



Principal Financial Well-Being IndexSM

2023 Wave 1

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for employers and employees

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the economy

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TREND 1

Inflation remains the top concern for employers and employees

Top 5 concerns: Businesses vs. employees

Inflation remains the number one concern for both employers and their employees.

Top business concerns

1. Inflation
2. Higher taxes
3. Potential upcoming recession
4. Rising interest rates
5. Cost of health care

Top employee concerns

1. Inflation
2. Reaching or maintaining personal financial security
3. Cost of health care
4. Potential upcoming recession
5. Having access to paid family/medical leave

Employer reactions to rising interest rates

Business resource

All employers

We'll need to raise our prices to accommodate higher interest rates and borrowing expenses.	37%
We'll need to cut costs in other areas to accommodate higher interest rates and borrowing expenses.	33%
We'll borrow less money this year compared to last year.	29%
We have strong cash reserves and will benefit by earning money from higher interest rates.	29%
We're paying off current variable rate debts as quickly as possible before interest rates increase.	28%

Business responses to a possible recession

Businesses avoid any action that will negatively impact their employees.

Have done this

- ✓ Increase prices for products and services (33%)
- ✓ Increase cash reserves (30%)
- ✓ Collect outstanding debt (29%)

Would never do this

- ✗ Reduce salaries (39%)
- ✗ Reduce benefits offered (30%)
- ✗ Reduce employer-paid portion of benefits offered (29%)

Smaller businesses are more likely than larger business to say they would never reduce salaries or benefits in response to a potential recession.

Would *never* reduce salaries



Would *never* reduce benefits offered



Would *never* reduce employer-paid portion of benefits offered



Employee responses to a possible recession.

Employees continue to prioritize retirement savings.

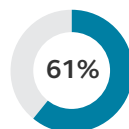
Have done this

- ✓ Reduce or stop spending on luxury goods (46%)
- ✓ Increase value shopping for lower priced brands (41%)
- ✓ Review my personal/ household budget (40%)

Would *never* do this

- ✗ Decrease saving for retirement (27%)
- ✗ Sell or downsize personal property (24%)
- ✗ Seek additional education or training (21%)

Employee wage increases in 2022



of employees have received a raise in the past year.

All employees regularly receive automatic wage increases.	41%
Employee received an increase based on successful performance.	34%
Company raised wages in response to the rising cost of living/inflation.	25%
Employee advanced in position/received a promotion that came with higher wages.	13%
Employee requested a raise and it was approved.	11%




TREND 2

Employees more cautious about the economy

While both employers and employees rank inflation as their top concern, employees are much more cautious about the next six months.




Inflation

Employees are more likely to think inflation will get worse.

	 Will get better	 Will stay the same	 Will get worse
Economic inflation			
Employer	49%	23%	29%
Employee	21%	29%	51%

Interest rates




Employees are more worried about rising interest rates.

	 Will get better	 Will stay the same	 Will get worse
High interest rates			
Employer	36%	34%	31%
Employee	20%	33%	48%

Recession










While both businesses and their employees agree a recession is at least somewhat likely in the next six months, employees are more likely to say things will get worse.



	 Will get better	 Will stay the same	 Will get worse
Recession/ potential recession			
Employer	36%	31%	33%
Employee	17%	31%	53%

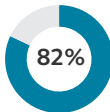
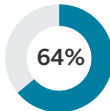

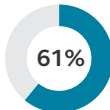

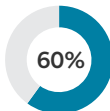

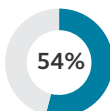
Employer stability

Many employers predict that hiring and keeping employees will get easier within the next six months, while employees expect unemployment rates to worsen.

	 Will get easier	 Will stay the same	 Will get more difficult
Attracting new employees			
Employer	43%	47%	10%
Retaining current employees	 Will get easier	 Will stay the same	 Will get more difficult
Employer	44%	47%	9%
Unemployment rates	 Will get better	 Will stay the same	 Will get worse
Employee	23%	42%	36%

Employees driven by purpose

Generation Z is most likely to prioritize inclusion efforts and alignment with personal beliefs.

Perception	% who “agree completely” or “agree somewhat”
It’s important that the company I work for makes ethical business decisions.	 82%
It’s important that the company I work for prioritizes diversity, equity, and inclusion in the workplace.	 64%  Most important to Gen Z
It’s important that the company I work for supports my local community.	 61%  Most important to Gen Z and Boomers
It’s important for me to work at a company that’s policies and practices align with my personal beliefs.	 60%  Most important to Gen Z
It’s important that the company I work for participates in charitable giving and initiatives.	 54%

TREND 3

Employee financial security a top concern

Reaching or maintaining personal financial security is the No. 2 concern among *all* employees.

Reaching financial security through benefits

Top-ranked benefits related to financial security¹

Employers		Employees	
Health care benefits	64%	Health care benefits	78%
Paid time off	36%	Retirement benefits	57%
Retirement benefits	35%	Paid time off	53%
Dental/vision insurance	26%	Dental/vision insurance	37%
Employee financial wellness program	26%	Life insurance	19%

¹ This study used a definition from the Consumer Financial Protection Bureau on financial security: “having control over regular expenses, having the capacity to absorb a financial shock, being on track to meet financial goals, and having enough financial freedom to make choices to enjoy life.”

Perceptions of related benefits

A large gap exists between what employers think will provide financial security and what their employees think.

Perception	% who “agree completely” or “agree somewhat”	
Benefits are an important tool to help support employee (my overall) financial security.	All employers	90%
	All employees	83%
Our company (my employer) understands what benefits employees need to have good overall financial security.	All employers	89%
	All employees	70%
Employers should care about their employees’ overall financial security.	All employers	84%
	All employees	73%
Wages (hourly, salaries, bonuses, etc.) are more important than benefits when supporting employee (my overall) financial security.	All employers	76%
	All employees	67%
Better employee financial security leads to a more engaged and productive workforce.	All employers	87%
	All employees	N/A
The benefits that my employer currently offers do a good job of supporting my overall financial security.	All employers	N/A
	All employees	70%

Benefits employees value most

Workers prioritize traditional benefits like health care and retirement plans.

“From the list below, what are the most important benefits for you?”

	Top 3 selection
Health care benefits	78%
Retirement benefits	57%
Paid time off	53%
Dental/vision insurance	37%
Life insurance	19%

Why employees don't use benefits

Reasons vary greatly by benefit.

Benefit	Don't understand it or how to use	Don't understand how to sign up	Think it's too expensive	Feel like they don't need it
Health care benefits	7%	5%	14%	14%
Retirement benefits	29%	13%	23%	3%
Paid time off	7%	7%	N/A	27%
Dental/vision insurance	16%	9%	19%	3%
Life insurance	17%	4%	28%	20%

* Other response options include “I have access through a spouse or family connection”, “Other”

TREND 4

Employers respond to shifting employee benefit needs

Employers are focused on flexibility, employee development, and health care benefits.

Benefits

Top 3 benefits businesses plan to increase in response to employee needs

To attract new employees:	<div>1. Life insurance</div> <div>2. Dental/vision insurance</div> <div>3. Health care benefits</div>
To retain current employees:	<div>1. Retirement benefits</div> <div>2. Health care benefits</div> <div>3. Paid time off</div>
It's an ethical responsibility of the company:	<div>1. Caregiving benefits</div> <div>2. Critical illness or accident insurance</div> <div>3. Mental health/well-being programs</div>
To improve employee satisfaction and well-being:	<div>1. Mental health/well-being programs</div> <div>2. Health care benefits</div> <div>3. Retirement benefits</div>
To help employees during tough economic times:	<div>1. Employee student debt payoff assistance</div> <div>2. Financial wellness program</div> <div>3. Pet insurance</div>

Top 5 benefits employers expect to increase

Business resource	All employers
1. Flexible schedules/time	43%
2. Training and educational opportunities	42%
3. Health care benefits	40%
4. Financial wellness program	38%
5. Mental health/well-being programs	38%

TREND 5

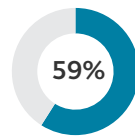
Most businesses not yet familiar with Secure 2.0 provisions

There's an opportunity to educate small businesses on how the legislation could help them.

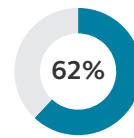
Impact of tax credits

Most small businesses are unaware of new tax credits.

Of businesses with fewer than 100 employees:



were not previously aware of tax credits to **offset the costs of retirement plan startup** for small businesses.



were unaware of tax credits to **offset the costs of employer-matching contributions** for employee retirement plans.

Retirement plan features

Of employers that currently offer retirement plans, a small percent plan to make SECURE 2.0 changes.²

Retirement plan-related feature

Automatic enrollment into plan



Automatic contribution escalation



Employer matching (any %)



■ Currently offer ■ Plan to offer by 2025 ■ Don't offer and no plans to offer

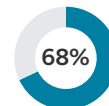
² Of employers who offer retirement, n=330

Employee sentiment on Secure 2.0

Most employees are comfortable with auto-enrollment and increase features.

% of all employees who "agree completely" or "agree somewhat"

I am comfortable with being automatically enrolled into a retirement plan through my employer.



I am comfortable with my employer automatically increasing the amount I contribute to my retirement plan.



Small business = 2-499 employees. **Large business** = 500-10,000 employees. The Principal Financial Well-Being IndexSM (February 2–9, 2023) surveyed 500 business owners, decision makers, and leaders at companies with 2–10,000 employees. Businesses must offer at least health insurance or retirement benefits. This wave also included input from 200 full-time employees, surveyed February 2–9, 2023. The survey was conducted prior to the banking sector events in March 2023.

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