PayPal Employee Financial Diaries

PayPal

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Executive Summary

The PayPal Employee Financial Diaries research study captures the voice and experiences of our employees to explore how the PayPal Employee Financial Wellness Program has contributed to their journey toward financial health. The study follows a cohort of 22 employees who participated in a 17-month long Financial Diaries study, between December 2020 and April 2022. The goal of the research is to provide learnings into the opportunities that employers have to influence jobs, benefits, and culture to facilitate the workers' journey toward becoming financially well.

The PayPal Employee Financial Wellness Program, launched in December 2019, is designed to benefit hourly and entry-level employees. The four pillars of the program are: wage increases, reduction in health care premiums, equity grants, and financial coaching resources.

The Diaries research shows that study participants have made strong progress towards financial wellness since joining PayPal. For the most part, the employees who participated in the study came to PayPal with high debt, low savings, no investments, and poor financial confidence. Over the last few years, nearly all have made progress – decreasing debt, increasing savings, establishing new investment portfolios, and gaining the ability to share financial knowledge with their colleagues.

Over the course of the research study, all employees who participated in the Diaries research study improved their debt-to-equity ratio, which is notable given the volatility in the stock market and inflation. **The average debt-to-equity ratio of participants dropped by 20%.** They have also weathered unexpected expenses with more resilience and a wider range of options. A few purchased a home. **83% of Diaries respondents said they would now have an easier time covering an unexpected expense of $1,000.**

There have also been shifts in their financial identity. Having become equity owners for the first time, **many Diaries participants experienced a re-orientation in their financial identity as financially capable people** who are investors (and not just debtors). Their time horizon for financial decision-making has expanded. They are motivated to save more and pay down debt in order to invest more. The sense of agency and ownership of their financial future propelled Diaries participants to **prioritize and achieve their financial goals.**

Peer learning and peer coaching played an important role in financial knowledge exchange and capacity building, and culture making. For example, team stand-up meetings included a 5-minute segment on budgeting tips, and many employees started contributing to a 401(k) plan due to the encouragement of a team leader or coworker. Knowledge exchange amongst peers lowered entry barriers, made complex topics such as investing more accessible, and progress felt more possible when there were companions on the journey.

While the improvement in financial wellness can in part be explained by having a steady job and good benefits, **the Employee Financial Wellness Program accelerated their progress towards achieving financial wellness:** Equity added to the asset ledger of the employees' balance sheet. Many Diaries participants are taking advantage of more affordable health insurance to manage medical and mental wellness issues that previously decreased their ability to work and increased their medical debt. They have gained confidence and capacity to manage their day-to-day finances in ways that allow them to prepare and dream for the future.

The journey towards financial wellness is a non-linear process that takes time, and **a key role of the employer is to measure what matters, and to facilitate and support the employees' journey.**

In addition to offering steady pay and competitive benefits, employers could implement financial wellness programs with an eye towards culture. Thoughtful and consistent communication around the company mission and values over the years has contributed to a strong foundation for a workplace culture in which employee financial wellness can be cohesively embedded in company practice and employee experience, in ways that went far beyond the four pillars of the program.

The findings from the Diaries interviews mirror company-wide trends. The estimated net disposable income (eNDI) – a PayPal-defined metric that calculates discretionary income remaining for employees after taxes and typical expenses are paid – for hourly and entry-level U.S. employees went from 4-6% in FY19 to 11% in FY20 and 15% in FY 21. The 401 (k) enrollment of hourly and entry-level U.S. employees increased from 70.6% in 2019 to 77% in 2022, and their average annual 401(k) contribution increased by nearly 20% between 2019 and 2022.

Introduction:

The Case for the PayPal Employee Financial Diaries Study

Background and Context: An Evolving Environment for Employers and Employees

The PayPal Employee Financial Diaries Study looks closely at the elements and effects of the PayPal Employee Financial Wellness Program (EFWP) through the lens of employee experience. The goal of the study was to provide insights into how employers can best shape jobs, benefits, and culture to facilitate workers' paths toward financial wellness. It shines a light on the evolving role of employers in the context of several key issues in the broader economy: stakeholder capitalism, employee retention, and job quality.

There has been increasing focus on the role of business in society, and the role of employers vis-à-vis employees, which has become a key pillar of stakeholder capitalism. And, a focus on job quality has been growing over the last few years, as evidenced by the momentum of research and advocacy in this area. Think tanks and research centers have made job quality a critical area of investigation. In 2018, the Good Jobs Institute at MIT launched the Good Jobs Scorecard, a tool to help guide companies to make "smart operational choices that leverage investment in people to create value for customers, employees, and investors."[1] These issues have gained more attention as companies struggled to attract and retain talent during the "Great Resignation." Public sector engagement points to a continuing urgency: in 2022, the U.S. Department of Labor and Department of Commerce jointly published the "Good Jobs Principles,"[2] and the World Economic Forum released the "Good Work Framework."[3]

Research has demonstrated the business case for strengthening job quality: companies that invest in creating good jobs report reduced turnover, improved operational resilience, and higher employee engagement, productivity, and innovation.[4] Workers in low-wage jobs who believe their employers help them improve their financial health are more satisfied and more committed to their employers.[5]

And business leaders have recognized the critical importance of job quality to their employees, and the importance of employees as a stakeholder group.

In August 2019, the Business Roundtable released an updated Statement on the Purpose of a Corporation which declared, "Companies should serve not only their shareholders, but also deliver value to their customers, invest in employees, deal fairly with suppliers and support the communities in which they operate."[6] The Business Roundtable also called for an increase in the federal minimum wage and access to paid family medical leave for more Americans. Over the three years since the release of the statement, many of the 181 signatories—a coalition of CEOs of America's largest corporations — "took action to invest in worker training and education, raise wages, support new employee health and wellness benefits, promote more sustainable businesses and give back to the communities they serve."[7]

Only 40% of workers in the U.S. report that they are in "good jobs," and 16% report working in "bad jobs" with inadequate pay and benefits, unpredictable schedules, or discrimination and harassment. Workers of color report even lower levels of job satisfaction.[8]

Employee financial wellness is an important part of job quality.

In addition to paying wages and salary, employers often function as the primary channel for medical insurance coverage and retirement savings for workers in the U.S. The financial health of workers in low-wage jobs is especially precarious: research suggests that "fewer than one in seven workers in low-wage jobs is financially healthy." In a survey by the Financial Health Network (FHN), "roughly one-third of low-wage workers reported having trouble paying their rent or mortgage (31%), struggling to pay medical bills (32%), or worrying about running out of food (37%) in the 12 months before the survey." "Nearly one-third of workers (31%) reported that someone in their household had received food stamps in the prior year." "A smaller but still sizable proportion of workers (12%) said they had outstanding payday loans – a particularly striking finding, given that only 3% of the total U.S. population reported having taken a payday loan in the entire year" before the study was conducted.[9]

Medical bills are the leading cause of bankruptcy in the United States. "Only one-third of workers in low-wage jobs (33%) report receiving health insurance coverage through their employers." More than half of those who are not covered by health insurance say they are not eligible for insurance from their employers. For many low-wage workers who are eligible to participate in employer plans, the high cost of medical insurance coverage can be a significant barrier. "Of those workers who are eligible but do not participate, nearly half (48%) say the plan is too expensive or the deductibles and copays are too high." And even among workers who participate in employer-sponsored health insurance plans, more than one-third (36%) say they still avoid seeking out healthcare or skip medication because of high deductibles and copays. In the FHN survey, 31% of respondents reported that they had pastdue medical bills, and many reported "reducing spending on basic needs, skipping other monthly payments, drawing down savings, or taking on more debt to cope with unmanageable medical expenses."[10]

This study delves into this complex context and takes up key questions of job quality: pay, benefits, and organizational culture. It explores the impact of PayPal's Employee Financial Wellness Program, focusing both on the experiences and perspectives of employees and on outcomes for employee financial health. It seeks to delineate approaches that can meaningfully improve employee financial wellness.

The Employee Financial Wellness Program

PayPal's mission is to democratize financial services, and to ensure that everyone has access to affordable, convenient, and secure products to help them take control of their financial lives. This mission, articulated at PayPal's spin-off from eBay in 2015, has guided the rollout of products and services for consumers and merchants—and it has also shaped the company's approach to its employees.

In 2017, PayPal created a $5 million Employee Relief Fund to assist employees in case of a significant or unforeseen financial hardship. Not long after the launch, fund administrators began to spot a troubling trend: urgent requests for help that were generated not by catastrophes but by everyday events, like an unexpectedly steep medical bill, or a car breakdown.[11]

PayPal launched an internal Total Wellness Survey, which revealed that 65% of customer-service and entry-level employees reported that they frequently ran out of money between paydays. Despite earning at- or above-market salaries, these employees had to make difficult trade-offs in areas like education, healthcare, and retirement savings. In 2018, 60% of PayPal's hourly and entry-level U.S. employees had an estimated net disposable income (eNDI) of 4-6%.[12] **eNDI is a PayPal-defined metric that calculates the discretionary income remaining for employees after taxes and typical living expenses are paid.**[13] In other words, after taxes, food, housing, healthcare and other basic living expenses, employees only had four to six percent of their income remaining for all other short-term and long-term needs and goals.

The company's investment in the EFWP was tens of millions of dollars in the first year alone.[14] There was full agreement on the program amongst the leadership team and full support from the PayPal board, a testament to the alignment around the company's mission and values. There was also, importantly, alignment around the business case behind the investment – to increase retention and productivity.

To fulfill the company's mission to improve financial health for its own community, PayPal set out to develop an Employee Financial Wellness Program (EFWP). The goal of the EFWP was to increase minimum employee eNDI to 20%. The EFWP was first announced by PayPal CEO Dan Schulman at a Global

All-Hands meeting in October 2019. It was the first time that the company's mission to improve financial wellness was focused on PayPal employees, rather than on underserved and underbanked households and small businesses in the larger community. The EFWP was designed to benefit hourly and entry-level employees, including executive assistants, staff in operations and facilities, call-center employees, and event managers.

The initial program consisted of four parts:

1. A raise in wages for eligible employees, starting December 1, 2019. PayPal's wages already met or exceeded minimum wage and market wage; these adjustments were made to ensure employees earned a living wage relative to local cost of living. The eNDI model was used as the basis for calculations.

2. A 60% reduction in health-care premium costs for U.S. employees starting January 1, 2020 — an average savings of $30 with each paycheck for a single employee, $95 for an employee with children, $112 for an employee and spouse, and $158 for an employee with a spouse and children. PayPal also introduced an annual health reimbursement account funded by the company to help offset out-of-pocket medical expenses: $300 for a single employee, and $900 for an employee covering dependents.

3. An equity grant (restricted stock units, "RSUs"), averaging $3,100, issued to approximately 8,600 employees who had not been granted equity before. The equity awards began vesting into shares of PayPal stock in January 2021 and will be fully vested in January 2023. A second grant was made to over 12,000 employees at the end of 2020, and a third grant to over 13,000 employees at the end of 2021. Both the second and third grant values averaged $4,300.

4. A complementary suite of financial wellness coaching resources designed by professionals to educate employees on their compensation and benefits; and provide unlimited access to digital tools (e.g., Ayco) and confidential one-on-one consultations (e.g., 401(k) planning with Charles Schwab representatives).

The company has continued to evolve the EFWP. In 2021, PayPal provided financial education and coaching sessions globally (including a tax education course delivered across 21 countries); granted early access to earned wages for employees in the U.S., Ireland, U.K. and India; and extended targeted financial wellness grants to hourly and entry-level employees. The company also implemented significant changes to the vesting schedule for certain types of equity awards granted after January 1, 2022, giving employees earlier and more frequent opportunities to access their vested equity.

Objectives for the Employee Financial Diaries Research Study

We undertook the Employee Financial Diaries study as a means of measuring whether EFWP was making a meaningful difference to employees' financial wellness. The objectives for the study are two-fold. We intend this analysis to inform internal teams at PayPal as they continuously assess and evolve the EFWP, as a complement to annual surveys. We also hope that in sharing our learnings publicly, we can help add to the resources that inform employee financial health initiatives at other companies in the broader ecosystem, potentially driving impact for many more workers beyond our own walls.

Methodology

The Employee Financial Diaries study focuses on and elevates the voices and experiences of employees in the form of data and stories in order to unearth insights that are seldom revealed by annual surveys.

The central question we set out to answer is, "In what ways might EFWP contribute to the employees' journey towards financial health?"

While simple math suggests that increasing pay and reducing healthcare cost should increase disposable income, we recognize that financial health is not that simple. We were interested in the specific ways EFWP might make a more substantive difference to employees' financial health.

The approach to methodology for this study was carefully crafted. As a global payments company, we know firsthand that trust is important. We understand that financial matters are personal and sensitive, and we knew that our study would only be effective if employees were confident the project would protect their privacy and confidentiality. This was a particular challenge because, unlike household financial diary projects funded by nonprofit grants, this study was commissioned and paid for by the participants' employer. The study design would need to take into account the potential for conflicts of interest, especially in terms of topics such as distraction during work hours. To ensure the psychological safety of participants and the integrity of the findings, we hired a third-party researcher, Dr. Daryl Collins, co-creator of the *U.S. Financial Diaries,*[15] as the principal investigator. Dr. Collins alone knows the names of the research participants. **In this report, *all data and stories are shared on an anonymized and de-identified basis,* eliminating the potential for bias or negative impact for respondents. All names and personal details have been changed to protect the privacy of the study participants.**

Participation in the research study was voluntary. We distributed an optional survey to employees based in three locations in the U.S. who benefited from

EFWP, inviting them to opt into the pool of potential research participants. The survey collected data on age, gender, race, tenure at PayPal, paygrade level, and location. Based on this data, Dr. Collins selected a 22-person cohort mirroring U.S. demographics (see Figures 1 and 2). Out of the original cohort, 21 employees participated in the study up to the final live interview; 16 remained through this last step.[16] We will refer to these employees interchangeably as respondents, Diaries participants, and research study participants in the rest of the report.

Like other financial diaries projects, the PayPal Employee Financial Diaries study collects and analyzes both quantitative and qualitative data and employs an ethnographic and longitudinal approach. To cite Dr. Collins' previous book, *Portfolios of the Poor,* "[t]he basic concept behind the financial diaries is that finance is the relationship between time and money, and to understand it fully, time and money must be observed together."[17] This research study has the advantage of observing respondents at frequent intervals over a year and a

Fig. 1

Participant Demographics

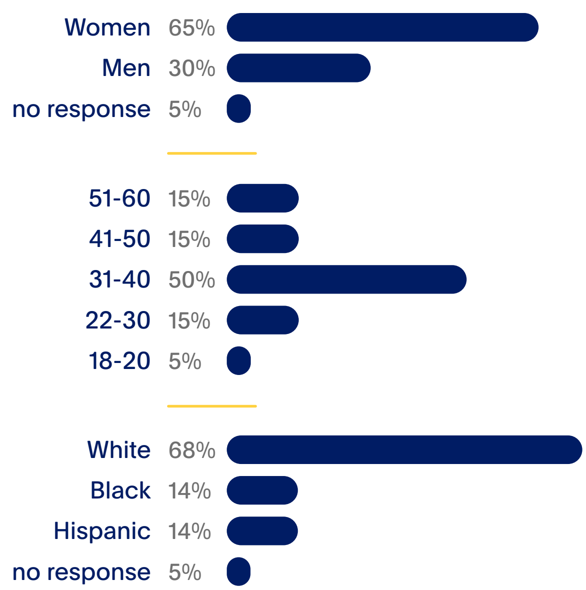
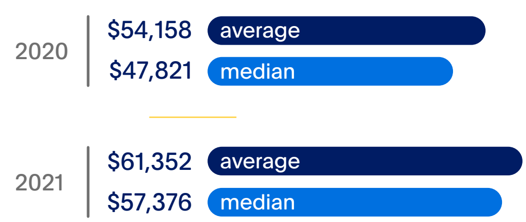


Fig. 2

Annual Total Earnings

(Before Taxes, Benefit Reductions, and Other Deductions) of the Cohort (USD)



half, delving deeply into their financial situations and choices. Dr. Collins collected detailed financial data from participants and engaged deeply on wide-ranging topics such as sources of financial information, financial goals, debt levels, attitudes about benefits, and company culture. We analyzed their household balance sheets, listened to their thoughts and goals, and observed how their financial positions shifted over time and how they reacted to varying circumstances in their lives. This approach has allowed us to obtain a deeper and clearer understanding of participants' financial health.

The Employee Financial Diaries study began in December 2020, almost one year after the EFWP was launched, and ended in April 2022, when the final interviews were conducted. Given the need to focus on pandemic response, we were not able to start this research project earlier in 2020, closer to the start of the EFWP. We acknowledge the delay and gap between the beginning of EFWP and the start of the Diaries research, and our 17-month engagement with study participants made it possible to ask follow-up questions and back-fill data. Participants reported, for example, that their financial situations had already improved during the time they had worked at PayPal. We were able to map that progress as well as the changes that occurred during the 17-month research study.

When face-to-face interviews became infeasible due to the COVID-19 pandemic, we quickly pivoted and replaced live in-person interviews with one-on-one regular video calls and weekly questions answered in voice memos on WhatsApp. Financial details and changes over the year were recorded during live phone interviews (including a month of individual cash flows); this allowed for analysis of each individual's finances. Open-ended questions and discourse during live interviews allowed participants to share their stories and perspectives. Responses to WhatsApp interviews were transcribed and coded across themes. Sociolinguistic analysis of audio responses to the WhatsApp surveys provided additional indication regarding the levels of emotiveness in responses *(see Appendix 1 for more details)*. We were encouraged and relieved that these practical design changes yielded a deep trust between researcher and participants similar to other diaries research studies.

It may be helpful to situate the stories that we heard in the broader context of macro events that took place between December 2020 and April 2022 (see Figure 3). At the beginning of the study, the pandemic was keeping respondents at home. Then, in March 2021, they received what we have coined the "triple windfall", three payments nearly at the same time - a stimulus check, their annual PayPal bonus, and their tax refund. We will discuss extensively the choices respondents made in response to this significant inflow of money in section IV. *(Reaching Financial Goals)*. Later in the study period came a variety of macroeconomic concerns: inflation increasing to above 4% in June 2021; a decline in the stock market in October 2021; the crypto crash in November 2021; and the Russian invasion of Ukraine in February 2022.

Ongoing analysis was conducted and supported in the context of regular discussions with both internal and external stakeholders, including weekly meetings with the lead researcher on

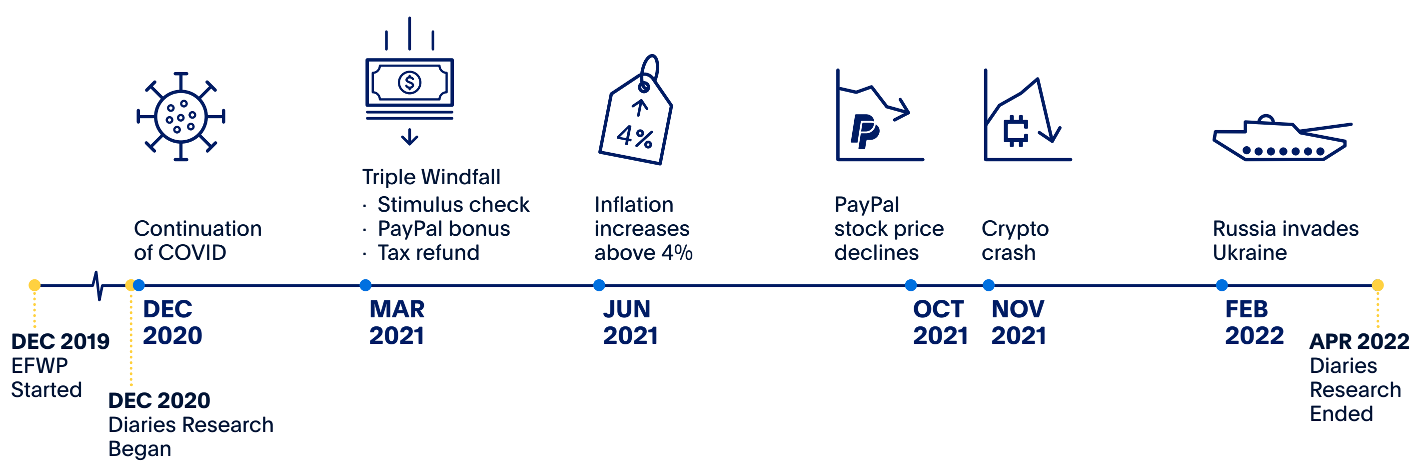
PayPal's Public Affairs and Strategic Research team and bi-weekly cross-functional readouts with representatives from key teams across PayPal, including Human Resources, Business Operations, and Employee Engagement. Feedback was also solicited from an external Advisory Council every quarter to ensure relevance and rigor. The Advisory Council consisted of carefully chosen thought leaders: Jennifer Tescher from the Financial Health Network, Ida Rademacher of the Aspen Institute, Andre Perry from the Brookings Institute, Martin Whittaker of Just Capital, and Rebecca Rouse of Innovations for Poverty Action. Many additional lines of inquiry emerged from these regular discussions. Dr. Collins pursued these new directions in follow-up engagements with study participants.

This research study is not a randomized control trial (RCT); it would have been unethical as it would be unfair (and likely illegal) to randomly provide the benefits listed above to some employees but not others. For this reason, causal changes and improvements in employee financial wellness cannot be strictly attributed to any specific element(s) of the EFWP. We also recognize the potential of "Hawthorn effect," in which respondents modify their behaviors due to their participation in a study, in this case paying more attention to their finances. We acknowledged and accepted that potential drawback as the cost of learnings gleaned from hearing participants' perspectives and experiences in their own voices.

What was Happening During the Diaries Study Period?

Study Period December 2020 – April 2022

Fig. 3



Key Findings

1. Balance Sheet Improvements
2. Shifts in Identity: Taking a More Future Oriented Mindset
3. A Culture of Peer Learning and Peer Coaching
4. Outcomes for Employees: Acceleration in Financial Trajectories

We find the definition of financial health provided by the Financial Health Network helpful:

> "Financial health comes about when your daily financial systems allow you to be resilient and pursue opportunities over time."[18]

In other words, the journey towards financial wellness entails an increased ability to weather shocks and setbacks. It involves growth in capacity and confidence in the pursuit of opportunities and dreams for the future, such as buying a home or starting a business.

This section includes observations and narratives of participants' financial wellness journeys. In addition to observing changes in aggregate eNDI, PayPal's key metric for the success of the program, we also look to personal balance sheet improvements as indicators of financial health – i.e., decreases in liabilities and increase in assets, or overall improvements in debt-to-equity ratios. And because of the ongoing nature of financial wellness, we have not used a specific threshold or benchmark to signify the achievement of financial health. This section also discusses the unexpected phenomena and implications of peer learning and peer coaching.

Balance Sheet Improvements

1. Progress Towards Financial Wellness Since Joining PayPal

Before they joined PayPal, most study participants – 17 out of 22 – worked in jobs that offered less stable and lower pay, and poorer benefits or no benefits at all. Eleven had held non-salaried positions. At the start of the Diaries study – which was one year after the EFWP began, participants' average tenure at PayPal had been two and a half years, during which they had already taken great strides in their journey towards financial wellness (see Figure 4).

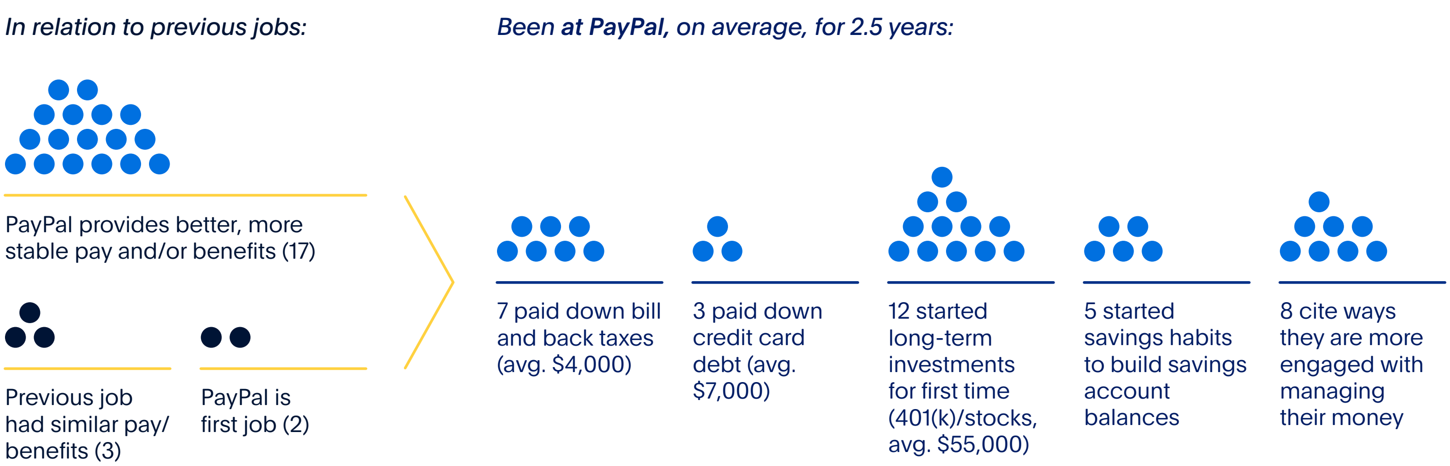
On average, the gross annual income of the Diaries participants was $54,158 at the start of the study. At their initial interviews, 12 reported that during their tenure at PayPal, they had started long-term savings and investments (i.e., 401(k) and E*TRADE accounts) for the first time ever. And by the start of the Diaries study, their accounts held an average balance of $55,000. Five of them reported having started savings habits to build savings account balances. For example, Brittany* set a rule of saving $50 of her bi-weekly salary in a separate savings account. Once she had paid down an old reserve line from her bank account, she increased the bi-weekly savings to $200.

At the start of the Diaries study, seven of these 17 participants had paid down bills and paid back an average of $4,000 in overdue taxes. Three of the 17 had paid down credit card debt averaging $7,000. Eight of the 17 cited ways they had become more engaged with managing their own money since joining PayPal: they had been watching YouTube videos on personal finance and reading blogs and books on the subject. They were considering opening other retirement fund accounts, such as Roth IRAs. In short, these 17 participants started to actively engage with their financial health.

Individual profiles in Figure 5 provide more details to contextualize the significance of the progress participants had made since joining PayPal. For example, Alison had previously worked as a door-to-door salesperson.

Understanding Employee Financial Wellness as a Journey

Fig. 4



All names have been altered to protect the confidentiality of participants.

A stable job with steady pay and benefits goes a long way towards wellness – financial, physical, and emotional.

She had earned commissions but not a salary, and she had no benefits. When she hit a bad sales streak, she would fall behind on her bills: at one point, she owed $3,000 in total. Within 1.5 years of joining PayPal, she paid off her credit cards and bills, and for the first time enrolled in a 401(k) plan and an E*TRADE brokerage account. More importantly, she felt financially secure enough to begin to hold her equity awards, instead of cashing them out immediately after they vested. She could wait to sell her stock at times that she deemed optimal.

Leona, who had driven for Uber and worked in various contract jobs, did not know how much to set aside for income tax. By the time she started working at PayPal, she had owed $21,000 in federal taxes. But because she was unaware that she owed back taxes, interest and penalties accumulated until 2018, when she was suddenly informed that the IRS had put a stop on her bank account. With greater financial stability, she was able to make an arrangement with the IRS which allowed her to pay down her taxes on a monthly basis. By the time this research study ended, she had paid down $7,100 of her debt.

Before joining PayPal, some respondents had found health issues challenging and expensive to manage in jobs with low and unstable pay and poor or no benefits. Health issues had impacted their ability to work and increased their medical debt, adding considerable financial pressure to their lives. For example, Brenda (see Figure 5) had worked as a bartender and server, jobs that offered no medical insurance. She had needed a major and costly operation, but because she could not access care and treatment, she kept missing work. She relied on payday loans and credit cards to get by. As a result, she accumulated $15,000 in debt and lost the title to her car. When she started working at PayPal, she made use of medical insurance and paid time off (PTO) to finally get the operation she needed. She was able to continue working at home while she healed. Within three years, she had paid off all that she had owed and even saved enough to put a down payment on a house. A stable job with benefits helped her recover both physical health and financial health.

A stable job with steady pay and benefits goes a long way towards wellness – financial, physical, and emotional. When Sam started at PayPal, he had medical debt. He felt unable to contribute to either the 401(k) plan or the Employee Stock Purchase Program (ESPP) (which allows employees to contribute up to 10% of each paycheck towards stock purchases at a 15% discount). The stability he found at PayPal has given him the confidence and capacity to dream about the future:

> *"I feel empowered by PayPal to [start my own business someday] as a reality…the last two years have been a transformation for me because of my health and weight loss and a lot of that has been because of PayPal. When I came to PayPal four years ago, I was emotionally [and] mentally burnt out. This job gave me a chance to build myself back up."*

Other participants reported that an adverse life event prior to joining PayPal– such as a divorce or an unexpected health issue – had set back their journey towards financial wellness. For example, Leslie (see Figure 5) was divorced after over 20 years of marriage. She had built a business with her then-husband, who did not manage money well. After the divorce, Leslie needed to look for a job for the first time in over two decades. As a way of rejoining the workforce, she worked for a small "mom-and-pop" store, which offered low pay and no benefits. Once she had regained her confidence, she applied to PayPal. One of her main motivations was to save for retirement; she had no retirement plans or assets. She contributed as much of her spousal support and compensation as possible to her 401(k). Within seven years, she had accumulated $620,000 in her 401(k), E*TRADE and non-PayPal IRA accounts combined. She managed her investments conservatively, investing in blue-chip stocks and other companies in industries that she found interesting. (She ultimately hopes to retire at about 67 or 68 – and she is quite confident that she will.)

Almost all participants could describe in vivid detail how they had lived "paycheck to paycheck" prior to joining PayPal. About 50% of the cohort had held down two jobs before PayPal; the second job was generally gig work (Uber, Lyft, or a delivery service). A few continued to work two jobs, but most attributed this to "not being used to not being so busy" or to a goal of building up savings for a particular need. Participants holding down two jobs continued to choose gig work, which allowed them to adjust their hours as needed. Several dropped these second jobs, feeling that they were no longer necessary.

Profiles of Financial Wellness Journeys Since Joining PayPal

Fig. 5

	 **Alison, 27** *Unstable jobs with low pay / bad benefits*	 **Brenda, 45** *Unstable jobs with low pay / bad benefits AND health issues*	 **Leslie, 60** *Adverse life event*
	· White woman, Chicago · At PayPal for 1.5 years	· White woman, Arizona · At PayPal for 3 years	· Hispanic woman, Arizona · At PayPal for 7 years
Previous Situation:	· Door-to-door sales, on commission, no benefits · Was behind on most bills totaling over $3,000	· Bartender/waitress · Needed hip operation, no medical · Used payday loans, accumulated $15,000 in credit card debt, had lost title to car	· Divorced 10 years ago, did not work · No retirement plans or assets
At PayPal:	· Paid off all credit cards and bills · Started 401(k) and E*TRADE account – has said she will not sell vesting shares	· Had time and medical insurance to fix hip · Has paid off all she owed · Saved enough to put a down payment on a house · Watches YouTube videos about financial management	· $620,000 in 401(k) plus brokerage account · Close to paying off mortgage

Balance Sheet Improvements

2. Decrease in Debt-to-Equity Ratio During the Study

Participants' financial positions already looked reasonably strong in December 2020: their financial situations had improved since they joined PayPal, and they had also benefited from 12 months of the EFWP at the start of the study. And our analysis shows that Diaries participants continued to make progress towards financial wellness during the period of the study, from December 2020 to April 2022. Figure 6 details this ongoing financial wellness journey.

Equity

Most study participants increased their short-term savings. Homeownership also increased: at the start of the study, only five respondents owned homes, but three more had purchased homes by the end of the study.

Many participants started contributing to a 401(k) plan and became first-time equity owners through the EFWP in January 2020. 75 percent of participants had not only received equity awards but had also participated in the Employee Stock Purchase Program (ESPP), and continued to do so throughout the duration of the study. On average, PayPal stock – either through equity awards or through the ESPP – accounted for roughly 25% of each participant's investment portfolio. Those who contributed to the ESPP with every paycheck held more PayPal stock. Participants' largest holdings were in their 401(k) plans and Roth IRAs.

The study period was characterized by considerable market volatility. When we compare account balances from the beginning of the study in December 2020 to those at the end of April 2022, we find that Diaries participants' 401(k) investments went up only slightly. It is noteworthy, however, that even given market conditions, the overall value of assets in their balance sheets still increased. It is also worth noting that only two participants pulled money out of their investment accounts.

Debt

In terms of liabilities, both collateralized debt and short-term debt – mostly credit-card debt – increased among the participants. This was in part due to home purchases. Participants who purchased homes also took on new expenses, like furniture; these expenses were often financed by credit card debt. Other participants encountered unexpected expenses which they covered with increased debt (see Figure 9 on page 22).

Changes in Key Financial Indicators from December 2020 To April 2022

Fig. 6

	Average at start of study	Average at close of study	Change (Amount)	% Change from start to end of study
Short-term Savings[1]	$5,920	$6,066	$145	71%
Financial Investments[2]	$87,818	$98,872	$11,054	17%
Collateralized Debt[3]	$66,673	$93,786	$30,019	87%
Short-term Debt[4]	$10,035	$14,865	$4,831	83%
Debt to Equity Ratio[5]	1.03	0.84	-0.20	

Note: The numbers in every column are averages across the sample. Therefore, the change and percentage change columns are averages of each participant's change and percentage change, and not the change or percentage change of the averages in the preceding two columns.

N=15 respondents who remained in the study until the last interview, excluding one respondent who has substantial property and financial investments and would skew the results.

1 Short term savings include all bank account savings plus any amount held in apps like Even plus any cash hidden in the home.

2 Financial investments include any 401(k), IRAs, Roth IRAs, brokerage accounts or investment apps.

3 Collateralized debt includes mortgage and car loans.

4 Short term debt includes credit card debt, loans from individuals and unpaid bills.

5 Debt to equity ratio is all debt above plus student loans over savings plus investments plus equity in the home. Equity in home was estimated to be the price at which they bought the house plus 14% increase in Omaha and 21% increase in Chandler. Note that there is no documented standard which indicates whether an individual level debt to equity ratio is strong or weak.

Debt-to-Equity Ratio

For the most part, there were improvements in the debt-to-equity ratios of the Diaries participants over the study period. This is a simple calculation of all debt shown in Figure 7 as well as student loans over short-term savings plus financial investments plus equity in a home. Although there is no documented standard for personal finance debt-to-equity ratios, a ratio greater than 2 means that debt is over twice as much as equity, which is the worst score for this sample, while a ratio less than 0.5 means that debt is less than half equity, which is the best score for this sample.

The most important insight provided by these ratios is how they changed over the study period, as shown in Figure 7. By the end of the research study, 12 respondents who remained in the study until the last interview had a debt-to-equity ratio below 1, and seven had a debt-to-equity ratio below 0.5.

One research participant with a debt-to-equity ratio below 0.5 also dramatically improved her credit score – from 560 to 730 in less than two years. More importantly, one participant, Brenda (see Figure 7), was able to improve her debt-to-equity ratio from higher than 1 to below 1 during the study; 2 other participants were able to reduce their debt-to-equity ratio from above 2 to below 2 – a meaningful improvement.

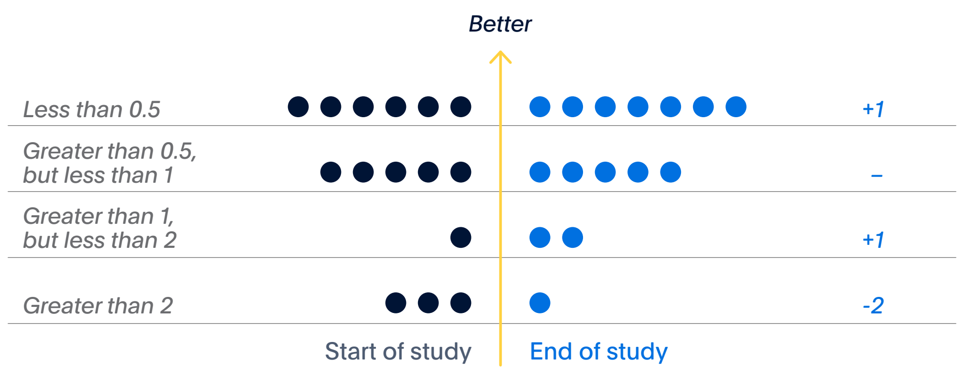
Three respondents saw their debt-to-equity ratio worsen. Charles, discussed below, saw a drop in the value of his financial investments. The other two bought homes and increased their short-term debt because they bought furniture or had to meet unexpected repairs. This is also to be expected in the journey to financial wellness – financial portfolios will perform better or worse and buying significant assets can worsen debt levels as additional expenses are taken on board in the short-term.

There were improvements in the debt-to-equity ratios of the Diaries participants over the study period.

Changes in Debt-To-Equity Ratio from Start to End of Study

Fig. 7

(Number of Participants in Each Range)



Balance Sheet Improvements

3. Increase in Resilience and Ability to Weather Shocks and Setbacks

An important finding of the study is that Diaries participants were better able to weather unexpected expenses with resilience. They now had a range of options which allowed them to face such difficulties without severely impacting their balance sheets.

An often-asked financial wellness question is: *"How difficult is it for you to come up with $1,000?"* For reference, a 2021 Bankrate survey found that only four in 10 Americans had enough savings to cover an unplanned expense of $1,000. Twenty percent of respondents to the Bankrate survey reported that they would charge the unplanned expense to credit cards and pay off the debt over time; 10% said they would borrow from family and friends.[19] We tweaked this hypothetical question slightly, asking Diaries participants in April 2021, *"How difficult is it for you to suddenly come up with $1,000 now compared to the last time you needed to do this?"* (see Figure 8).

In contrast to the Bankrate survey, only three out of 18 respondents said that it would be as difficult now as it was then; 15 said it would be easier. They reported that, previously, they would have asked family or friends for money or taken on extra jobs. Seven of the respondents who said they would have an easier time told us they would predominantly use savings to pay down their debt. Eight hypothesized that they would sell some of their PayPal stock, though they were reluctant to do so.

Unexpected large expenses did arise for nearly every respondent during the research study, and participants' actual methods of coping with them are noteworthy. Most of these expenses were home repair needs, such as building retaining walls, cleaning ducts and clearing sewage pipes. The average expense for each repair need was $8,893. Some of the smaller items could be handled by savings, but most participants found they needed to turn to some form of credit—one explanation for why debt balances increased over the year in Figure 6. The unexpected costs of car repairs and appliance replacement were more manageable – in the range of $1,000 to $2,500. **Most participants could cover these expenses either with savings or with credit that they quickly paid off.**

Most participants could cover these expenses either with savings or with credit that they quickly paid off.

Responses to the Question *"How difficult is it suddenly needing to come up with $1,000 now compared to the last time you needed to do this?"*

Fig. 8

Perception of Difficulty	Number of Respondents	How would you meet that unexpected expense now?
Easier than last time	7	Use Savings
Would be easier now, but would hate to	8	Sell Stock
As difficult as last time	3	Use Credit

Only one participant sold stock: this respondent found himself living in a hotel for several months because of rising rents, and as a result incurred $9,000 in expenses, which he covered by selling PayPal stock. He noted that before joining PayPal, he would have handled unexpected expenses like this with credit card debt or loans from family. Medical debt, formerly a serious concern for the participant, was no longer an issue: their insurance covered all health care expenses except for out-of-pocket amounts.

Participants did sometimes adopt financing strategies that affected their balance sheet, such as taking out 401(k) loans or selling PayPal stock, and some who took on new credit failed to pay it down quickly. Nevertheless, participants no longer talked about feeling trapped and powerless in the face of unexpected expenses. They also expressed the resolve to double down on building more emergency savings and to continue to keep debt levels low. For example, when asked *"How did you think you performed on your goals for 2021?"* Matthew said,

> *"Gosh, I think that we failed in the sense that we were doing so good... you know we were probably under $1,000 in total debt and now we're at $5,000."*

But he proceeded to discuss a new sales opportunity that he was excited about, and his plan to put all his commissions into paying down debt and continuing to build savings.

Unexpected and Large Expenses: Type, Amount Cost, How They Were Financed

Fig. 9

Type of Expense	Number of Respondents	Avg. Amount Each Time	Responses to "How was it financed?"
Home repairs	7	$8,893	A mix, including savings, gift from family, home insurance, loan from 401(k), credit (with some already paid off)
Car repairs	4	$1,163	2 with savings; 1 credit already paid off; 1 loan from relative
Appliance replacement	3	$2,500	1 with savings; 1 credit already paid off; 1 credit
Medical emergency	3	$13,333	Medical insurance paid all but small amounts
Having to move apartments	1	$9,000	Sold PayPal stock
Medical emergency for pet	1	$4,500	Credit

Shifts in Identity: Taking a More Future Oriented Mindset

Becoming investors and stock owners through the EFWP was a new experience for the majority of Diaries participants, and they experienced changes in how they perceived their financial identities as a result. Being investors – and not just debtors – gave them a sense of possibility and agency about the future, expanded their time horizons for decision-making and motivated them to take ownership of their finances and build out their investment portfolios.

1. Becoming Investors

Nearly two-thirds of participants had never taken part in a 401(k) plan; only two had held stock in the companies they worked for before joining PayPal. Only two participants had family members who owned stock. Almost everyone from this cohort had heard about 401(k) plans, but owning stocks themselves was a novel experience. Most participants started contributing to a 401(k) plan at PayPal because of their coworkers' or managers' encouragement. With more net disposable income, they were also able to consider participating in the ESPP, and many did.

PayPal stock is held in an E*TRADE account, which provides employees with educational resources at login, including articles and videos on stock plan benefits overviews, stock plan taxes, stock plan calculators, employee stock purchase plans, essentials on equity awards, and more. Diaries participants reported no difficulty logging into E*TRADE to check balances and make trades. About 25% viewed equity awards as a liquidity tool: they knew when the stocks were going to vest and were planning large purchases around that vesting point. Others viewed vested shares as emergency savings; they knew they could cash them in if they needed to. Only one participant in the study cashed out some of their shares to handle emergencies during the study period.

The Diaries interviews took place during a period when there were dramatic swings in the stock market, which gave the Diaries participants experience in both the ups and the downs of the market. Initially, respondents saw a dramatic climb in PayPal's stock price – from $107 in January 2020 to $310 in July 2021. In May 2021, when asked about how they would feel about their PayPal equity awards if the stock price fell, Diaries participants said that they saw their PayPal equity as long-term investments and that they would hold. Several Diaries participants expressed a sense of loss regarding their PayPal portfolios, and some connected it to a general unease about "the market," "the economy" (inflation in general and gas prices in particular), and even "the world," especially in terms of the war in Ukraine. Nevertheless, most Diaries participants articulated a point of view that reflected a change in thinking about themselves and the way they engaged with their finances.

One manifestation of this change in financial identity was a universal shift among participants: they became more forward-looking in planning and decision-making. Roughly one-third of participants deliberately resisted regularly checking either their E*TRADE or 401(k) accounts. Their rationale was to "forget about" this money: they had mentally assigned these funds as long-term savings and investments, and they did not want to be tempted to tap into them for short-term plans. Several decided against selling their equity awards but instead used other means such as savings to meet unexpected financial needs. For example, Tamara had cashed out her equity awards twice in 2020 simply to "catch up on things." However, at the start of 2021, she vowed that she would not sell her remaining equity awards as soon as they vested, and she succeeded by telling herself they were earmarked for retirement. While holding onto stocks as long-term savings or investments may not be the optimal strategy for everyone at all times, it is nevertheless a striking expansion of time horizon and capacity. Participants like Tamara moved from primarily focusing on short-term needs to creating room for opportunities and needs in the future.

For some, equity ownership transformed financial identity: it was a point of pride and a confidence booster. Tamara's story is a good example. Like most respondents in this study, she started her journey at PayPal in a state of financial weakness. She had struggled with addiction for eight years, and, as a result, had cashed out the 401(k) plans she had held in previous jobs. She had $14,000 of credit card debt prior to joining PayPal. Tamara only started participating in the ESPP with the launch of the EFWP, because it had taken her a long time for her to feel like she was on solid ground financially. But by the time the study began – one year after the launch of EFWP, she owned $10,000 worth of PayPal stock. Stock ownership has given her a different perspective on who she is, and who she wants to be, as a financial person. As she put it,

> *"Owning PayPal's stock makes me look more to my future. And [it] definitely has taught me to save."*

By the end of the study, she had paid down all of her outstanding credit card debt. As for Brenda, she watched nearly 50 YouTube videos to educate herself on all the small costs she would be required to pay in the event of purchasing a house. She also sought advice on rectifying her credit report through Facebook support groups, which helped her find a mislabeled account, raising her credit score from 498 to 745.

Sam had been at PayPal for two years when the study began, but he had not felt ready to participate either in the 401(k) plan or in the ESPP until the study year. By the end of the study, he owned $3,000 in equity awards. Though his stock had not yet vested and he had not yet realized any concrete gains, he said,

> *"It's very encouraging, because my mindset has changed quite a bit—about how I took my finances for granted in the past, and how I do not want to do that now…it really kind of is a piece of the puzzle as far as putting your financial life together."*

Ownership of PayPal stock has boosted many participants' confidence in their financial capability and empowered them to take more active roles regarding their existing 401(k) and brokerage investments. Amy, who has been at PayPal for three years, had several 401(k) plans from previous jobs: in total, she held $366,500 in these investments. Her equity grants at PayPal, and the education that has accompanied them, have empowered her to explore possibilities for the funds she already held. She told us,

> *"Holding PayPal stock…has made me realize that maybe…because I understand the basics of it, I understand the cost basis and … things like that, I could maybe start doing a more proactive job in investing in my other brokerage accounts."*

Box 1

Further Research Opportunity on the Relationship Between Racial Equity and Employee Equity

Although the sample size of this research methodology does not yield statistically significant conclusions, the positive impact of equity ownership on Black Diaries participants is notable. Black participants saw their investment portfolios increase by an average of $2,500 during the study period. Research has shown that Black American households tend to be far less likely to have retirement investment accounts than White American households.[20] Given the history of racial discrimination in bank lending, resulting in systemic, generational inequities and a well-founded distrust of financial institutions in Black communities, it is worth considering whether trusted employers might provide a better path to equity ownership and wealth building for Black employees. Further research and exploration are warranted.

This sense of agency represented a shift in attitude and capacity: before taking part in the EFWP, most study participants had been acutely concerned that they were permanently trying to play catch-up, with the sense that they lacked sufficient resources or bandwidth to engage with their assets as financial actors.

Several Diaries participants have found that ownership of stock grants and participation in the ESPP through the E*TRADE account has piqued their interest in investment and opened the door to other investment opportunities. Table 4 provides details of the types of investments held by study participants. After learning how to navigate E*TRADE, one in five Diaries participants (21%) proceeded to buy and sell other blue-chip stocks in their E*TRADE and other brokerage accounts.

Nearly one in three invested in crypto-currencies; by the middle of the study, in July 2021, about half had balances of $10,000 or more, while the other half held small balances of only $300 or so. One in five had invested in high-volatility "meme" stocks (i.e. GameStop or AMC) through the Robinhood app. Market volatility also served as a learning experience: there are inherent risks involved with any investment, and experiencing gains and losses is part and parcel of stock ownership.

Some Diaries participants were discouraged by their forays into the riskier side of investment, but others weathered the shocks and drops well. Matthew, a first-time equity owner who had substantially and quickly expanded his portfolio into crypto and high-volatility stocks, was nervous when we spoke to him at the end of February 2022. ***"It's not just PayPal,"*** he said, ***"but the whole market: it just feels like the world is so nervous with the war starting and gas prices going up and inflation."***

On the other hand, Charles opened a 401(k) account and a Roth IRA for the first time when he joined PayPal. As his confidence grew, he began to take small positions in cryptocurrencies on Uphold and Voyager, as well as in Humble Pay NFTs and high-volatility stocks. He was constantly researching and reading others' opinions on Reddit and YouTube. Charles remained quite philosophical and calm after the drop in the crypto market because he limited his exposure to high-risk investments to only 10% of his portfolio (about $14,000).

Breadth of Different Types of Financial Investments

Fig. 10

Breadth of Financial Investments	% of Sample
Only PayPal Stock and Mutual Funds Through 401(K) or Similar Retirement Fund	53%
…… PLUS Directly Held Blue Chip Stocks	21%
…… PLUS Crypto Currency	32%
…… PLUS Some Type of "High Volatility" Stock	21%

N=19

Shifts in Identity: Taking a More Future Oriented Mindset

2. Reaching Financial Goals

One aspect of the change in identity that we observed was how Diaries participants went about pursuing their financial goals as they took more ownership of and responsibility for their overall financial wellness. Participants' most common goals involved paying off debt; increasing savings for emergencies or large purchases; and putting money aside for retirement. In fact, every Diaries participant set targets for all three of these areas.

The "triple windfall" in the spring of 2021 gave respondents the opportunity to make substantial progress towards their goals—and they chose to take advantage of it. The "triple windfall" refers to cash inflows in the form of tax refunds, stimulus checks and bonuses received by the entire cohort of research participants in the Spring of 2021. For many, it was the largest lump sum they have ever received – averaging $6,553 per person. They used this windfall to quickly meet their annual financial goals before even half the year had gone by. Half of the cohort put some of the money towards savings, and 66% put funds towards paying down debt and paying bills. Almost one in five (17%) increased their investments. One in five dedicated funds to specific goals, like a vacation or new furniture.

What Respondents Did with Their "Triple Windfall" in 2021

Fig. 11

	% of Respondents
Savings	50%
Debt Repayment	44%
Bill Payments	22%
Investments in Crypto	11%
Specific Goals: Vacation/ Furniture for House	17%
Investment In a House – Down Payment	6%

Note: Many respondents put funds towards multiple purposes, so the total adds up to more than 100%

N=18

The "triple windfall" in the spring of 2021 gave respondents the opportunity to make substantial progress towards their goals—and they chose to take advantage of it.

Figure 12 details whether and how respondents made progress towards their financial goals over the duration of the Diaries study. Half of the cohort spoke about paying off debt, as most still had some short-term debt at the start of the study. They made significant progress towards that goal using the "triple windfall." This was the case despite the fact that some used credit to finance vacations or furniture—and many expressed disappointment that they had not completely paid off their debt by the end of the study.

Almost half of respondents were focused on building short-term savings, often in the form of an emergency fund or a savings account set aside for a particular purpose, like landscaping or holiday gifts. Most participants were able to reach these goals, but there were some setbacks before the end of the study. In a number of cases, participants drew down their short-term savings completely in order to make big investments: a down payment on a house, for example, or debt repayment.

A third of participants prioritized investment goals. Some of these goals were specific, i.e. allocating a higher percentage of each paycheck to a 401(k). Others were more general: for example, some respondents set out to invest more in cryptocurrencies. Some wanted to make investments in their homes or planned to buy a home. Most were able to meet the goal they had set by mid-year, and they maintained their goal-oriented investment practices until the end of the year.

Types of Financial Goals and Progress During the Diaries Study Period

Fig. 12

Types of Goals	%	Progress By Middle of Study	Progress By End of Study
Any	100%		
Paying off debt	50%	Most targets achieved by mid-year due to “triple windfall”	Some setbacks through end of study, but an overall decrease in debt maintained. 80% of the participants paid off debt and maintained it at a lower level by the end of the study period.
Growing short term savings	44%	Most targets achieved by mid-year due to “triple windfall”	Savings diminished by end of study due to unexpected expenses (see Fig. 9) or unplanned purchases (e.g., vacations, furniture for new homes).
Increasing investment amounts	33%	Most targets achieved by mid-year due to “triple windfall”	Maintained through end of study.
Investing in a home	17%	Most targets achieved by mid-year due to “triple windfall”	Several people used savings and improved credit scores to buy homes.
Developing a new budgeting system	17%	Goal not achieved by participants who set it	No new budgeting systems successfully adopted by participants who set this as a goal. New budgeting system adopted by one participant who did not set this as a goal.
Improving credit profile	6%	Most targets achieved by mid-year due to “triple windfall”	These were maintained through end of study.

A Culture of Peer Learning and Peer Coaching

The most unexpected observation from the Diaries study was how employee financial wellness seemed to have become embedded in company practice and employee experience in the form of peer learning and peer coaching, which were not part of the formal EFWP. Financial lives are personal and sensitive, and seldom discussed even amongst close friends. Nevertheless, stories of knowledge sharing amongst colleagues recurred throughout the duration of the research study, suggesting the degree to which norms and assumptions around money discussions have been evolving at PayPal.

Many Diaries participants mentioned enrolling in 401(k) plans or in the ESPP with the encouragement of their team leaders and/or colleagues. Some team leaders dedicated a segment of team "stand ups" to presentations by team members on components of the employee benefits package, discussions of financial strategies and other personal finance issues. Both Kevin and Debbie talked about the impact of culture on their decision to enroll in a 401(k) plan. They recalled that when they started work at PayPal (or at eBay prior to the spin-off), before the EFWP, nobody spoke to them about the benefits of enrolling in a 401(k) plan or the importance of getting started right away. As Kevin put it, "There was not a culture of talking about money, how to manage it, and what all the different programs meant." Since the EFWP started, financial wellness became more top of mind for Kevin, and he began to resist the impulse to immediately cash out his equity awards. Both Kevin and Debbie are now internal advocates for the EFWP, comfortable explaining the offerings to their colleagues.

Kevin and Sam, another Diaries participant, reported that their team chatlines became venues for discussions among colleagues about the stock market. Brenda reported that at a team standup where members shared financial tips, she talked about her personal savings method: whenever she received a lump sum, she would put it in a savings account and set the goal of doubling the amount. This strategy had allowed her to pay off her debts and she had started saving for specific goals: she had bought her first home the same year. She, too, became a mentor to colleagues by sharing her financial experience: many asked her more about exactly how she had put this plan in place.

There was a sense of community and trust in this peer-learning environment. In many ways, this open culture of peer learning and peer coaching was precisely the financial coaching modality that met participants' needs.

This positive experience of workplace peer learning stood in stark contrast to participants' reports about more formal financial coaching resources. The usefulness of existing financial coaching resources seemed too contingent on users' baseline or prior knowledge. Diaries participants reported that the approach of these resources shut down discussion for them, because they did not know how to formulate precise questions with specific financial vocabulary (they did not know what they did not know). They were looking for a way to learn more and to ask clarifying questions about how financial products and benefits might impact them, without feeling the pressure to get it right.

Presentations by and discussions with coworkers lowered the entry barriers for learning and made technical and complex topics like the tax implications of holding and selling stock more accessible.

Because of this, Diaries participants found online research and chatting with people they knew more useful than formal financial counseling. One participant noted, "I would like financial planning tools that are…interactive: not necessarily [an approach] like, "sit down, have a meeting, be coached." Another respondent noted, "My friend group has a Slack, [and] … one of [our] channels is like a financial stability thread [where we can] discuss things." Peer learning and peer coaching were in line with this set of strategies. Presentations by and discussions with coworkers lowered the entry barriers for learning and made technical and complex topics like the tax implications of holding and selling stock more accessible. These discussions felt more helpful because they were interactive, adaptable, and accessible. Although financial coaching needs tend to be diverse and idiosyncratic, peer-coaching and peer-learning at the workplace turned out to be a uniquely effective modality.

It was clear that progress felt more possible and visible for study participants when they had companions on the journey.

When they were asked at their last interview, *"How did you think you did with your financial goals during 2021?"* many respondents focused primarily on their shortcomings; they often needed to be reminded of the significant improvements they'd made. But this was not the case when they were talking about finance with their peers. By joining in on positive discussions and sharing their own tips and tricks, respondents not only expanded their financial knowledge but also created an important avenue for mutual celebration of their accomplishments and hopes.

And this, in turn, helped them to cultivate an understanding of themselves as financially capable people. In addition to building confidence, peer learning in the context of community also enhanced relationships – *"I was just very happy that I helped him get out of this financial difficulty. We have a stronger relationship because of it."*

The workplace was fit-for-purpose as a context for peer learning and peer coaching for several reasons. Since its separation from eBay, the company has consistently communicated its mission to democratize financial services and improve financial health, which has built a strong foundation for the focus on employee financial wellness. PayPal's deep investment in internal communications around the launch of the EFWP normalized the discussion of financial issues among colleagues, creating a level of shared experience and comfort. And because of the EFWP – specifically, the equity awards –many employees became first-time investors simultaneously. As a result, they shared a new eagerness to fill gaps in their financial knowledge.

There were also important commonalities in their financial profiles, which made their discussions more useful. Participants in the Diaries study are paid roughly the same amount, with the same frequency. The structure and schedule of bonuses and equity awards was the same for all respondents. They lived in the same area, so their costs of living were comparable. There were certainly differences in terms of personal situation and family responsibilities, but when participants shared advice and tips, their information was geared towards a generalized shared community, and so it was more relevant and accessible than standardized program materials.

Outcomes for Employees: Accelerated Progress

The Employee Financial Wellness Program built on the improvements in financial wellness that the Diaries participants experienced from the move to steady work and good benefits at PayPal, after years of low pay and irregular work with limited benefits or none at all.

Equity awards and participation in the ESPP have had an outsized impact on employees' progress towards building up assets. Despite swings in the market, equity awards and the ESPP have accelerated Diaries participants' financial journeys on many fronts. This is partly because "useful lump sums of money" are important for financial health but, under ordinary circumstances, are difficult to build for employees at this level. Moreover, as we outlined in section IV. *(Becoming Investors)*, becoming investors for the first time through equity awards and ESPP holdings re-oriented the financial identities of many employees. PayPal stock served as a gateway to additional investments: across the sample, PayPal stock accounted for roughly 25% of participants' investment portfolios. Participants reported that the EFWP increased their time horizons and motivated them to save more and pay down debt in order to invest more. Diaries participants implied that they felt themselves to be part of the wealth-building population, rather than standing outside of it.

The EFWP's focus on lowering health insurance costs for employees has also made a substantial difference in participants' financial lives. Poor physical health tends to be a financial sinkhole. Now that they have access to quality, low-cost medical insurance, seven respondents started tackling medical and mental wellness issues that have impacted their ability to work and increased their medical debt for years. And since the employer subsidy towards healthcare plan premiums has increased, many employees can now afford and have enrolled in plans that better meet their needs—or have seen new savings on their premiums. For example, under the EFWP, Brenda's PayPal medical premium went down from $60 a paycheck to $23 a paycheck, a $37 savings every two weeks. Even though this is a relatively small amount, she said it felt "substantial" in light of the considerable impact of her health problems on her financial life before she joined PayPal. For Diaries participants, the medical insurance premium reduction was the program component that first came to mind and was mentioned the most.

Although peer exchanges were not formally introduced as part of the EFWP, they suggest that employee financial wellness has become an important value and norm, likely as a result of EFWP, in ways that led to tangible improvements in employee financial wellness. To cite one important example: the predominant vehicles by value in Diaries participants' investment portfolios were 401(k) plans and Roth IRAs. These vehicles were available to employees before the advent of the EFWP, but many had hesitated to invest throughout their time at PayPal. This was an opportunity cost for participants, as one of the easiest ways to save pre-tax dollars for retirement was to contribute up to the IRS limit and get employer match. But with the encouragement of their coworkers and team leaders, they made these critical moves into the investment space.

Now that they have access to quality, low-cost medical insurance, seven respondents started tackling medical and mental wellness issues that have impacted their ability to work and increased their medical debt for years.

Box 2

Business Case: Higher Productivity and Retention

The business case to invest in worker financial wellness programs lies in improved productivity and retention.

According to internal company surveys, both the employee "engagement" score and "intent to stay" score has increased since 2019. Attrition has decreased from 16.7% in November 2019, to 12.5% in November 2021. It has continued to stay under the industry average.

We heard from Diaries participants that since they now had a new suite of financial resources and no longer lived "paycheck to paycheck," they did not spend nearly as much time managing or preventing financial crises during work hours as they had before they joined PayPal.

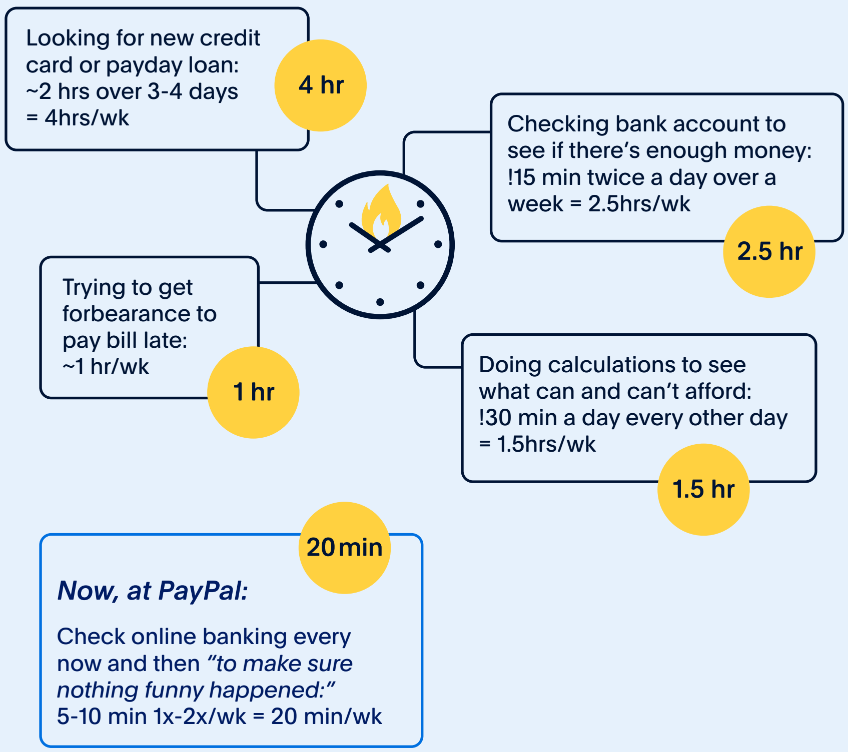
Benefits were a clear and direct reason for participants in the Diaries study to stay in their jobs at PayPal, even when hourly wages at many other companies were rising over the last months of 2021 and into 2022. One Diaries participant said,

> *"I did get a job offer that was better… on the paycheck, but the benefits did not add up. So there was some pondering there. But the extra benefits [and] the equity awards are what really kept me from taking that position."*

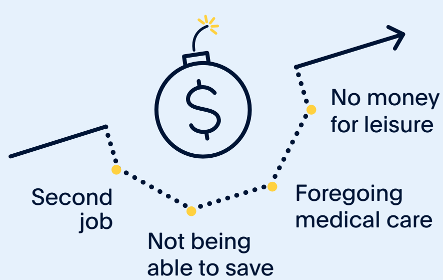
In response to the question, *"Which benefits at PayPal keep you working there?"* participants mentioned stock (26%), health care (26%), and the "cost

Implications of What "Living Paycheck to Paycheck" Can Mean for Work

Fig. 13



Even strategies taken to avoid a financial crisis can impact productivity at work:



of benefits" (i.e. low premiums for health care) (26%). But they also mentioned sabbaticals, mental health resources, employee resource groups (ERG), and paid time off (PTO)/vacation. During other interviews, respondents also brought up other benefits: for example, they explicitly linked legal insurance to financial wellness, since those who used legal insurance often did so to resolve old financial problems.

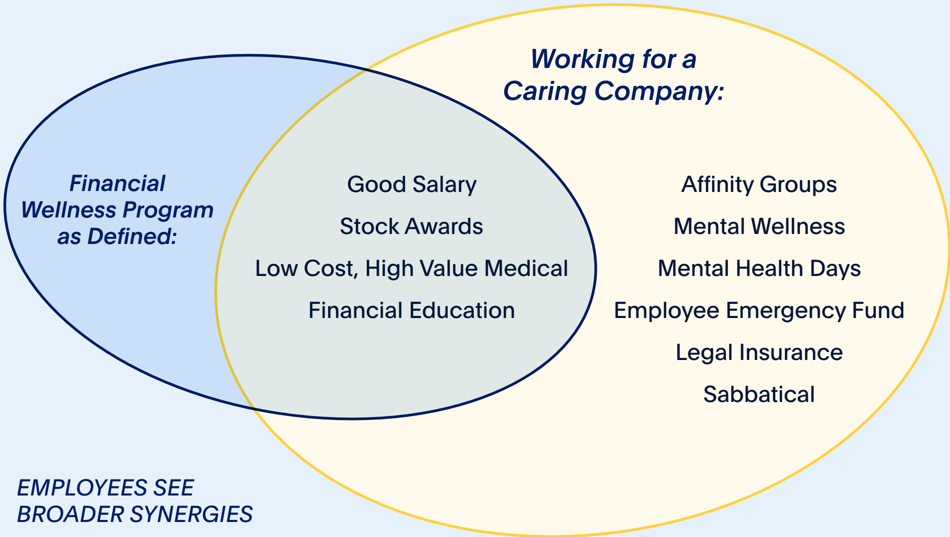
Beyond their monetary effects, benefits reflect a company's commitment to employees and foster a culture of care. This is especially important in the case of job roles that involve handling customer complaints at the front line, which tend to be emotionally challenging. As one Diaries participant said,

> *"[Benefits are] a good…60 to 70% of the reason why I stay… there [are] some days where … customers… have really just gotten under my skin. [I]f you get a few contacts in a row and they're just being really mean, sometimes I'm like, "what am I doing this for?" But then I remember:…I work with great people, [and] it's a wonderful company with wonderful benefits. So you know: that's why I stick it out and stay."*

Benefits are powerful communicators of the company's mission. One Diaries participant drew a connection between employee benefits and company values and attributed their job satisfaction and loyalty to the cohesiveness of PayPal's commitment to empowerment both internally and externally:

How Employees See the Financial Wellness Program Embedded in a Broad Set of Benefits

Fig. 14



EMPLOYEES SEE BROADER SYNERGIES

> *"The most important thing that keeps me working here is the fact that I know that I work for a good company that's very supportive of the community…it is a part of the larger community. I like that I work for a company [that] fights for equality, and does not only speak it but also acts on what [it's] saying. I think that the benefits are a good part of why I stay here. The pay is good, but I could probably earn more at other companies. But again, the cost of the medical benefits and other benefits really offsets the extra income that I could earn another company. But I really think that the fact that I work for a very forward—focused, politically active…company that's supportive of its employees—I think is one of one of the largest reasons why I enjoy working here."*

From the employee perspective, then, the EFWP is embedded in a broader set of benefits and programs—and it is both a product and a marker of company values and culture. The program creates synergies, substantially enhancing the overall employee experience and creating employee loyalty.

Conclusions

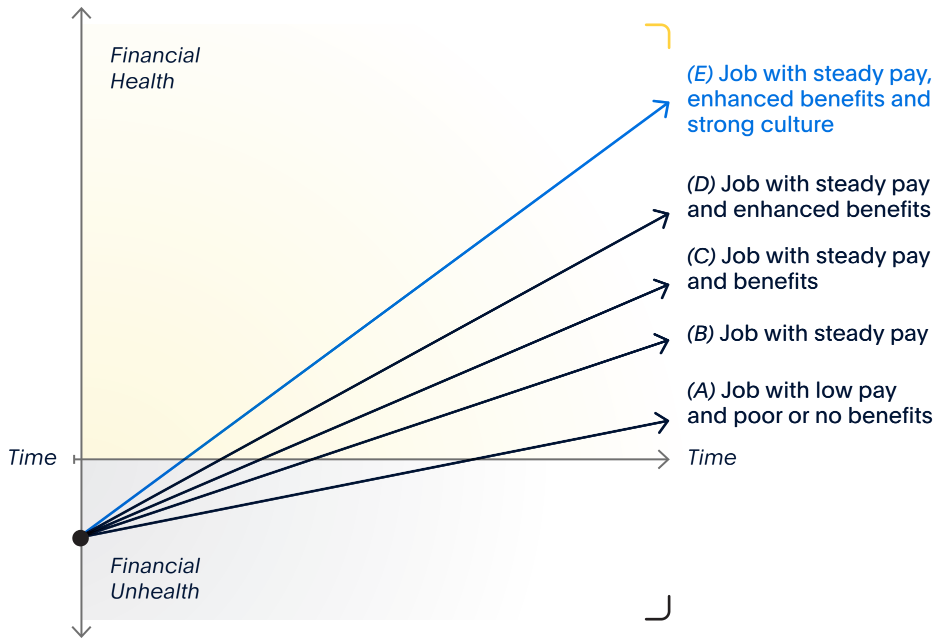
1. Role of Employer and Design of an Effective EFWP
2. Measure What Matters

Role of Employer and Design of an Effective EFWP

A key role of the employer in the context of employee financial wellness is to facilitate employees' progress and support their efforts, with the understanding that individual progress will be a non-linear journey. Different pathways can be conceptualized as follows in Figure 15, highlighting financial wellness pathways of varied gradience over time.

Stylized Pathways Towards Financial Health:
What Can an Employee Financial Wellness Program Do?

Fig. 15



Based on our observations, equity ownership, retirement savings, and healthcare cost reduction, appear to be most important in terms of benefits. Companies should consider prioritizing these key areas given that they can help employees to improve their debt-to-equity ratio, and their financial capacity and confidence, faster and earlier.

The Diaries participants saw a shift in the trajectory of their financial wellness since they started their tenure at PayPal. And the EFWP supported their progress from pathway C to D and E, with the addition of enhanced benefits. Based on our observations, equity ownership, retirement savings, and healthcare cost reduction, appear to be most important in terms of benefits. Companies should consider prioritizing these key areas given that they can help employees to improve their debt-to-equity ratio, and their financial capacity and confidence, faster and earlier.

Retirement savings are the lowest-hanging fruit for employers, given that they are routine benefits for many companies and maximizing employer match is an easy way for employees to grow their retirement savings. But simply providing benefits like a 401(k) plan is insufficient: employers who want to support their employees' financial wellness journeys should consider actively encouraging participation in these funds and providing education through coordinated communication campaigns.

Healthcare coverage is also often a basic benefit for companies, and it has a particular emotional salience and resonance for research participants. The effects of medical debt and poor or no medical care on employees are substantive. Employers seeking to meaningfully support their employees' financial wellness should consider expanding their healthcare offerings and making their plans more affordable.

Equity ownership can potentially have an outsized effect on employees' financial wellness. Given the significant impacts of equity ownership on employee finances, financial self-perception and confidence, this study suggests that publicly traded companies should consider creating EFWPs that include stock grants to all their employees in the program design.

Lastly, there is an opportunity to implement EFWPs with an eye towards culture, to supplement programming and benefits. That means going beyond program adoption to actively engaging with company norms, such as embedding an EFWP within traditional benefits packages in ways that reflect the employer's values and commitments (Box 2), and equally if not more importantly, coordinating communication of the program across teams and channels cohesively and consistently. A culture-changing program requires clarity in mission, vision, and values. Also, as the company's journey evolves along with the employees' journeys, there are ample opportunities to adjust and augment program offerings. Listening is key here: to create effective EFWPs, companies need to really hear their employees. Studies, stand ups, and inputs from formal employee focus groups may all be useful in this respect.

Measure What Matters

Measuring what matters is key to program improvements. Since financial health is a process, regularly embedding questions on financial wellness in employee surveys could offer useful insights (see Figure 16 below). Follow-up questions focusing on changes and the associated drivers could help employers design and make tailored adjustments to the EFWP.

Moreover, companies could consider expanding the time horizon for measurement. In the case of the Diaries study, we began with participants' situations before they came to PayPal, and we explored their journey through their time at PayPal—not just through the time the study was active. The key question here is *"Are employees becoming healthier as they work longer for the company?"* While there is no magic number to reach for the debt-to-equity ratio, it is useful to assess whether employees are making progress in their first few years, and whether they continue to build upon healthy foundations as they become more tenured.

Lastly, a public commitment or target with key performance indicators that is assessed and published annually can be a helpful way to measure progress and maintain momentum. It can also lead to unearthing additional metrics that can help to understand progress towards employee financial wellness.

PayPal's EFWP is built around the company's commitment to reaching at least 20% estimated net disposable income (eNDI) for all employees, a PayPal-defined metric that calculates discretionary income remaining for employees after taxes and typical expenses are paid. The eNDI for hourly and entry-level U.S. employees went from 4-6% in FY19 to 11% in FY20 and 15% in FY21. Companies can also track the decrease in the number of employees who report they are running out of funds between pay periods, the increase in healthcare benefit enrollment and plan upgrades, and the higher enrollment in the ESPP. More specifically, 401(k) enrollment of employees increased from 70.6% in 2019 to 77% in 2022, and the average annual 401(k) contribution increased from $4,066 in 2019 to $4,849 in 2022, a notable 19% increase. Together these indicators provide context and a guidepost for the collective journey towards financial wellness.

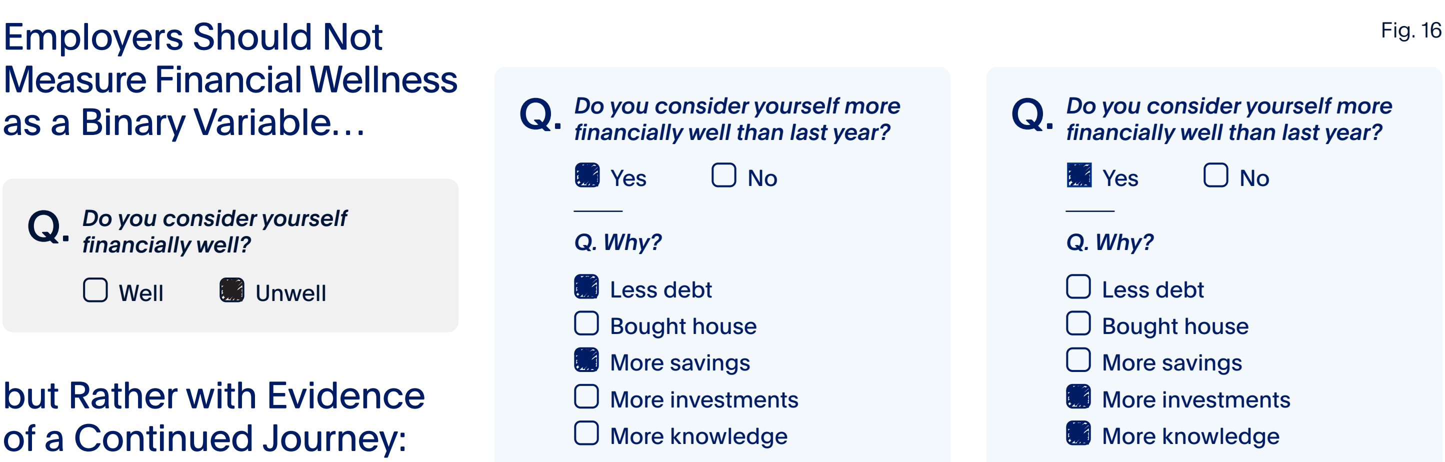


Fig. 16

Appendix

Sentiment Analysis Methodology

The Decodis team[21] collected audio recordings of respondents through a series of Interactive Voice Recording (IVR) surveys administered via Outside Voice (OV). Short surveys (usually three to four questions) were sent to participants from OV over WhatsApp each week. After listening to a question, a respondent would simply speak their answer; their speech was recorded by OV and then downloaded. Figure A1 (see next page) shows a sampling of topics and questions.

The audio responses were then automatically transcribed and Natural Language Processing (NLP) was used to code and sort the types of responses from respondents.

Because these interviews were not "live," the Decodis team felt it was important to analyze *how* respondents answered questions. Sociolinguists used acoustic analysis to provide insight into the emotions, stances, and attitudes of speakers.[22] In general, among a wide array of features, a speaker's *pitch* (the "height" of their voice), *intensity* (their loudness), and *duration* (the length of time spent speaking) consistently accounts for the greatest amount of emotional information. It is important to note that these analyses are layered on top of textual analyses. In other words, acoustics is interpreted within the context of the what the speaker is saying.

The Decodis team used *Praat,* specialized acoustic analysis software,[23] to extract a range of speech signals across each response for each respondent. These acoustic measures were normalized to everyone across the entirety of their responses. In this way, the effects of confounding non-linguistic variables like gender or idiosyncratic linguistic behavior (such as speaking softly) are reduced. The team established a benchmark for each individual and then analyzed deviations from the individualized benchmark in their responses.

Example of Weekly IVR Surveys

Fig. A1

Topic	Example Question
Financial coaching	When you hear the term “financial coaching”, what does that make you think of?
Financial worries and work productivity	At work, have you ever found yourself distracted by worry over finances, either in a past job or your current job at PayPal? Tell me about a time when that happened.
Stock ownership and investing	Has owning PayPal stock made you identify differently as a financial person?
Living “paycheck to paycheck”	a. Was there a time when you live paycheck to paycheck? Please tell me all the times you can remember. b. Can you describe what living paycheck to paycheck looked like for you during those times? Please describe as fully as possible and talk as long as you want.
Budgeting practices	Can you tell me in detail how you plan out your money or budget from paycheck to paycheck? If you don’t budget at all please do feel free to say so – there are no right or wrong questions!
Norms about financial discussions	Do you find yourself more open to talking about financial questions since you started at PayPal?

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[15] https://www.usfinancialdiaries.org/; the primary project lead and author at PayPal is Ivy Lau, Public Affairs and Strategic Research Lead Manager.

[16] Note that for some of the charts, N is less than 21 as some respondents might not have answered a particular question. Out of the cohort, 1 left PayPal almost right after the research project started, 5 participated up until the final interview, and 16 participated in the final interview.

[17] See *Portfolios of the Poor.*

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