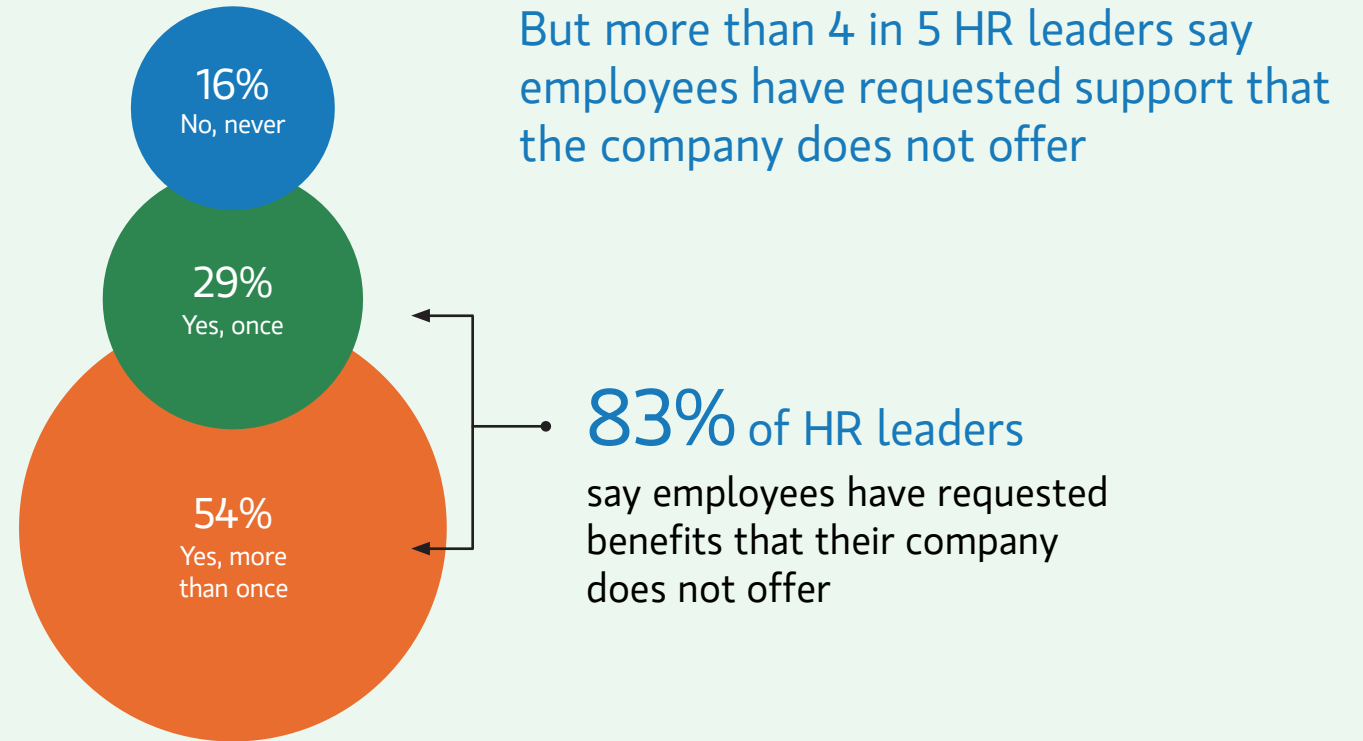
Employees Are Often Left Empty-handed

84% of employees want their employers to be **more** involved with helping them through specific financial challenges, but nearly as many HR leaders say they are currently **unable** to assist

Employees feel their employers should be more involved with their specific financial troubles



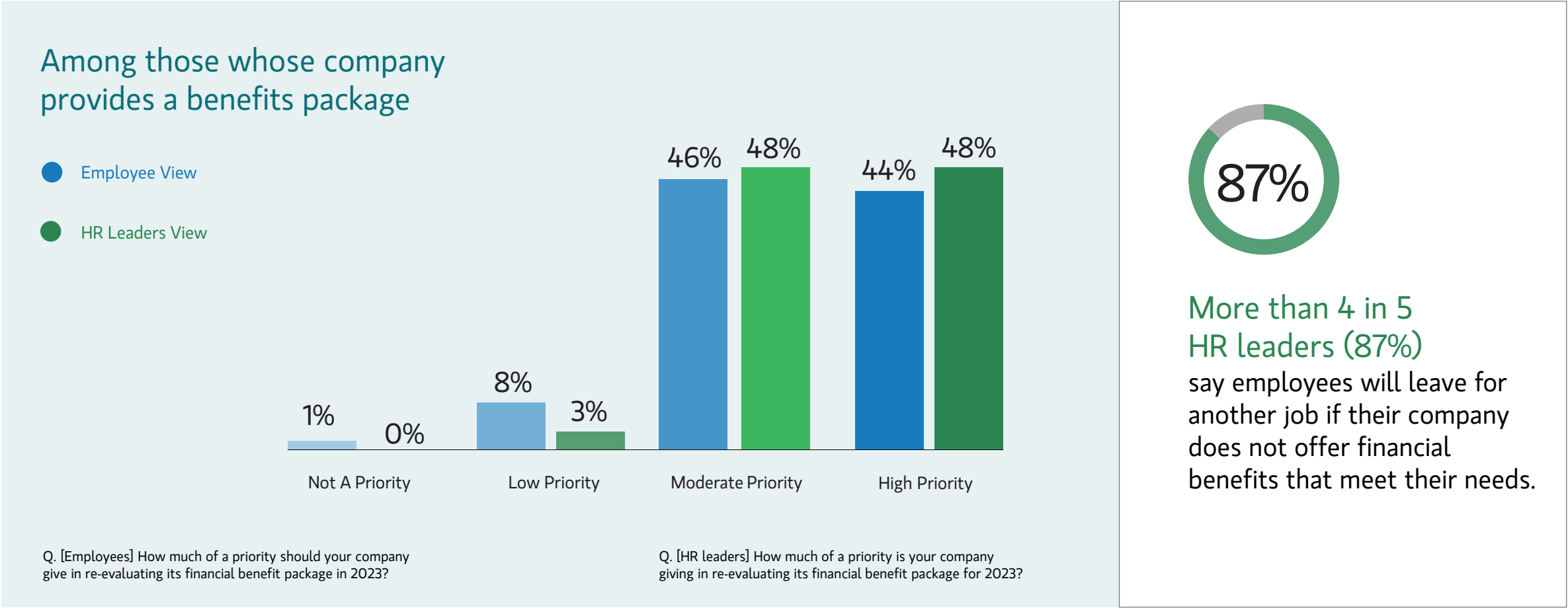
Q. [Employees] How strongly do you agree/disagree with the following statement: Current economic instability has convinced me that employers should be more involved in helping their employees through specific financial troubles.



Q. [HR leaders] Has an employee ever requested a specific type of support that would fall under financial benefits that your company does not offer?

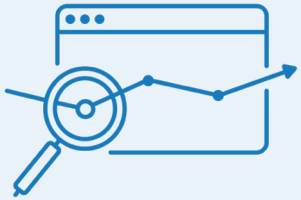
The Call to Reassess Financial Benefits Grows Stronger

90% of employees and 96% of HR leaders place moderate to high priority on their company re-evaluating benefits



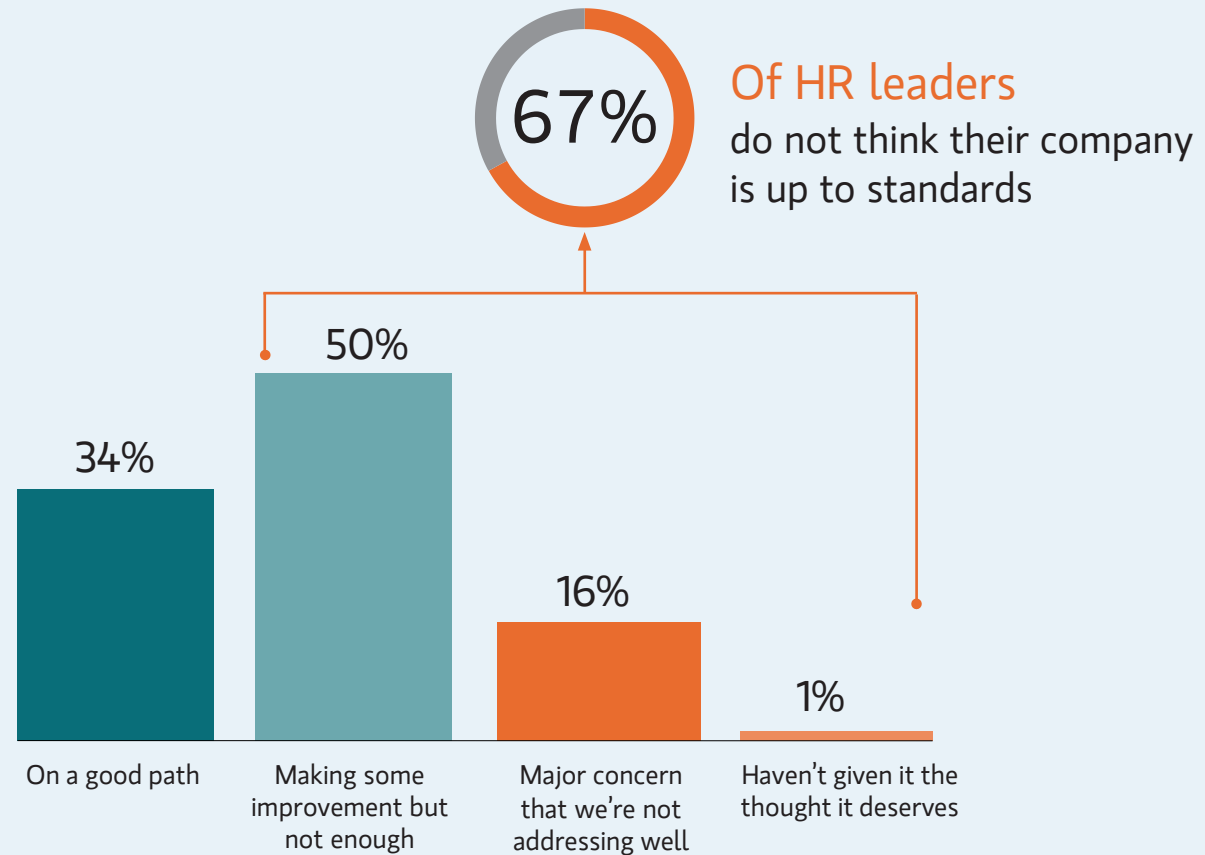
HR Leaders Find Their Company Progress Too Slow

Most (67%) HR leaders believe their companies are not adequately meeting employee benefits expectations



Current strength of the financial benefits package offered to employees
(Among those whose company provides a benefits package to employees)

Q. [HR leaders] Which of the following best describes how you're feeling about the strength of the financial benefits package your company offers its employees?



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

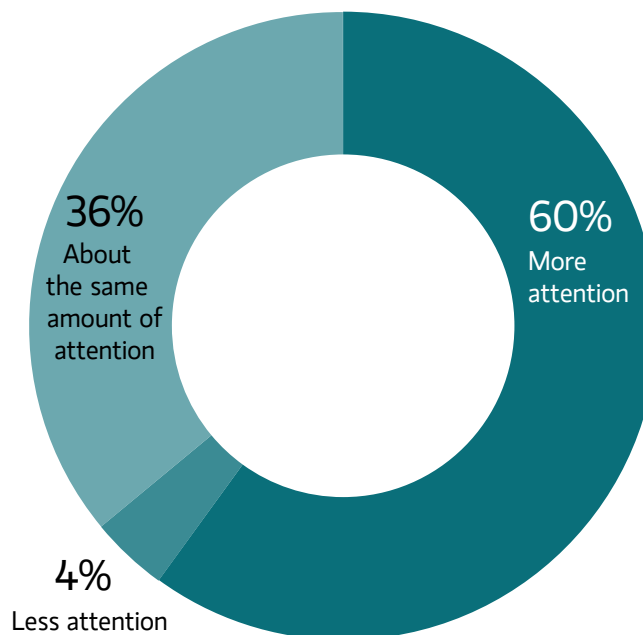


89% of U.S. employees
say their companies need
to improve on helping them
understand how to maximize
their financial benefits

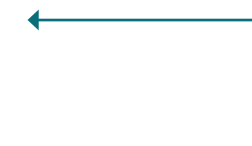


96% of HR leaders
agree their company needs
to do a better job helping
employees maximize the
financial benefits offered

Attention paid by employees to review financial benefits (Among those who participate in company benefits package)



Q. [Employees] How much attention are you giving to reviewing the financial benefits offered to you now compared to a year ago?



85% of HR leaders
say their employees give more
attention to reviewing their financial
benefits now vs. a year ago

Q. [HR leaders] How much more or less attention do you expect your employees are giving to reviewing the financial benefits offered to them compared to a year ago?

Equity Compensation





Employees are increasingly paying closer attention to their benefits, especially with labor and expertise in such high demand among employers. **Our study shows that equity compensation continues to be an effective strategy for employers to attract highly mobile talent in this labor market.**

– Scott Whatley

Managing Director & Global Head of Equity Solutions,
Morgan Stanley at Work

Key Insights

Employer Perceptions of Equity Compensation Are Shifting

01

Employers see long-term value

A third of HR leaders identify the greatest benefit of equity compensation as its ability to help employees meet long-term investing goals (33%, up from 26% in 2021), while employee views are more mixed.

02

An effective tool to motivate and engage

95% of HR leaders (up from 92%) and 80% of employees (up from 75%) agree that equity compensation and stock ownership is the most effective way for companies to keep employees motivated and engaged.

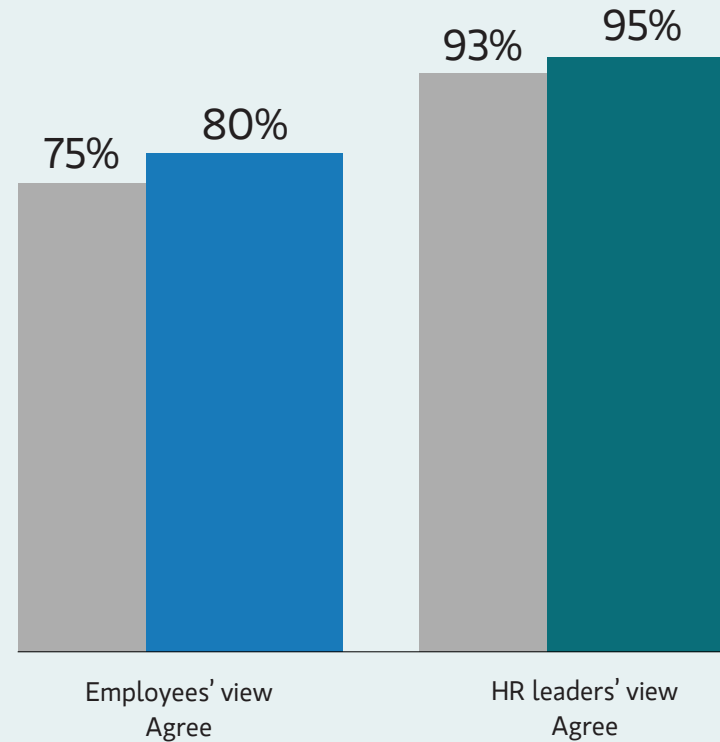
Equity Compensation Provides Employee Motivation

Employees and HR leaders both view equity compensation as an effective motivational strategy

A benefit plan with equity compensation is the most effective way to motivate employees

● 2021

● 2022

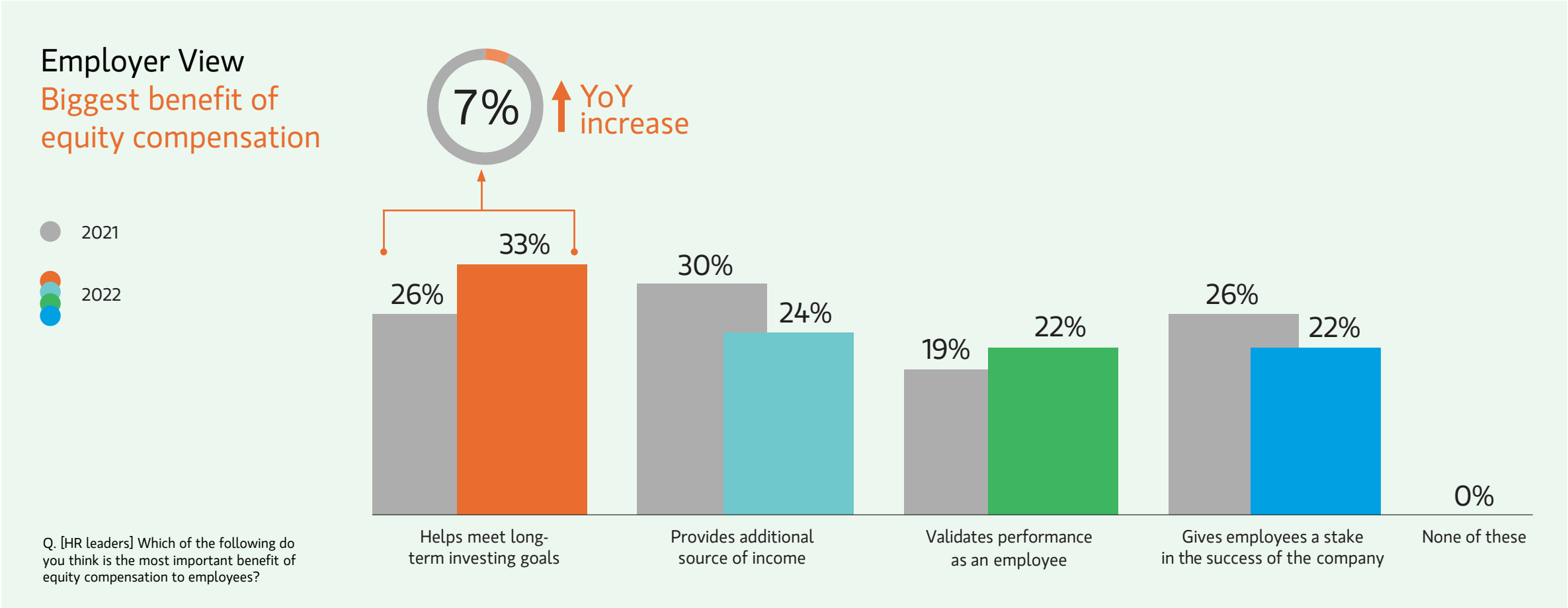


Q. [Employees] How strongly do you agree or disagree with the following statement:
Equity compensation is the most effective way to keep me motivated and engaged in my role.

Q. [HR leaders] How strongly do you agree or disagree with the following statement:
Having a benefit plan that includes equity compensation and stock ownership is the most effective way to motivate employees and keep them engaged.

HR Leaders' Shifting Perceptions of Equity Compensation Benefits

HR leaders now say helping employees meet long-term investing goals is the most important benefit of equity compensation



Employee Views Are Still Mixed

Employees list a deeper connection to their company among the top motivators with equity compensation



Financial Wellness





Employees are looking to their employers for the resources and support they need to navigate personal financial challenges, both day-to-day and long-term. Especially in the face of today's economic realities, we are seeing that smart and accessible workplace benefits like Financial Wellness can be a lighthouse for employees to find helpful tools, financial education and professional guidance.”

– **Krystal Barker Buissereth**

Managing Director & Head of Financial Wellness
at Morgan Stanley at Work

Key Insights

Financial pressures resulting from inflation continue to affect employees

01

Employees Are Scaling Back on Retirement Contributions

Because of the economic impact of inflation, 62% of employees report they've had to reduce contributions to their savings, with nearly a third (31%) reducing contributions to their 401(k) plans and more than a quarter (26%) scaling back on paying down debts.

02

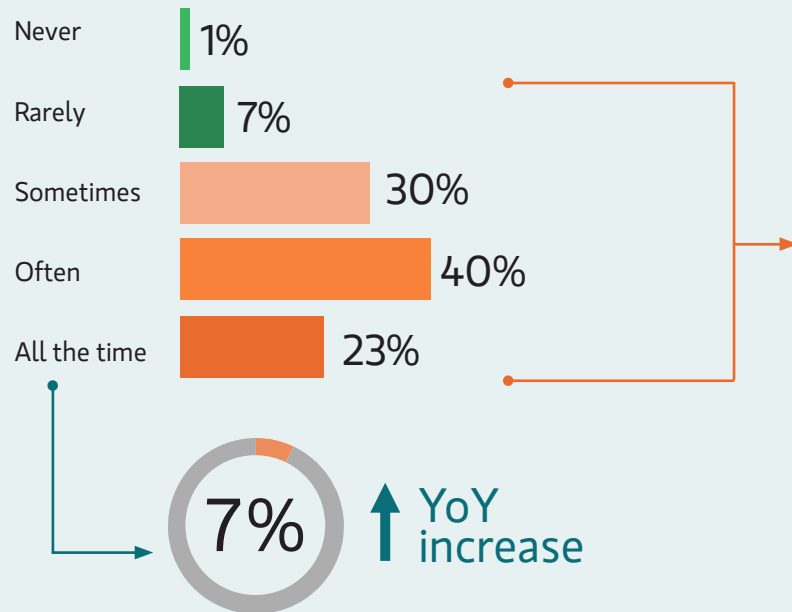
Employees Increasingly Cite Money-related Stress As Inhibiting Performance

Nearly 3 in 4 employees (71%) report that money-related stress negatively affects both their work and personal lives, up 7% from 2021. Nearly half (47%) of employees also report they have either never thought to or are unsure if they are allowed to reach out to their employer for assistance with their personal finances.

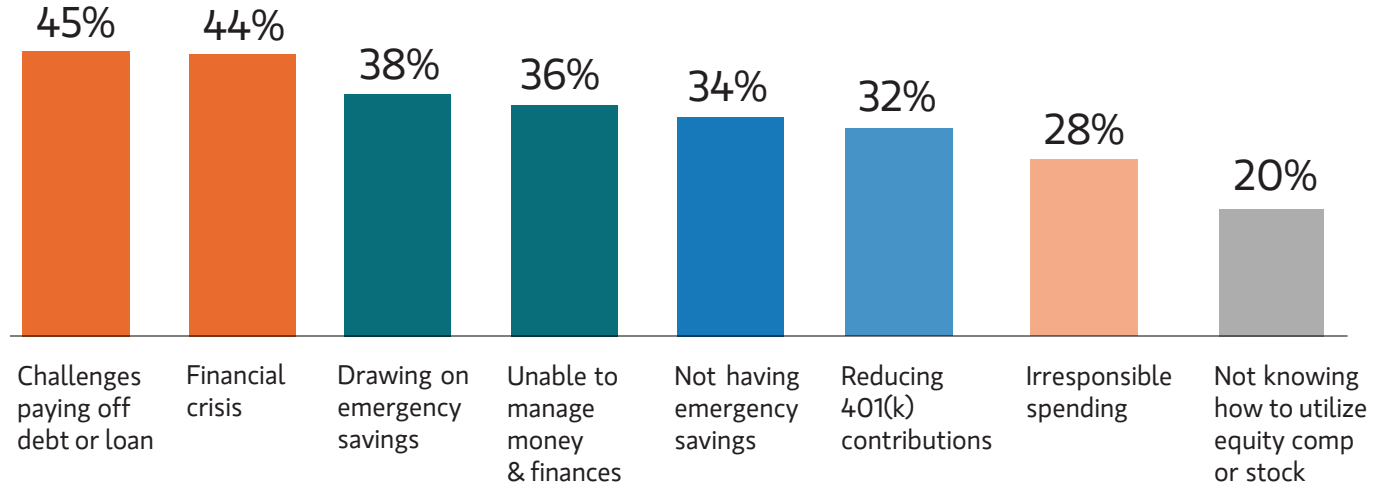
HR Leaders Are Taking Note of Employee Financial Challenges

Over half (63%) of HR leaders say employees **regularly*** mentioned experiences that indicate financial challenges

How often employees bring up financial hardships



Financial issues employees experienced over the past year (According to HR leaders who have heard employees express concerns)

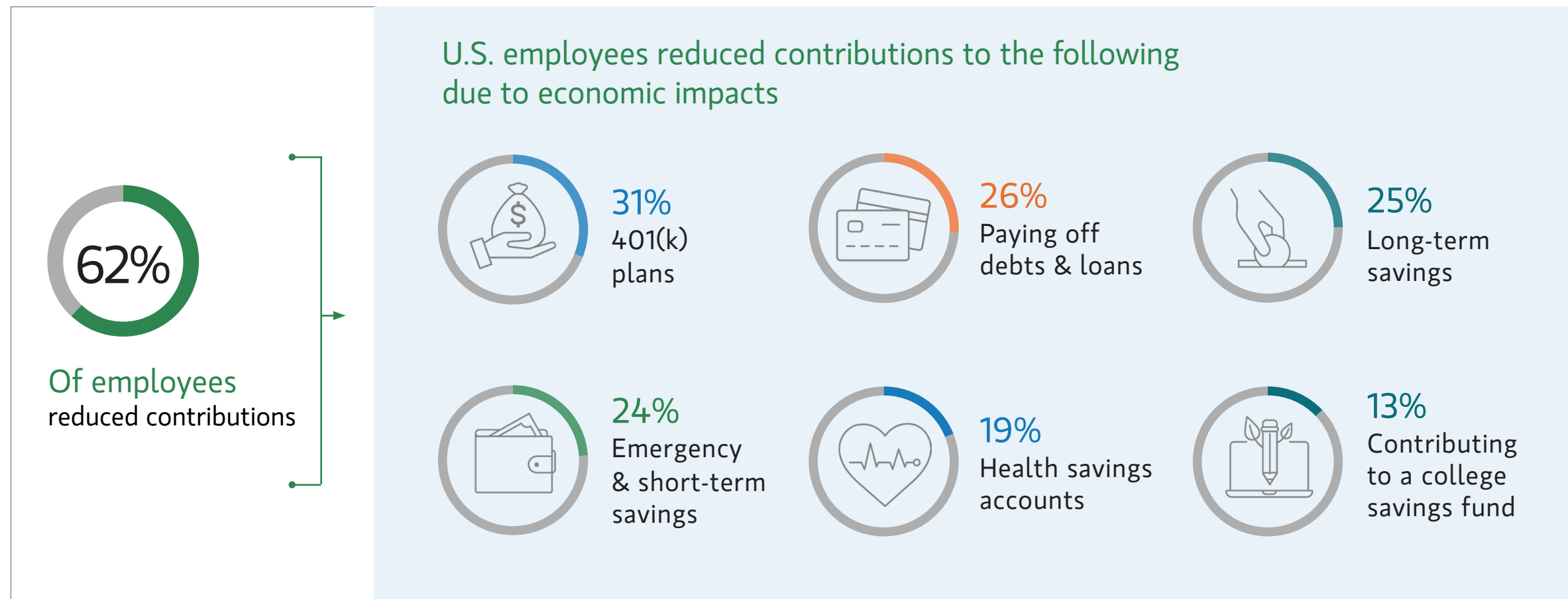


Q. [HR leaders] Which of the following specific financial issues, if any, have you heard employees express worry or concerns about?

* Regularly means all the time or often.

Employees Are Reducing Short- and Long-term Savings Contributions

62% of employees have reduced contributions to their short- and long-term savings due to current economic conditions, with 401(k) plans (31%) taking the biggest hit



Employees and HR Leaders Agree Financial Stress Affects Workplace Performance

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

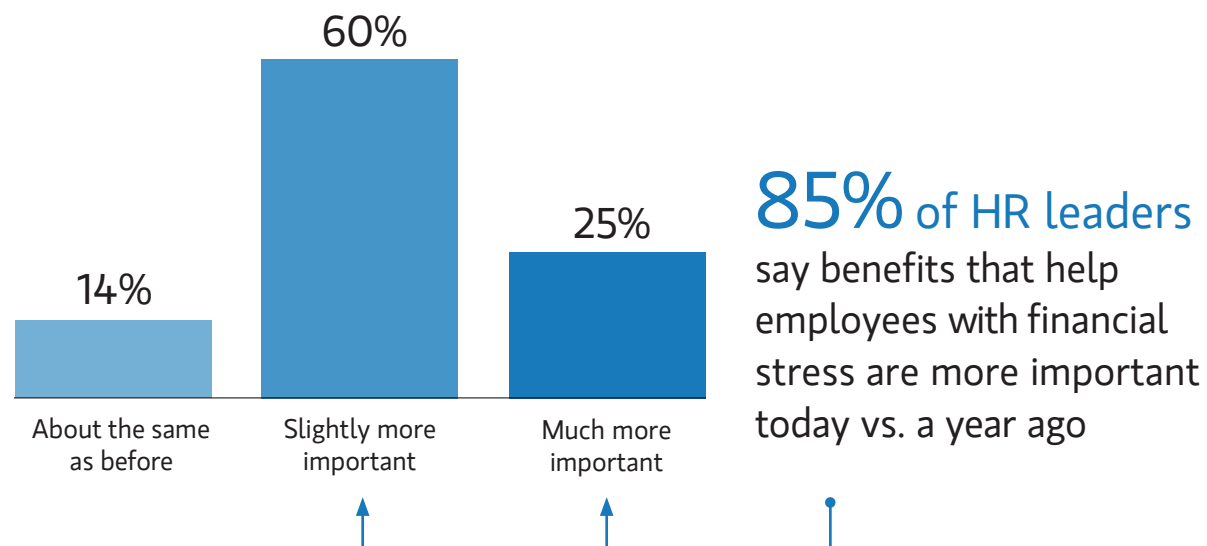


71% of U.S. employees
report financial stress is negatively
affecting their work and personal life



84% of HR leaders
are worried that employees'
financial issues outside of the
office affect their productivity

How HR leaders view the importance of offering
benefits to better manage stress now vs. last year



Retirement Solutions





The data is clear: Employees are struggling to find a balance **between long-term savings and immediate needs**. One often-overlooked resource that can change the game, especially in today's environment, is the Financial Advisor available through workplace retirement plans—professionals who can help set participants up for positive financial outcomes, and ultimately deliver some peace of mind.”

– **Anthony Bunnell**

Head of Retirement at Morgan Stanley at Work

Key Insights

Amid economic uncertainties, employees are looking closely at retirement planning

01

Employees Want to Work With a Financial Advisor

When asked which types of retirement planning assistance would be most beneficial, more than half of employees believe working with a Financial Advisor would be most advantageous. Yet access to a Financial Advisor tied for third choice among HR leaders, suggesting a disconnect between employers and employees.

02

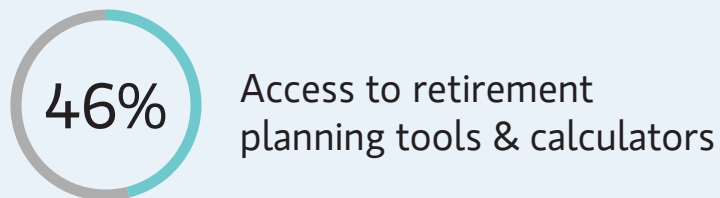
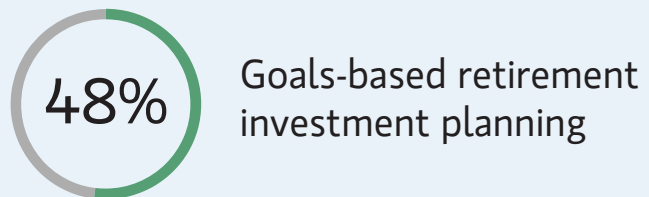
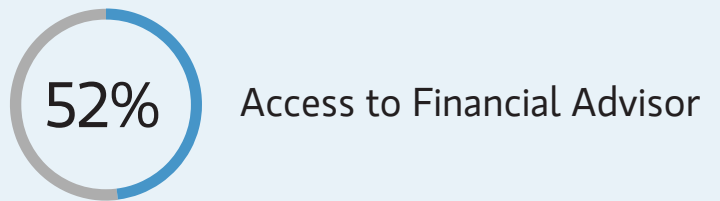
Retirement Planning Boosts Retention

All HR leaders say that retirement planning assistance from financial professionals is a priority in retaining employees, with 76% citing this support as a top or high priority. Further, 93% of employees also view retirement planning assistance as a priority when choosing where to work.

Employees Want Certain Benefits, HR Leaders Think They Want Others

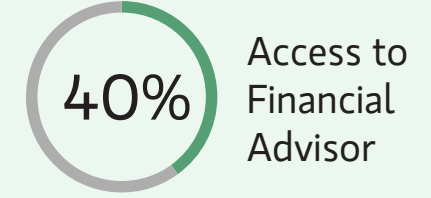
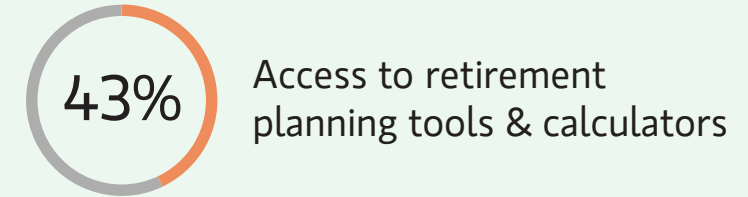
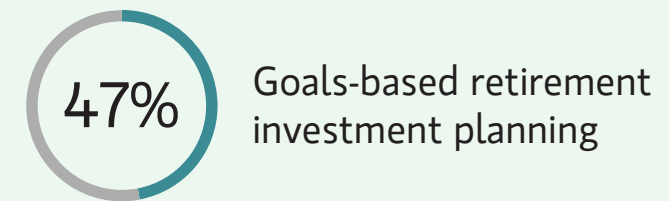
When asked what types of retirement planning would be most beneficial, employees ranked access to a Financial Advisor as their top choice, but it tied as the third choice among HR leaders

Employees' Top Choice



vs.

HR Leaders' Choices



Robust Retirement Planning Resources Help Attract and Retain Employees

Employees (93%) overwhelmingly identified retirement planning resources as a priority in their employment decisions

Retirement Planning Boosts Attraction



93% of U.S. employees
view retirement planning
assistance as a priority when
choosing where to work

Retirement Planning Boosts Retention



76% of HR leaders
cite retirement planning assistance
from financial professionals as a
top priority in retaining employees

Conclusion



The Stakes Have Been Raised

Today's economic environment, in many ways, may be more perilous than at the height of the pandemic. Faced with new realities and challenges, employees are paying closer attention to their workplace benefits—a trend that will likely continue indefinitely.

Employee Demands Are Rising

Amid uncertain times, employees are demanding industry-best benefits, such as access to a Financial Advisor. While HR leaders are moving to meet those demands, there is still more work to do.

Long-term Goals Are Top of Mind

Still a strong motivator, employer perceptions around equity compensation are shifting to align with employees' long-term financial planning and goals.

Support Translates To Performance

HR leaders and employees alike agree that when financial needs are met, employees are empowered to be more productive and happier in the workplace.

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 July 13–19, 2022 by Wakefield Research (www.wakefieldresearch.com).



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CRC 4950557 9/2022