

Transformation

The transforming workplace

26 September 2023

Key takeaways

- A recent Bank of America Workplace Benefits Report, based on nationwide surveys of more than 1,300 employees and nearly 800 employers, found that overall financial wellness among workers dropped to 42%, the lowest rate since this study began in 2010. Two-thirds of workers now believe the cost of living is outpacing growth in their salary or wages, compared to 58% in February 2022.
- Employees continue to look for support from their employers, with most employees (76%) and almost all employers (96%) agreeing that employers are responsible for employee financial wellness. However, only 2 in 5 employers currently offer financial wellness programs.
- While employers report that resignations are not as widespread as last year, staffing continues to be a challenge. This year's Report offers insights into how employers can evolve their strategies to attract and retain talent as the employment landscape continues to change.

Bank of America's 2023 Workplace Benefits Report, [The Transforming Workplace](#), (the Report) studies the benefits offered by employers and the types of support that employees are seeking on financial and non-financial topics. This year's Report closely examines employees' financial wellness, the impact of caregiving on the workforce and the evolution of the workplace.

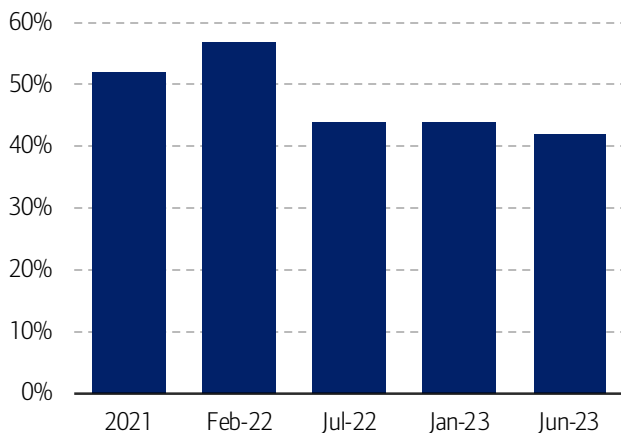
As the cost of living increases, so does employee stress

This year's [Workplace Benefits Report](#) found that nearly 2-in-3 employees are stressed about their finances and only 42% feel financially well, an all-time low in the history of this study (Exhibit 1). Why? Simply put: the cost of living. The Report found that 67% of employees feel that the cost of living is outpacing the growth of their salaries or wages, up from 58% in February 2022.

And while the cost of living is impacting the here and now, employees, in turn, are reprioritizing to meet immediate challenges over saving for longer-term goals (Exhibit 2). Only 31% of employees are currently prioritizing saving for retirement.

Exhibit 1: The number of employees who feel financially well (% of respondents)

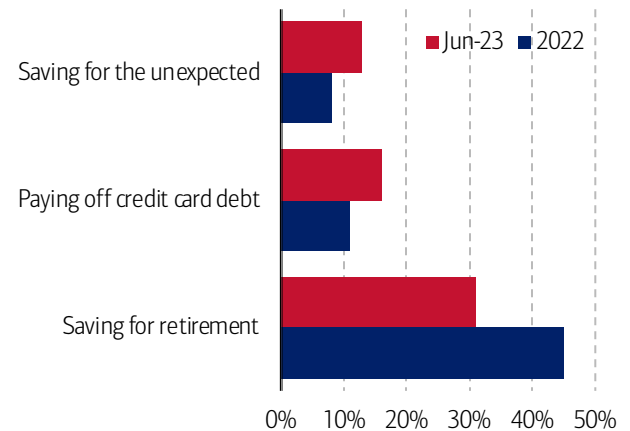
The number of employees who feel financially well has dropped to an all-time low



Source: Bank of America 2023 Workplace Benefits Report

Exhibit 2: Financial priorities of respondents (% of respondents)

While saving for retirement continues to be the top goal for employees overall, other pressing needs are getting prioritized



Source: Bank of America 2023 Workplace Benefits Report

However, despite these concerns, over half of employees still express optimism about their financial well-being in the next two to three years. Who is responsible for this outlook? Most employees and employers believe that employers are responsible for employees' financial wellness, yet only 2-in-5 employers offer financial wellness programs.

Retirement confidence takes a hit

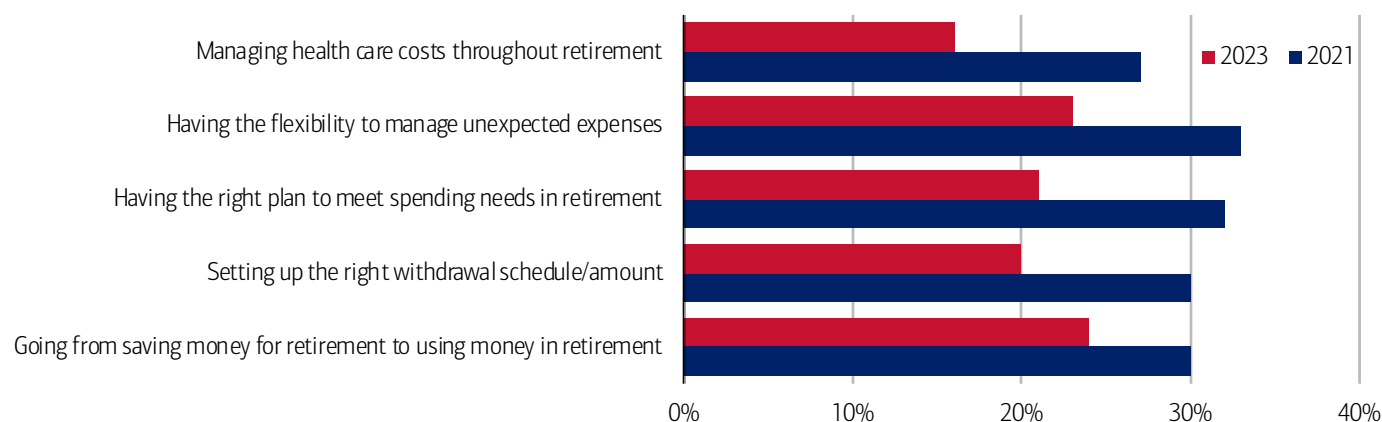
The Report found most employees (61%) feel confident that investing in their employer's 401(k) plan and other retirement savings will help them build enough savings to reach their retirement goals. And this can be seen in the data – according to a recent Bank of America [Participant Pulse report](#), average 401(k) balances increased by nearly 10% since the end of 2022.

However, most employees (63%) and employers (71%) believe that current economic uncertainty will affect their current and future workplace benefits and 401(k) retirement plans. And 30% of surveyed Baby Boomers decided to hold off on retirement due to market uncertainty.

Amid these concerns, employees are looking for additional support from employers. In fact, 36% of employees say that employers are responsible for providing retirement income. And while a quarter of employees rely on advice from their benefits administrator for their 401(k) plan, 35% would also like their employers to offer personalized coaching and upskilling.

Exhibit 3: Feelings of confidence in managing retirement needs (% of respondents)

Employees are wavering in how to manage retirements needs such as health care costs and unexpected expenses



Source: Bank of America 2023 Workplace Benefits Report

Additionally, there are opportunities for more education around Social Security as 30% of employees reported they have little-to-no understanding of their projected Social Security benefits. The employer's role in providing Social Security guidance is a priority: 69% of employers say they should play a role in educating employees about Social Security and Medicare. And 44% of employees think their employers are responsible for Social Security education. How? Employees cited tools and calculators, access to professionals, and updates on availability and changes as their top needs.

Inflation ills: Unprepared to pay for health care

Our [recent publication](#) on health savings accounts (HSAs) notes that a retired 65-year-old couple could need \$296,000 in savings to cover their retirement health care expenses, up 10% from 2020. And on average, only 66% of health care expenses are paid by Medicare. Despite this, nearly half of employees are not saving specifically for health care and only 16% say they are confident in managing health care costs in retirement (down from 27% last year).

This year's Workplace Benefits Report found that 26% of employees felt that the cost of health care was the top issue affecting their financial wellness over the past three-to-six months, up from 16% in 2022. To help address that concern, 11% of employees increased their health care savings in the past three-to-six months, up from 3% last year.

Additionally, HSA participation continues to grow with 73% of employees contributing, but only 64% making regular withdrawals. For those without an HSA, only 7% plan to start contributing to one to help address the future cost of health care.

To help, employers are looking to support their employees' health care savings needs: 86% feel responsible for employee education on retirement health care needs and 83% of contribute to employees' HSAs. Still, most employers provide their employees with information on health care options and costs only 1-2x per year.

Understanding the differences

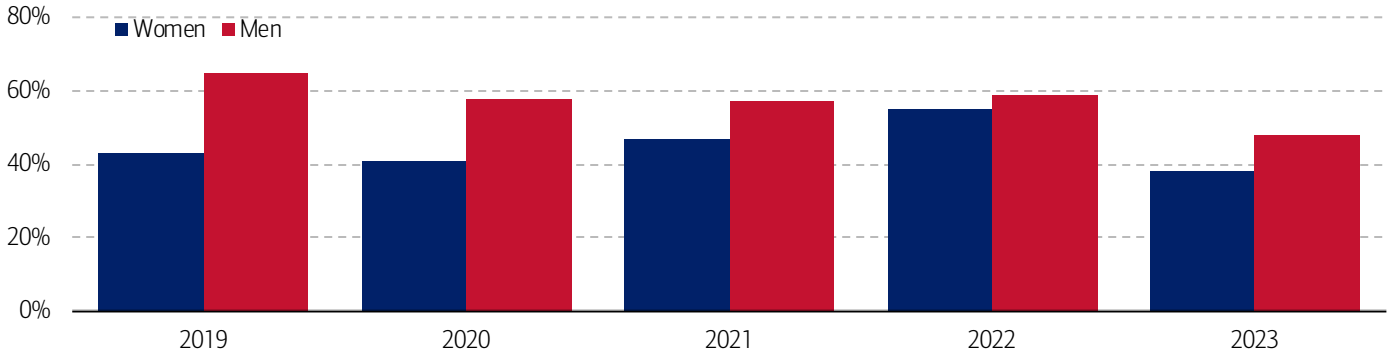
This year's Report also explores the differences around feelings of financial wellness by demographic segments. It explains that while no two financial experiences are the same, it is important to identify any segments of the workforce who may be struggling and could potentially benefit from additional or specialized support.

Gender

While women have been gaining confidence about their financial wellness over the past few years, economic uncertainty is affecting the well-being of women more than men and they feel their employer has a role to play in providing support. This year's Report found that only 38% of women feel financially well, a decrease from 55% in 2022, and a five-year low. To provide a balanced view, however, it's important to note that feelings of financial wellness also declined year-over-year for men. Since 2019, feelings of financial wellness have varied for both men and women (Exhibit 4).

Exhibit 4: Feelings of financial wellness by gender (% of respondents)

Women lag men in positive financial wellness sentiment



Source: Bank of America 2023 Workplace Benefits Report

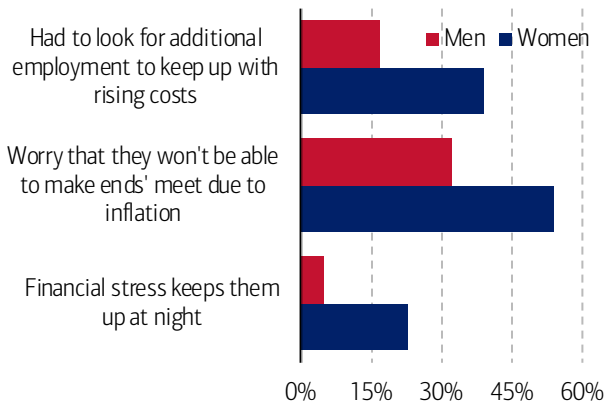
Overall, however, the Report noted that women have more worry and higher stress regarding their finances and the future (Exhibit 5). Women are also slightly less optimistic about their finances in the next two to three years than men are (53% vs. 60%).

This was also the first year that women did not rank saving for retirement as their top financial goal – and instead are prioritizing paying off credit card debt. Meanwhile, fewer women than men are confident they are on track to meet their retirement goals (Exhibit 6). Still, 25% of women actively tried to increase their retirement savings within the last three to six months, while 18% of men did the same (Exhibit 6).

Additionally, women are focusing more on short-term health care needs over future needs. Just under half (49%) of women are not actively saving for future health care needs, and 72% of women are making regular withdrawals from their HSAs. For this cohort, education around workplace benefits is a priority with 1-in-3 reporting they have little or no understanding of their Social Security benefits.

Exhibit 5: Financial concerns by gender (% of respondents)

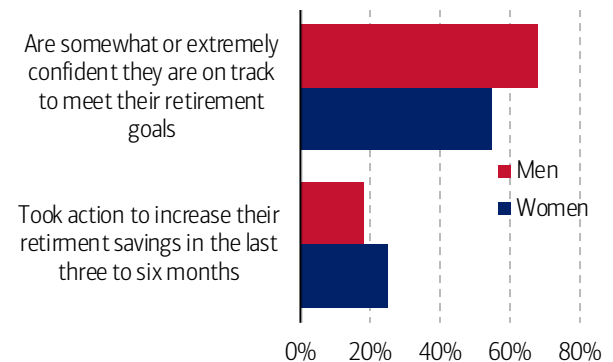
Women have more worry and higher stress regarding their finances and the future



Source: Bank of America 2023 Workplace Benefits Report

Exhibit 6: Top financial retirement goals by gender (% of respondents)

Fewer women than men are confident they are on track to meet their retirement goals



Source: Bank of America 2023 Workplace Benefits Report

Generation

Generational differences are also apparent in this year’s Report and shed light on the feelings of financial wellness vs. financial stress against the backdrop of inflation. Older Millennials (ages 35-44) are the least likely to feel financially well, with 80% feeling stressed about their financial situations and almost 65% believing that the cost of living is outpacing the growth of their salaries and wages.

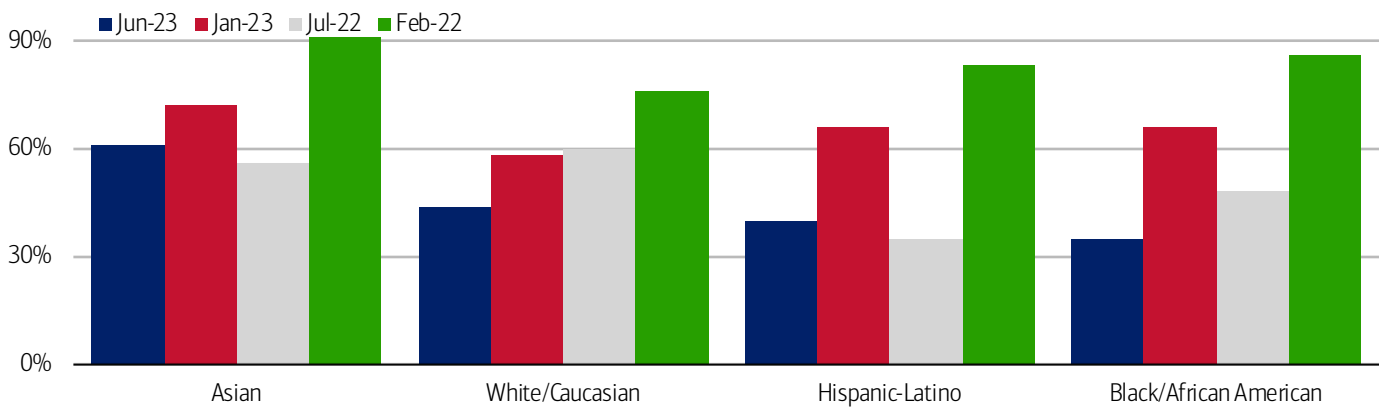
Meanwhile, only 17% of Gen X (ages 45-54) employees feel financially ready to retire and 54% are not actively saving for health care. About 1-in-3 Gen X and half of Millennials (ages 25-44) lack an understanding of their projected Social Security benefits. Lastly, 71% of Gen Z (ages 18-24) employees believe their employers are responsible for educating them on Social Security and Medicare.

Ethnicity

Across ethnicities, feelings of financial wellness vary (Exhibit 7), and retirement confidence has fluctuated over time. The percentage of employees who feel confident that investing in their retirement accounts will help them build enough savings to reach their retirement goals has also varied.

Exhibit 7: Feelings of financial wellness by ethnicity (% of respondents)

Asian Americans have the strongest feeling of financial wellness amongst select ethnicities



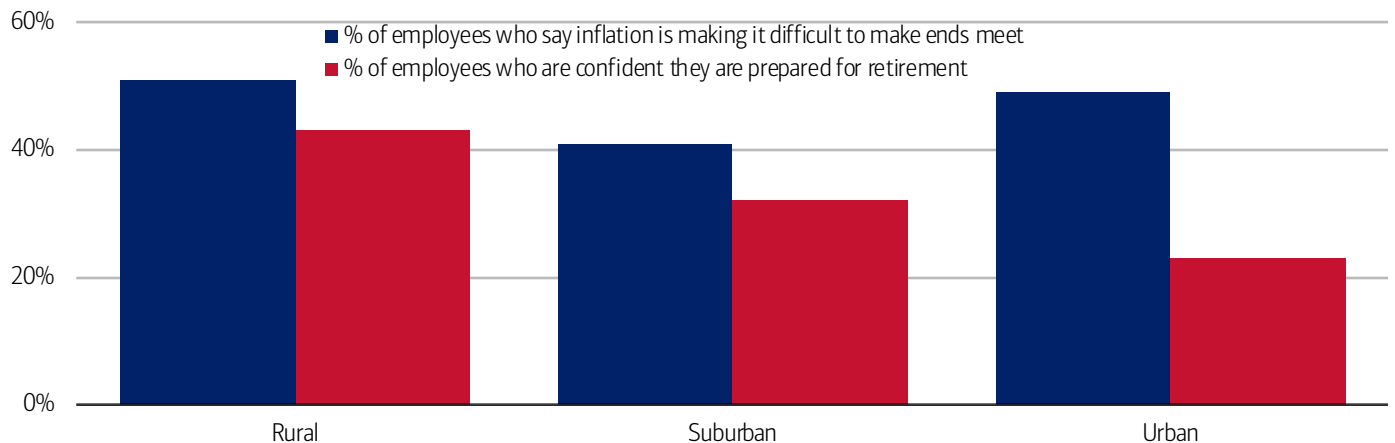
Source: Bank of America 2023 Workplace Benefits Report

Location

As seen in Exhibit 8, from a location perspective, rural dwellers are the most likely to say inflation is making it difficult to make ends meet, closely followed by people who live in urban areas. Meanwhile, employees who live in urban areas are the least confident that they are prepared for retirement.

Exhibit 8: Impact of inflation and retirement preparedness by location (% of respondents)

Employees who live in urban areas are the least confident that they are prepared for retirement



Source: Bank of America 2023 Workplace Benefits Report

Balancing act: Working caregivers

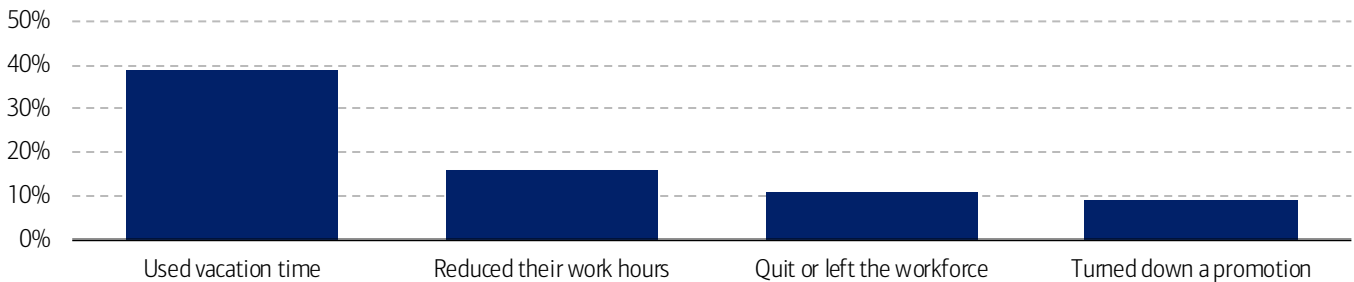
This year's Report also examined caregivers (e.g., those working and also caring for someone in their household), and the oftentimes hidden impact caregiving has on the workforce. While employers believe that only about 35% of their workforce are caregivers, in fact, more than half (56%) of employees actually identify as such. According to the Report, working caregivers are most likely to be earning less than \$40,000 annually (71%), are Hispanic-Latino (70%), are Gen Z or Millennials (ages 18-44) (68%), and/or are women (57%).

The takeaway is that employees likely to be earning the least are spending the most on care-related expenses – on average \$485 per month. Yet working caregivers are balancing careers and caregiving responsibilities through any avenue accessible to them, including using vacation time and reducing their work hours (Exhibit 9).

To aid in this challenge, most employers (89%) offer some level of support, and nearly 1-in-3 provide employee assistance programs (EAP) for caregivers, such as counseling or support groups. However, only 32% of working caregivers utilize the support offered and more than half of employees can't identify the programs offered.

Exhibit 9: How caregivers balance career (% of respondents)

Using vacation time was the most popular way to balance career and personal responsibilities



Source: Bank of America 2023 Workplace Benefits Report

While the Great Resignation has ended, challenges persist

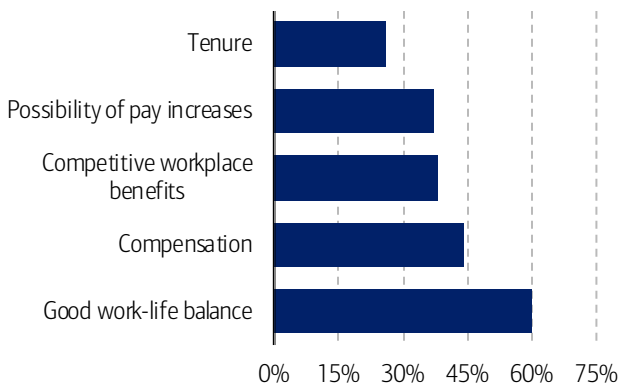
Though employers report that resignations have slowed since 2022, 32% of employees have switched jobs or considered leaving their current companies over the past year and 43% say they were at their previous position for only one-to-two years.

In the past year, 13% of employees planned to leave, while 70% of employees planned to stay. Why? Good work/life balance, compensation, and competitive workplace benefits to name a few (Exhibit 10). On the flip side, employees noted overall burnout and size of pay increases as their top reasons when considering leaving their current companies (Exhibit 11).

So which generations tend to be more loyal? More than 75% of Gen Xers are planning to stay with their current company over the next year, with 45% rating competitive workplace benefits as one of their top reasons for staying. Meanwhile, younger employees are more likely to have left their current job or switched jobs after only working one-to-two years at a company, a decision driven by overall burnout, compensation, and work-life balance.

Exhibit 10: Top considerations for staying at current company (% of respondents)

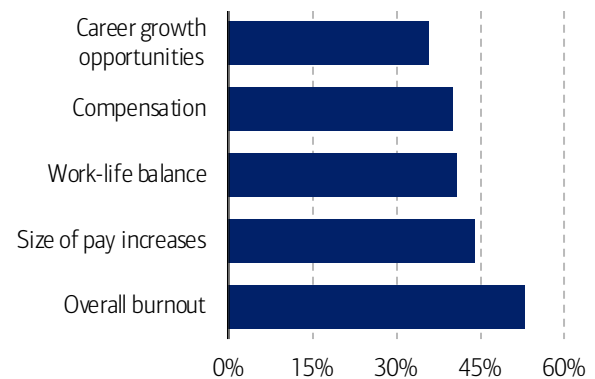
Good work-life balance was the top reason to consider staying at an employee's current company



Source: Bank of America 2023 Workplace Benefits Report

Exhibit 11: Top considerations for leaving current company (% of respondents)

Overall burnout was the top reason to consider leaving an employee's current company



Source: Bank of America 2023 Workplace Benefits Report

Be well

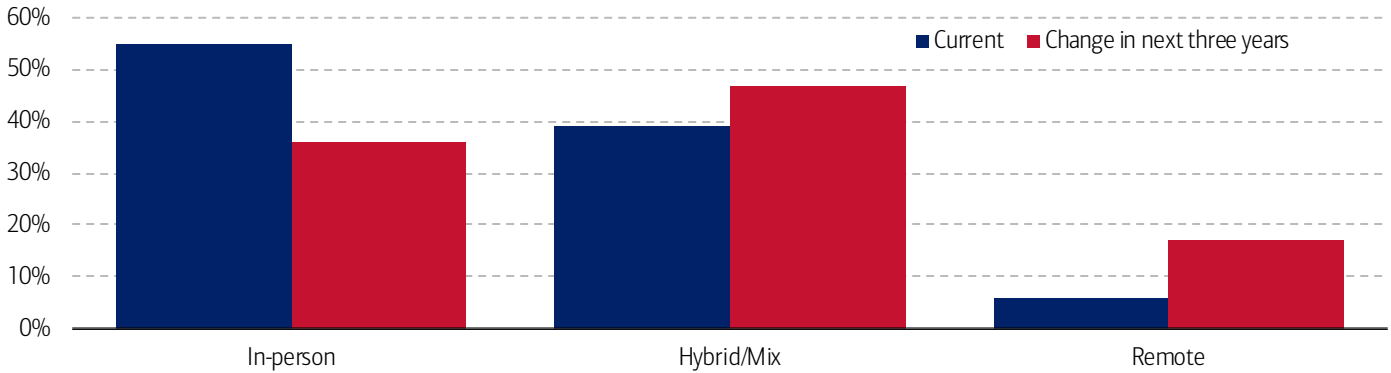
Almost half of employees believe that employers should ensure their positive physical well-being, 27% believe employers should ensure their positive mental well-being and 83% believe their employers are responsible for their financial wellness.

This may be why most employers (92%) who offer resources to manage overall well-being saw improvement in employee satisfaction and 42% saw a reduction in employee stress. Younger employees, specifically Gen Z, have high expectations of employers and how they support employee wellness.

According to the Report, what's the work model of choice? Most employers report offering in-person work models, followed by hybrid/mix and remote (Exhibit 12). However, almost half of employers plan to implement a hybrid/mix work model in the next three years.

Exhibit 12: Work model of choice by employers (% of respondents)

A hybrid/mix work model will be the most popular work model offered in the next three years



Source: Bank of America 2023 Workplace Benefits Report

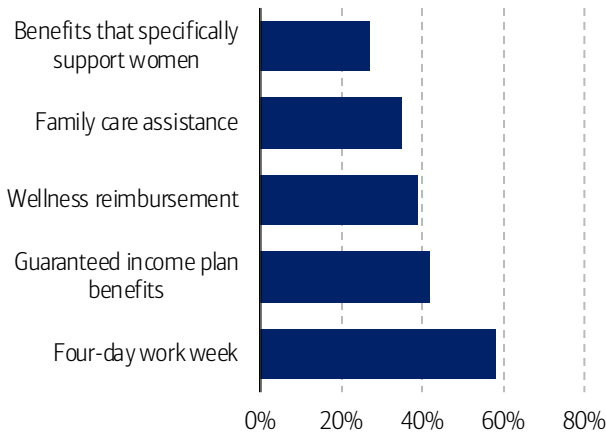
Action, action, we want action

While employers report that resignations are not as widespread as last year, staffing continues to be a challenge. This year's Workplace Benefits Report offers insights into how employers can evolve their strategies to attract and retain talent as the employment landscape continues to change.

So, what programs and benefits should employers consider to help them stay competitive in the labor market? According to employee respondents, benefits like a four-day work week and a guaranteed income plan benefits would help employers stay competitive (Exhibit 13). And when asked, plan sponsors believe that factors such as better workplace benefits and better compensation attract qualified candidates or increases hiring within their companies (Exhibit 14).

Exhibit 13: Factors to help employers stay competitive according to employees (% of respondents)

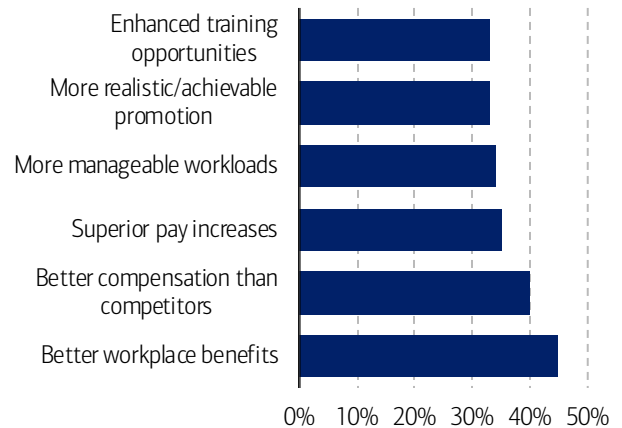
A four-day work week would help employers stay competitive according to employees



Source: Bank of America 2023 Workplace Benefits Report

Exhibit 14: Factors to help employers stay competitive according to employers (% of respondents)

Factors such as better workplace benefits and better compensation attract qualified candidates or increases hiring within companies



Source: Bank of America 2023 Workplace Benefits Report

To further differentiate themselves, the Report suggests that employers should consider the following:

- Promote retirement readiness by implementing smart design features that make it easier for employees to contribute and invest as well as expand educational programs around Social Security and Medicare.
- Support working caregivers by offering flexible work schedules and paid time off and, if possible, access to professional guidance to help with coordinating care.
- Encourage employees to save for health care needs by offering HSA eligible health plans and by regularly discussing the topic throughout the year.
- Consider enhanced benefits like a hybrid work model and personalized financial wellness programs to help attract and retain talent.

Meanwhile, employees should not sit on the sideline when it comes to managing their own financial wellness. The Report suggests that they consider taking the following steps:

- Seek out guidance and tools to help calculate how much might be needed in retirement and to identify sources of retirement income.
- Leverage any digital tools available through your employer to track progress toward your near-term and long-term goals.
- Actively inquire about any educational tools or resources your company may offer and take full advantage of them as you continue your financial journey.
- If available, participate in employee assistance programs (EAP) to help in balancing the responsibilities of your career and your personal life.

January 2023 Survey Methodology

Escalent surveyed a national sample of 878 employees who are working full-time and participate in 401(k) plans, and 798 employers who offer both a 401(k) plan and have sole or shared responsibility for decisions made in the plan. The survey was conducted between January 9, 2023 – February 1, 2023. Life stages are defined as: Gen Z/Millennials: ages 18-44; Gen X: ages 45-54; Baby Boomers/Silent Generation: age 55+. To qualify for the survey, employees had to be current participants of a 401(k) plan and employers had to offer a 401(k) plan option. Neither was required to work with Bank of America. Bank of America was not identified as the sponsor of the study.

June 2023 Pulse Survey Methodology

Escalent surveyed a national sample of 454 employees who are working full-time and participate in 401(k) plans. The survey was conducted between May 31–June 21, 2023. Life stages are defined as: Gen Z/Millennials: ages 18-44; Gen X: ages 45-54; Baby Boomers/Silent Generation: age 55+. To qualify for the survey, employees had to be current participants of a 401(k) plan and employers had to offer a 401(k) plan option. Neither was required to work with Bank of America. Bank of America was not identified as the sponsor of the study.

Contributors

Vanessa Cook

Content Strategist, Bank of America Institute

Taylor Bowley

Economist, Bank of America Institute

Sources

Bank of America Workplace Benefits Report, "Transforming the workplace"

Kai Walker

Managing Director, Retirement Research & Insights, Bank of America

Sheila Gorman

Director, Retirement Research & Insights, Bank of America

Barbara Correra-DiToro

Director, Marketing, Bank of America

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