CONNECTING THE DOTS BETWEEN DIVERSITY, EQUITY, INCLUSION, AND FINANCIAL HEALTH

You can't talk about one without the other:
The case for including financial care within benefits packages to effectively address DEI.

Brightside

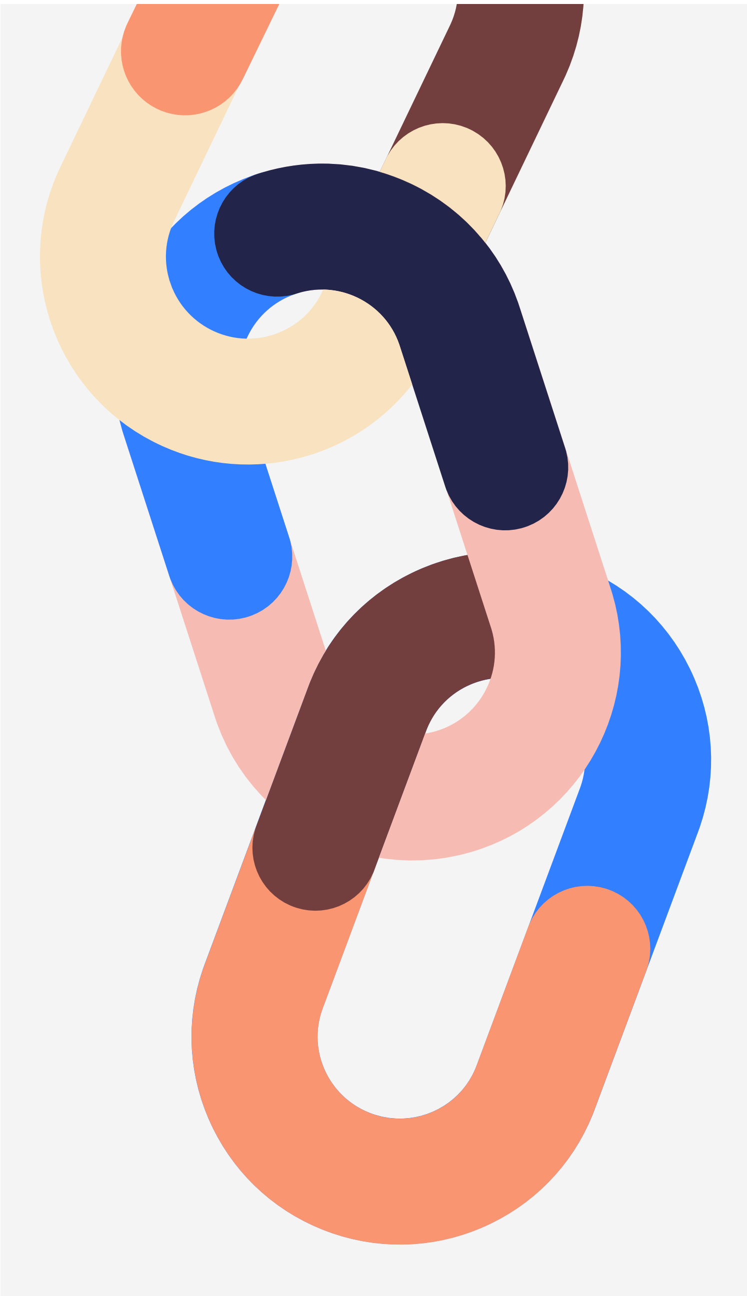
That companies should be making a concerted effort toward diversity, equity, and inclusion (DEI) goes without saying. But since business is business, let's talk bottom line:

A 2018 study by the Boston Consulting Group found that companies with above-average diversity reported 10% higher earnings before taxes than companies with below-average diversity.[1] Whether corporate America is chasing a return on investment, attempting to boost marketing appeal, or acting for moral reasons, "DEI" has become a hot topic among employers.

Whatever the motivation to pursue DEI goals, it's important to explore strategies within DEI efforts to land on what's most effective—for the individual employees involved, for the company, and for greater society.

"There are what we call 'random acts of diversity,'" says Tina Gilbert, Managing Director at Management Leadership for Tomorrow Advisory Services (MLT) and a longtime DEI expert. "It's this idea that you're doing multiple things, but they're not connected to a vision—you don't have goals." At MLT, Gilbert is spearheading a Black Equity and Work Certification, similar to a LEED certification but in the DEI realm. "We're helping companies move beyond performative types of actions," she explains, "and providing a standard for, 'What are the things we're doing that are moving the needle and having an impact?'"

According to the consulting group Diversity Best Practices, D&I[2] budgets among Fortune 1000 companies increased 55% in 2019, with those companies spending an average of $1.5 million each on things like multicultural marketing, philanthropy and community relations, and diversity and inclusivity training.[3] Smaller organizations may be making DEI efforts in one form or another, but both large and small companies should be taking a hard look at what DEI initiatives entail. What do they achieve for the people for whom they claim to be providing equal footing?



"In the past, employers have put focus on developing equal inputs," says Mark Smrecek, a senior director at global advisory and solutions company, Willis Towers Watson. "What we're seeing now is a shift more towards equal outputs. Aside from diversity and inclusion, the equity concept is a more direct line as far as what employers are considering in terms of solutions."

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DEI is, after all, a three-pronged term (see sidebar), with "diversity" likened to being invited to a dance, and "inclusion" akin to being asked to dance. "Equity" means ensuring everyone has appropriate transport to the dance—it's about promoting justice.[4] If we look at statistics measuring financial health among racial groups—those same groups and individuals who comprise diverse workforces at companies committed to expanded DEI efforts—we see that addressing the financial health of individual employees delivers big, measurable benefits on multiple levels.

Offering financial care within a benefits package can truly move the needle.

DIVERSITY. EQUITY. INCLUSION.

More than just three words

DEI isn't window dressing. It's a call to—and opportunity for—companies to see their employees as individuals with varying backgrounds; to build healthier, more dynamic workforces; and to help shape American society as a whole.

Sound important? It is. So, we have to fully understand what DEI truly means.

Diversity. This term generally applies to ensuring a staff is representative of society at large, including, but not limited to: various races and ethnicities, genders and gender identities, sexual orientations, socioeconomic statuses, languages, cultures, national origins, religious commitments, ages, (dis) abilities, and political perspectives.

Equity. "Diversity, Equity, and Inclusion" is an expansion of the term "Diversity and Inclusion (or, "D&I") to "reflect the growing focus on equity in organizations." According to the eXtension Foundation Impact Collaboration, "equity" means "promoting justice, impartiality, and fairness within the procedures, processes, and distribution of resources by institutions or systems." Doing so entails taking a hard look at your policies and practices—like offering financial care within a benefits package— to help close systemic financial imbalances.

Inclusion. While "diversity" refers to having a varied representation within a workforce, "inclusion" speaks to making sure everyone within the workforce feels supported and valued by the organization and that their voices are heard. This often translates to ensuring members of marginalized groups hold management positions.

The hard math

A 2019 Survey of Consumer Finances put out by the Board of Governors of the Federal Reserve System found that the average Black family in America had one-eighth the median wealth of the average white family—$24,100 versus $188,200. That gap leaves many Black families at an economic disadvantage, with less financial security and less ability to fully participate in the economy.

Furthermore, having less wealth means Black Americans are underrepresented in the market for financial products and services. "A lack of access to financial services is not just a symptom of the racial wealth gap," says the report, "it is also the cause."

This disparity isn't accidental. It's by design. The 1935 Social Security Act excluding occupations predominantly filled by minorities; the National Labor Relations Act permitting unions to exclude people of color from collective bargaining; the notorious "red-lining" practices in real estate—these and other forces formed a system that have left Black families with a fraction of the wealth of whites and with barriers to support and services that could help close the gap.

Other minorities that factor into DEI efforts have struggled to feel financially healthy as well. According to the 2019 Survey of Consumer Finances, the following is a breakdown of median family wealth for different racial and ethic groups:

- White: **$188,200**
- AAPI, American Indian, Alaska Native: **$75,000**
- Hispanic: **$36,100**
- Black: **$24,100**

The survey report points to factors such as a lack of inheritances being passed down between generations; fewer homeownership opportunities for marginalized groups; a lack of access to tax-sheltered savings plans; and individuals' savings

"A lack of access to financial services is not just a symptom of the racial wealth gap, it is also the cause," — US Federal Reserve Board of Governors

and investment decisions. All play roles in the disparities for marginalized groups.[6]

The pandemic exacerbated the problem, with studies pointing to everything from Black and Hispanic workers being less likely to be able to work from home[7] to data showing that three-quarters of Black and Hispanic adults saying they do not have emergency funds to cover three months of expenses (compared to half of white adults saying the same)[8].

According to a U.S. Financial Health Pulse Trends Report put out by Financial Health Network, Black Americans, women, and low-income workers are bearing the brunt of the economic burden caused by COVID-19. The report points to decades of discriminatory lending, employment, and housing practices that "have denied Black and Latinx people equal access to affordable credit." Those groups have also had a harder time receiving debt relief.[9]

"When you're already socioeconomically disadvantaged, financial stress just becomes magnified," explains Gilbert, who points out that financial stress touches at different times throughout an employee's life. If an individual struggles to pay childcare, for example, they're likely going to struggle to pay for college, and have little or no hopes to secure retirement plans.

"Some employee bases depend on predatory lending, payday loans...all those things that eventually take out so much money," explains Gilbert. Financial stress has an unfortunate snowball effect.

So what can be done?

Gilbert explains that her previous roles within DEI have strived to set the individual up for success. While MLT was founded to help close economic mobility gaps (60% of Black, Latinx and Native Americans with college degrees are in roles that don't require a college degree, for instance) and help employers access more diverse talent pools, her focus has shifted. With the Black Equity at Work Certification and Advisory Services, she explains that MLTs focus has expanded to provide strategic rigor to the companies where the individuals work. "We'd been cleaning the fish," she says. "Now we're cleaning the fishbowl."

The need is there. Willis Towers Watson's 2021 Global Benefits Attitude Survey found that, while "Employees want flexibility and help managing costs and savings…only 36% say employer-provided resources are meeting their needs."[10]

"Only 36% of employees say employer-provided resources are meeting their needs for managing costs and savings." —Willis Towers Watson 2021 Global Benefits Attitude Survey

Employer-sponsored retirement plans further illuminate disparity among racial groups. The Global Benefits Attitude Survey found opt-in rates for those plans at 60% for White employees, 45% for Black employees, and 34% for Hispanic employees. "These differences in participation may be caused by a variety of factors," says the study, "including whether or not a family has sufficient income to enable saving in this manner, the types of funds offered by employer-sponsored plans, whether participation is by default or not, and financial literacy."

The balances in those accounts vary by race and ethnicity as well, because, as the study points out, fewer Black and Hispanic families are eligible for plans with an employer match.

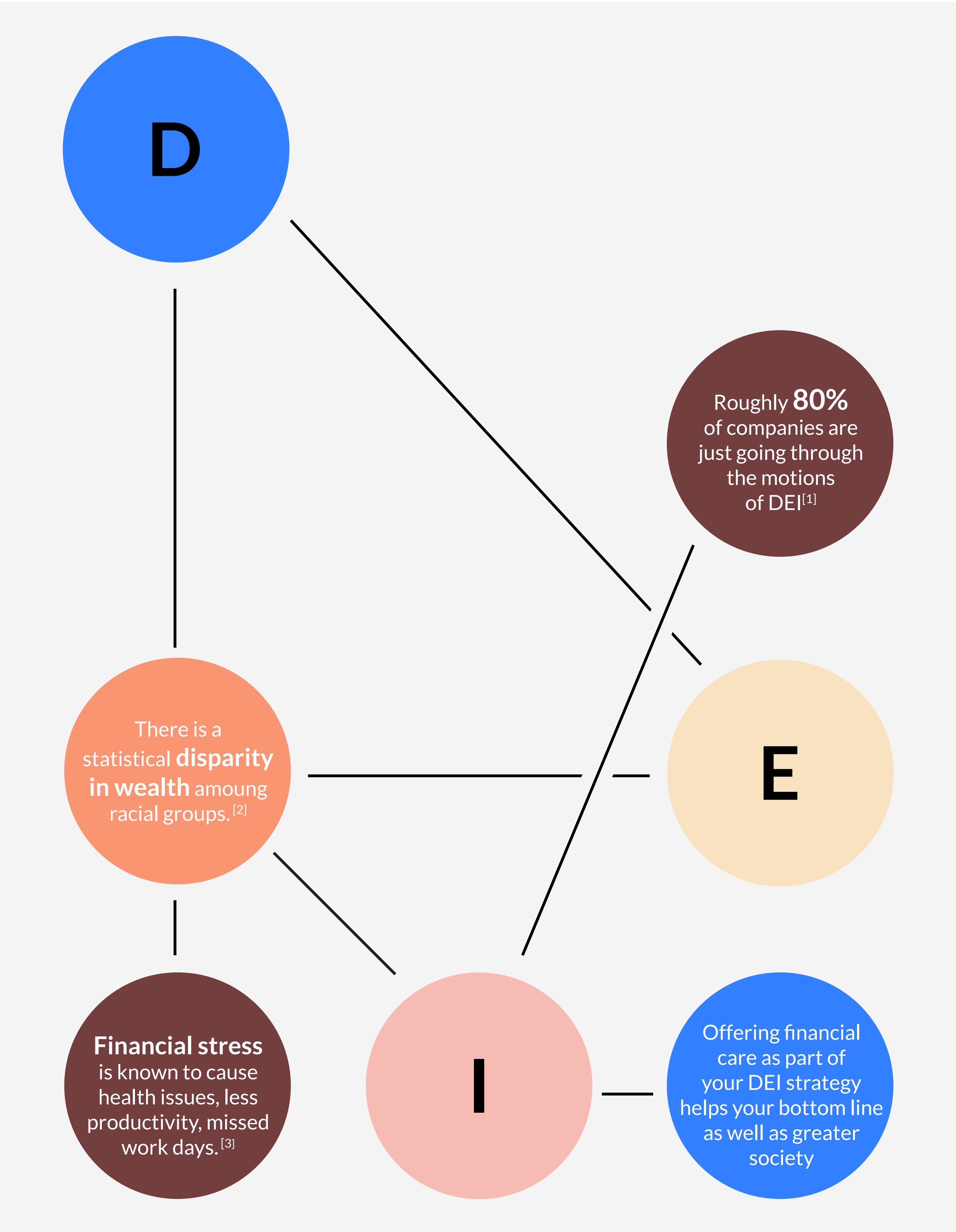
It's a cycle that keeps marginalized groups stuck in their respective financial situations. So what's the solution?

"Equity now has us looking at systemic processes within the organization," says Gilbert, who points to offering financial care to employees as having an out-spreading effect. If an employee feels financially healthy, they're more likely to take advantage of the other benefits being offered to them, like wellness and education. If an employee feels financially unstable, there is an impact on their health, their desire to go back to school for higher education, and their desire—and ability, from a priority standpoint—to address their wellness, both short- and long-term.

"If you can educate one member of the family," says Gilbert, "that education can trickle down to others. It becomes a cookout conversation: 'I learned how to set up a bank account a certain way so that my fees are lower.' The next thing you know, you've talked to three other people because you've navigated the one and built up the trust."

Not offering financial care will cost you

It's a known fact: Financial stress is a health issue. According to the National Institute of Mental Health, continued strain on your



body from stress can cause everything from depression and anxiety to heart disease. And the leading cause of stress? Money. A full 72% of all stress is caused by financial issues.[11]

Think about how that stress affects the workplace. The 2020 Global Benefits Attitude Survey showed that 65% of financially struggling employees report suffering from anxiety or depression, versus 19% of those who say their finances are fine. The financially stressed are six times more likely to assume addictive habits, such as poor diets or alcohol abuse. They're also less likely to take up healthy habits like regular exercise or to get enough sleep.

The convincing stats continue: Employees in a better financial situation than their counterparts have 46% higher engagement and far fewer missed days (12.7 days annually vs. 22.7).[12]

Financial stress can even drop a person's IQ score by 13 points.[13] That means your employees who might be consumed by financial worries like not being able to save money to put their kids through college or having to help support other family members in times of need are less focused and capable at work.

Retention is another huge factor. For example, users of Brightside—an employee financial care benefit—show nearly 50% lower turnover rates than their colleagues who don't use the service. And businesses with a strong learning culture see retention rates 30 to 50% higher than those that don't.[14]

"When people are unable to manage their finances on a day-to-day basis, we see unexpected turnover at younger ages," adds Smrecek. "And then people who are older are still working because they have to, not because they want to. These are the hidden costs of lack of action."

The math is clear: You can't afford to not offer financial care to your more diverse workforces.

This is both a wake-up call and a call-to-action for employers. "When designing financial wellbeing and retirement programs, take an inclusive approach and consider your employees' diverse needs," states the Global Benefits Attitude Survey findings. "Implementing an employee listening strategy, investing in tools and mental health resources, and encouraging employees to use them can go a long way toward reducing their stress and boosting healthy outcomes."

Back to the "E" in DEI

It should be clear by now that benefits like healthcare and even employer-matched retirement plans don't benefit all employees equally. Historical wealth disparities, magnified by the pandemic, have left a greater need than ever to address financial health and offer support on that front.

Financial Health Network's Pulse Trends Report reminds us that our nation is at an inflection point and that "Now is the time to embrace bold solutions that improve financial health for all." Employers are particularly well positioned to offer these solutions, and to reap the benefits.

But beyond a clear ROI, providing financial care supports DEI initiatives across the board.

In fact, financial wellbeing is so intertwined with these issues, implementing a DEI strategy that doesn't include holistic financial care solutions will struggle to make any impact at all.

Ready to supercharge your DEI initiatives?

Let's talk about how Brightside's financial care solution can do just that.

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