Enrich

# SOLVING FOR THE FUTURE
## New Insights, New Strategies

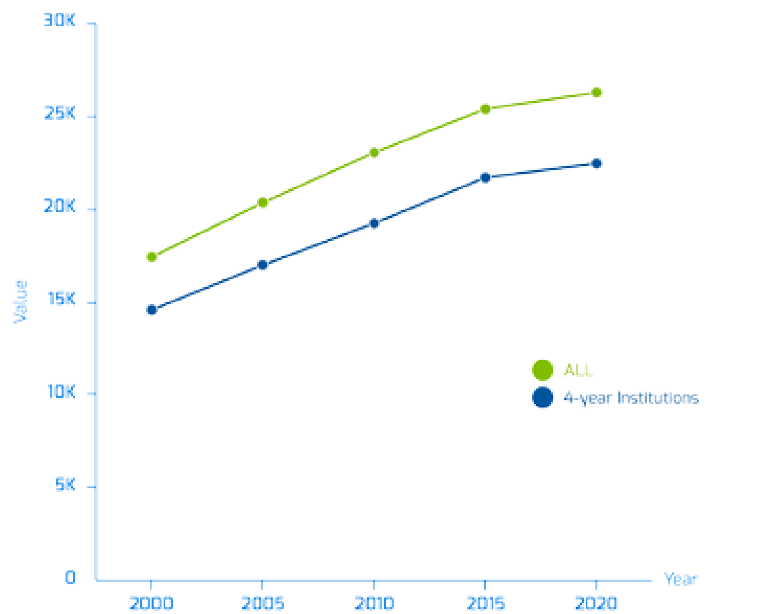
With **Talent** Tracker by Human Capital Media **Research and Advisory Group®**

In an ever-changing and increasingly competitive workforce, organizations are using new tools and developing fresh insights into shifting employee needs. By 2020, 46% of American workers will be young adults ages 18 to 34, and more than 68% of them will bring student loan debt[1] with them into the workforce–27% will bring excessive student loan debt. As early-career employees work to repay loans in the first 10 years[2] of their employment–when student loans are typically paid and income is relatively low, employers will experience lower productivity and higher overall costs.

This according to a new joint survey on the impact of student loan debt on employers released by Enrich Financial Wellness® in cooperation with Talent Tracker® a research tool from Human Capital Media Research and Advisory Group®, The Solving for the Future survey results reveal that while recent college graduates enter the workforce with high energy and top skills, they also bring with them challenges.

The survey, which polled both college students[3] and employers,[4] revealed that neither students nor employers have prepared for what research shows will be the heavy cost of student loan debt in the workplace.

THE RISING COST OF A BACHELOR'S DEGREE




Sources: National Center for Educational Statistics (Twenty-year projection based on Average Annual Percentage Increase of 3.5%–The College Board.)

## The Early-career Employee–A Snapshot

Today, there are 9.5 million households in the US with a Head of Household under 35 years old. The average total debt payment of these households is 14.9% of income.[5] Of all US Households, 19% (25.5 million) carry student loan debt, and 4.6 million of those carry a student loan balance that exceeds $50,000.

In an environment of sharply rising higher education costs[6] and an increasingly competitive workforce,[7] nearly 2 million degrees will be awarded annually by colleges and universities by 2021.

> ***More than 27% of college students graduate with excessive student debt.*** —Project on Student Debt

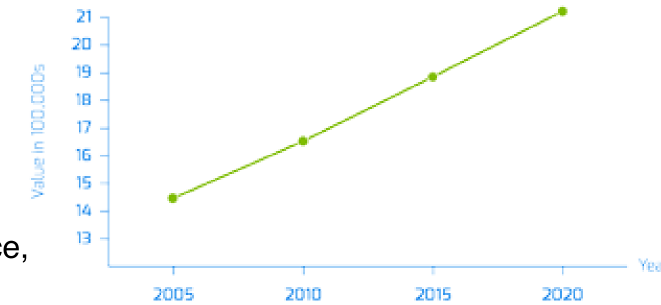
And though average incomes after college have increased 5% over the past two years,[8] recent studies show that the 10-year historical increase in the cost of college has outpaced both general inflation and personal income rates of increase.[9] Today, as many as 35% of young workers have annual education loan payments that correspond to a debt-to-income ratio defined as incurring economic hardship.[10]

While the highest paying positions go to STEM (science, technology, engineering, math) graduates,[11] unlike earnings, student debt at graduation does not tend to vary much by major.[12] And, given that the federal government currently only monitors wage data for career-oriented programs, the lack of accurate wage data makes it difficult for students to determine the potential for student loans to become a burden.[13]

And, even with new degrees and top skills, the recent college graduate's financial circumstances will be further complicated by the growing trend of older workers remaining in the labor market long after the typical age of retirement.[14] In what has been called one of the most difficult labor markets in recent history, the difficulties are most true for young workers.[15]

The rising cost of college, lackluster growth in salaries and barriers to senior positions has set the stage for early-career employees to experience financial difficulty.[16]

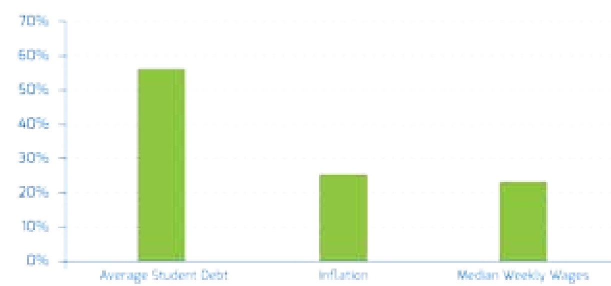
**BACHELOR'S DEGREES AWARDED IN US**




Sources: National Center for Educational Statistics (Twenty-year projection based on 20-year average increase)

**TEN-YEAR CHANGE IN STUDENT DEBT VS INFLATION AND WAGES**

Change between 2004 and 2014 in average cumulative debt for Bachelor's Degree recipients at public and nonprofit four-year colleges, CPI of all urban consumers, and median usual weekly earnings of employed full time wage and salary workers

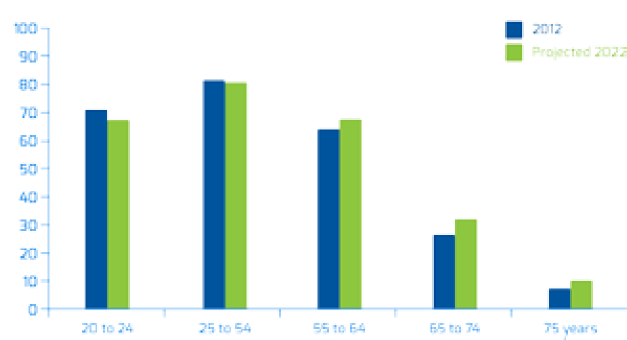



Sources: Democratic Policy Committee Fact Sheet: College Affordability; The Institute for College Access & Success; TalentTracker

## The Early-Career Employee–Workplace Impact of Financial Distress

Recently, the highly regarded and widely published research report Stress In America showed how money difficulties are, by far, the most common and impactful stressor affecting employee work quality and productivity.[17]

**LABOR FORCE PARTICIPATION RATES IN 2012 AND PROJECTED 2022, BY AGE**




Sources: TalentTracker

While illness-related loss of productivity and increased cost is an obvious factor, the study establishes the prevalence of financial stress among employees, highlights its impact on employee well-being, and concludes with a game-changing insight: financial distress is the preeminent source of underperformance in the workplace.

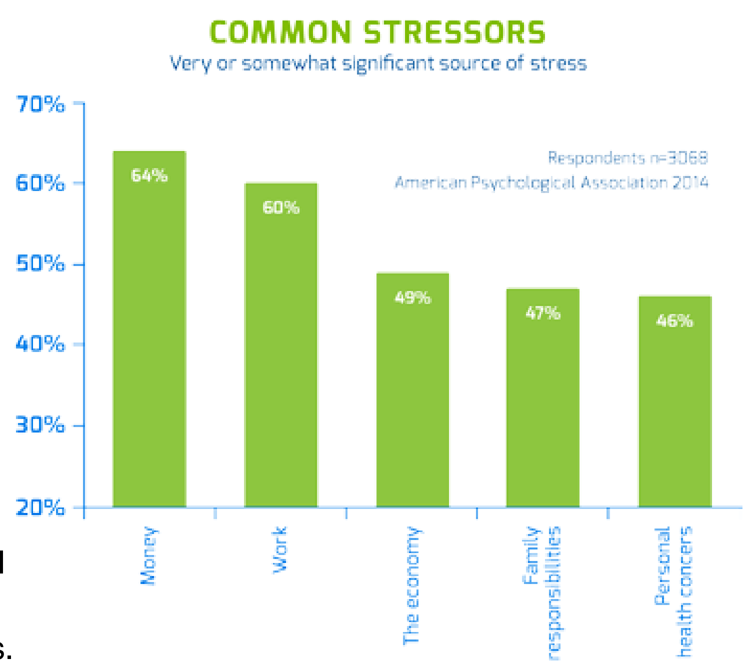
> ***Those who have particularly high stress about money are more likely to say they engage in unhealthy behaviors to manage their stress.*** –APA

The report findings demonstrate an even more costly long-term impact–a coping cycle common among employees distressed about financial circumstances that includes a pattern of sleeplessness, dependencies, overeating and a lack of exercise. During this cycle, which may extend over a period of years, the employee is regularly present but impaired by an inability to engage with their work duties. Further, this cycle, if left unresolved, leads to a chronic deterioration in physical health, which presents another set of associated costs.

> ***43% of Millennials (and nearly half of parents), say their financial situation prevents them from living a healthy lifestyle.*** –MIllennials and Money

Perhaps most startlingly is that the pattern was found to be particularly evident among Millennials (and parents).

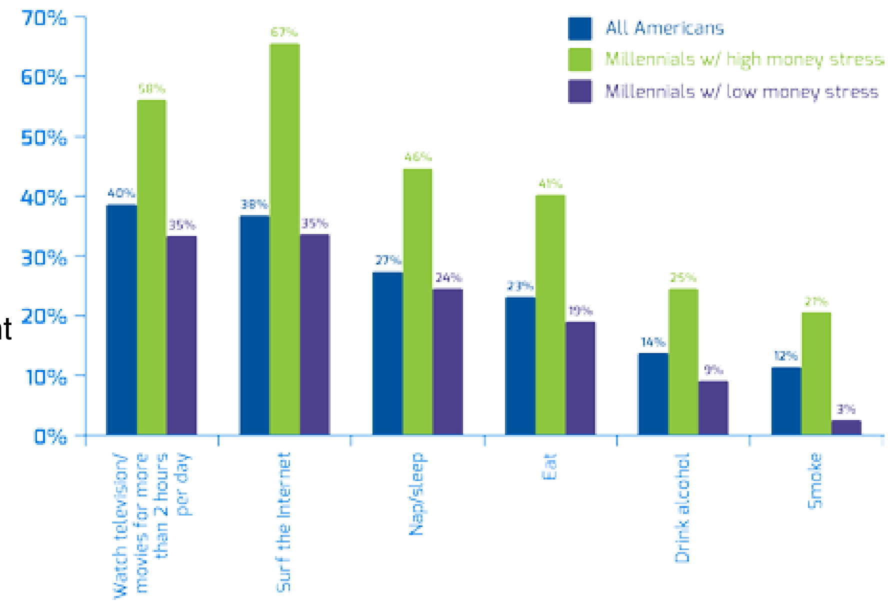
The heavy cost of long-term emotional distress has been well documented. In an earlier study conducted to gain insight into the cost of health on productivity and costs, Dow Chemical discovered something surprising. The company surveyed each of their US-based full-time employees–a total of 7,797 over a period of 10 years and found the effects of emotional distress were much more pervasive and debilitating than physical conditions, costing employers more than twice the amount of chronic health conditions.



The Dow report illustrates the reported conditions and calculations for both direct (i,e., medical, pharmaceutical) and indirect costs (i.e., absenteeism, work impairment ) showing that the highest cost by far was due to lost productivity on the job because of stress, anxiety and depression–costing an average of $5000 USD more per worker annually than the most prevalent medical conditions.

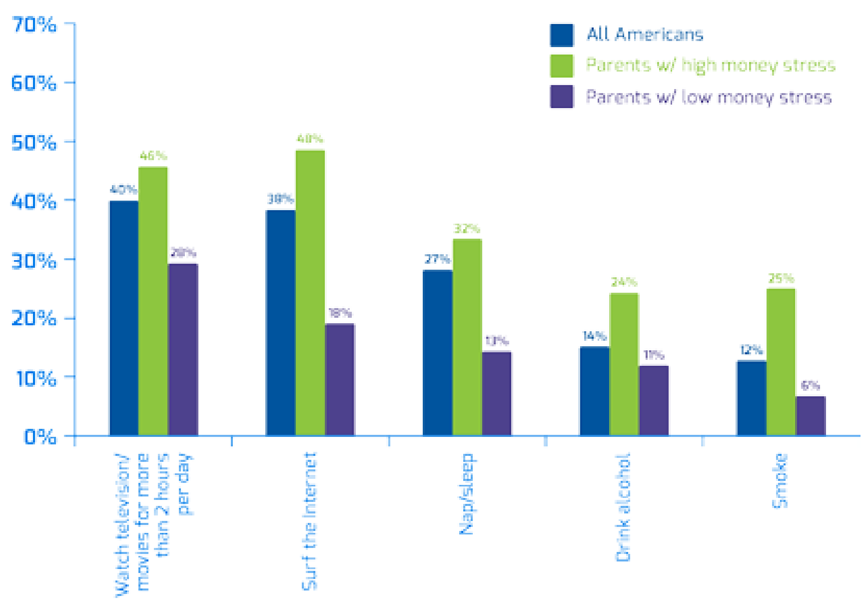
The findings of this remarkable study serves today as the foundation of the company's Health as a Corporate Strategy for Sustainability program.

**STRESS MANAGEMENT TECHNIQUES AMONG MILLENNIALS**




> ***"Dow Chemical study of the average annual health costs for a Dow employee: an estimated $6,721 was attributed to an employee's inability to engage at work (loss of productivity), while $2,278 was attributed to direct health care, and $661 to absenteeism (physical health related difficulties at work)."***
>
> –The Long View

**STRESS MANAGEMENT TECHNIQUES AMONG PARENTS**



## Employers–New Insights, New Strategies

With nearly half the workforce made up of young workers by 2025, the financial wellness and stability of early-career employees will have an evermore important role in keeping productivity high and costs low. As this workplace challenge grows, employers are using new insights to develop strategies that are disrupting traditional models.

### Strategy: Salary Benchmarking

Seventy-seven percent of employers surveyed said a candidate's experience was the most important factor in determining salary.[19] Yet, when asked to state what was the most significant gauge of whether an individual would be successful in a position, more respondents cited personal characteristics such as communication, commitment, values and passion.[20]

This, like the Dow Chemical survey findings, is perhaps a view into a new opportunity for organizations seeking to attract and retain the most highly skilled and promising early-career employees. Where higher early-career salaries gain the attention of the best talent and are offset many times over by secure, productive employees.

> ***Only 36% of employers attempt to determine salary satisfaction.*** –Talent Tracker Survey

### Strategy: Benefit as Compensation

In a changing workforce, organizations will increasingly be challenged to develop strategic methods of supporting a workforce with evolving needs. Research shows that early-career employees–as members of the Millennial social culture, value growth and development as an investment in their long-term wellbeing.[21] Offerings that take into account an employee's financial standing and assists them in achieving mastery over their financial future could provide a valued means of meeting the needs of salary conscious early-career employee.

With more than 80% of employers saying that they believed employee productivity has been hindered by financial stress,[22] a good strategy may be to consider the financial challenges faced by employees when choosing a benefit package.

> ***50% of employers plan to add services, tools, and resources to assist employees in financial mastery.*** –Talent Tracker Survey

## Employers–Strategies at Work

Empowering employees with the means and knowledge to achieve financial mastery does not need to be complex.

For employees, a simple yet effective plan will include:

- Financial Literacy/Debt Management Education–48% of respondents indicated that they either use this method or plan to use it in the near future to assist employees with their financial goals.
- Financial Coaching–42% of respondents indicated that they either use this method or plan to use it in the near future to assist employees with their financial goals.

In practice, a targeted, needs-based financial wellness program may include financial literacy and education, goal setting and tracking, debt management, budgeting and saving, retirement planning and medical/health care cost planning.

For employers, a simple yet effective plan will include:

- Assessment: confidentially measuring the financial standings of early career employees and gauging their level of stress.
- Analytics: aggregating assessment results to assist in identifying trends and gaining an understanding of the areas where employees may need help.
- Action: leveraging the collected data to strategize an appropriate benefit and action plan.

Knowing your employees is key to a successful financial wellness program. The best approach is to find out what your employees need before consulting with experts about implementing a financial wellness program, then focus on resolving those specific needs.

> ***"We pay special attention to our associates' financial well-being and offer them a comprehensive set of tools and resources to help them better master their money. Financial security empowers their personal well-being and enables their success."***
>
> –Timothy State, Enterprise Vice President, Humana

## About

iGrad

iGrad, a technology-driven financial wellness education company, encompasses two unique and award-winning white-label platforms: iGrad™ and Enrich™, both designed to cover a wide spectrum of money stresses and needs. Both platforms offer a high level of interaction, customization, and adaptive learning technology. iGrad is a three-time winner of Education Program of the Year (The Institute for Financial Literacy), Best Product award for three years running (University Business Magazine), as well as the Outstanding Consumer Information Award (AFCPE).

The iGrad platform - for higher education - is established in over 600 campuses, empowering students to make wise financial decisions and easing their financial stress.

Enrich

The Enrich platform - for employers and financial institutions - uses a prescriptive approach to develop a personalized financial wellness action plan for every user.

For inquiries, contact Egan O'Keefe Communications Manager: eokeefe@igrad.com

Talent Tracker

The Talent Tracker data service aggregates data from the US Census, the Bureau of Labor Statistics and the National Science Foundation into a single database, updated each time new data is published. Using Talent Tracker, HCM research analysts will compare demographics data, employment data and educational data at the national, regional and state levels and present the results of their findings in a clear and concise way.

hcm
HUMAN CAPITAL MEDIA®
Today's most complete industry resource

The Human Capital Media (HCM) Research and Advisory Group is the research division of Human Capital Media, publisher of Chief Learning Officer, Talent Economy and Workforce magazines. The Research and Advisory Group specializes in partnered custom content solutions — customizable deliverables that integrate seamlessly with existing marketing programs. Our custom Talent Tracker data service gives practitioners point-of-need data analytics access to inform strategic HR decisions. By leveraging access to senior-level decision-makers and identifying industry trends, the HCM Research and Advisory Group can deliver keen insight into all areas of L&D, talent and HR.

For inquiries, contact Sarah Kimmel, Vice President: skimmel@humancapitalmedia.com.

## References

1. While there is no official definition of the appropriate amount of student loan debt versus excessive student loan debt, a consistently used general rule of thumb sets the acceptable amount at the expected income of the graduate during their first year of employment. Kantrowitz, M. (Jan 10, 2016). Why the Student Loan Crisis Is Even Worse Than People Think.

Retrieved at http://time.com/money/4168510/why-student-loan-crisis-is-worse-than-people-think/

2. Major Decisions: Graduates' Earnings Growth and Debt Repayment. (2014). The Hamilton Project. Retrieved at http://www.hamiltonproject.org/papers/major_decisions_graduates_earnings_growth_debt_repayment

3. Using iGrad'user base of over 300,000 college students (random sample of 174 students).

4. Workforce's user base: random sample of 97 employers.

5. Data by Talent Tracker® unless noted: http://thetalenttracker.com/

6. As average student loan debt has increased nearly 31% over the last 10 years. See Project on Student Debt. The Institute for College Access and Success.

7. 65% of all jobs in the economy will require postsecondary education and training beyond high school. See Recovery: Job Growth and Education Requirements Through 2020. Executive Summary. Retrieved at https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.FR_.Web_.pdf

8. Across 10 broad degree categories ranging from engineering to communications.

9. The Real Cost Of Higher Education. Saving for College. Retrieved at
http://www.savingforcollege.com /tutorial101/the_real_cost_of_higher_education.php

10. Calculations based on data collected from FinAid, American Fact Finder, The Institute for College Access & Success, and Talent Tracker.

11. Poppick, S. (April 22, 2015). Here's What the Average Grad Makes Right Out of College. Retrieved from
http://time.com/money/3829776/heres-what-the-average-grad-makes-right-out-of-college/

12. National Postsecondary Student Aid Study. (August 2013). Retrieved from https://nces.ed.gov/pubs2013/2013165.pdf

13. Schneider, M. (May 14, 2014). Are graduates from public universities gainfully employed? Analyzing student loan debt and gainful employment. Retrieved from https://www.aei.org/publication/are-graduates-from-public-universities-gainfully-employed-analyzing-student-loan-debt-and-gainful-employment/print/

14. Due to economic uncertainty, low-wages, and inadequate retirement plans.

15. Work in Focus: A U.S. Labor Market Overview: Fact Sheet 2016. Department for Professional Employees, AFL-CIO. Retrieved from http://dpeaflcio.org/wp-content/uploads/Work-in-Focus-2016.pdf

16. Work in Focus: A U.S. Labor Market Overview: Fact Sheet 2016. Department for Professional Employees, AFL-CIO. Retrieved from http://dpeaflcio.org/wp-content/uploads/Work-in-Focus-2016.pdf

17. Stress in America; Paying With Our Health. (2015). American Psychological Association. Retrieved at https://www.apa.org/news/press/releases/stress/2014/stress-report.pdf

18. Collins, Baase, Sharda, et al. (2005). Taken from 10-year study that formed the basis of Dow Chemical corporate health strategy today: The Long View: Health as a Corporate Strategy for Sustainability. The Value of Health Executive Summit. DOW presentation. Also see: Mental Illness in the Workplace: Psychological Disability Management; Psychological and Behavioral Aspects of Risk.

19. Followed by geographic region and scarcity of skills.

20. 45% of employers surveyed responded with a personal characteristic while only 31% mentioned experience as an important factor in gauging success.

21. Millennials Want Jobs That Promote Their Well-Being. (Novemver 2016). Retrieved from: http://www.gallup.com/businessjournal/196985/millennials-jobs-promote.aspx

22. Sammer, J. (2012). "Financial Education-Stress = Improved Productivity". HR Magazine, 57(6), 71.