From Recession to Recovery:
How to Use Employee Purchase Programs to Help Employees Restore Financial Stability

PURCHASING POWER

Road to Recovery Series
A Purchasing Power White Paper

April 2011

TABLE OF CONTENTS

Executive Summary

There are encouraging signs that the U.S. economy is starting to stage a legitimate recovery after the Great Recession. Gross Domestic Product continues to grow, consumer spending has increased slightly, and home sales have picked back up.[1] It's still tough for consumers though.

Even as unemployment rates have improved since topping out above 10 percent[2], there are still millions of people out of work. Additionally, substantial numbers of Americans continue to lose their homes to foreclosure. On a daily basis, consumers struggle to absorb the recession's legacy: anemic household finances, lost wealth, ongoing anxieties about the job market, and hefty credit card debts. Your employees are no different. They just want to restore financial stability to their lives.

Since the recession, financial protection has grown to be a priority for workers. According to a MetLife study, market volatility made employees more aware of their personal risk exposure, causing 56 percent to report that they appreciate their workplace benefits more than ever before. The study also found that 41 percent of workers overall, and more than half (52 percent) of those at larger employers (with 2,500 or more employees), strongly consider their workplace benefits to be the foundations of their financial safety nets.[3]

Offering voluntary benefits is one way employers can help ease fiscal stress and help employees get back on firmer financial footing.

Helping employees make smarter purchase decisions through employee purchase programs is an option that is proving to be a valuable tool in restoring financial wellness in the workplace.

This discussion, the second in the "Road to Recovery Series" of whitepapers, examines the recession's lasting economic effects and why this continues to be a problem for companies and their employees. HR professionals will discover how employee purchase programs work and how easily they can be implemented, not to mention the tangible benefits that result from helping employees become more financially secure. Additionally, the paper showcases the success two companies have had using employee purchase programs to restore employee financial stability.

The Recession's Effects Still Linger in the Workplace

The last several years have been very challenging for American workers, causing many to make major life changes, tighten their daily spending and re-adjust their future financial plans. Many have already made a variety of changes to both their lifestyles and spending habits, often caught between the tough choices of making mortgage or credit card payments, purchasing basic necessities, or paying utilities.

Unfortunately, many workers lived above their means in the years leading up to the financial crisis and are now struggling just to make ends meet. Nearly eight-in-ten (77 percent) workers report that they live paycheck to paycheck to make ends meet. In fact, one-in-five (22 percent) employees are unable to make ends meet at all, saying they have missed payments on bills in the last year.[4]

The process of finding financial stability has not been easy for employees. The recession's lingering effects are still quite extensive:

Debt

Americans, regrettably, are still deeply in debt. The average total debt in 2009 (including credit cards, mortgage, home equity, student loans and more) for U.S. households was $54,000. That's down from $93,850 in 2008.[5] Total bankruptcy filings in 2009 reached 1.4 million in 2009, up from 1.09 million in 2008.The vast majority were personal bankruptcies—Chapter 7 and Chapter 13.[6] The climb out of indebtedness is proving to be long and hard for many.

Income

Although the unemployment rate has improved to 8.8 percent, 13.5 million people remain out of work.   In the last year alone, nearly one-in-eight U.S. households had an unemployed family member.[8] The median weekly earnings for American workers has not grown in real terms over the last eight years,[9] and recent wage freezes and layoffs indicate little change on the horizon. Employees are skeptical about their ability to earn additional compensation or at least return to their last level of pay.

Housing

While foreclosure filings, defined as a default notice, auction sale notice or bank repossessions, were down 27 percent in February 2011 from a year ago[10], one in every 577 housing units still received a foreclosure filing during the month.[11] Meanwhile, real estate prices continue to fall, making homeowners more vulnerable with little equity to turn to in the case of emergency and leaving banks more skittish about lending money.

Credit

Approximately 14 percent of Americans use 50 percent or more of their available credit[12] —that is, when they can get it. But, buying on credit now is more costly. Twenty-seven percent of credit card holders say their credit card companies have increased their interest rates, 13 percent have had their credit limits lowered and 15 percent of them say their minimum payments have increased.[13] Alarming numbers of people do not have "rainy day" funds for life's unexpected events, increasing the risk that they will need to turn to credit cards to meet basic needs. A study performed in 2009 found that almost half of Americans reported that they could not produce $2,000 in 30 days to pay for an unexpected finance, even from withdrawing from a savings account or borrowing money from a bank, friends or family.[14]

The Recession's Effects Still Linger in the Workplace *(continued)*

Workers' financial distress causes distractions that interfere with performance, attendance, and overall productivity in the workplace. In fact, 30 to 80 percent of financially distressed workers spend time at work worrying and dealing with financial issues instead of working.[15] This can lead to less satisfaction on the job and result in presenteeism (the on-the-job time wasted dealing with personal finances) as well as increased absenteeism and more health concerns. Statistics show a financially stressed employee spends an average of 20 hours per month of work time on his or her personal financial problems.[16]

Today's economic realities are causing more and more employers to take the financial wellness of their employees more seriously.

Employee Purchase Programs Promote Disciplined Buying

Because of the financial burdens many employees face, they often find it difficult, if not impossible, to secure loans and credit cards to fund important life-enhancing purchases—from replacing a refrigerator that's gone on the fritz to purchasing a laptop for a son or daughter on his or her way to college. This has led many companies to turn to voluntary benefits to meet their employees' needs in this respect. Employee purchase programs deployed by employers as voluntary benefits and facilitated through payroll deductions offer eligible workers the ability to buy brand-new, current-line products from many recognized computer, electronics and appliance manufacturers.

An employee purchase program isn't an "all-employee" benefit. It's designed to help a special segment of an employee base that may not always have access to the financial means to make these types of purchases.

Programs like this allow employees to buy products they need in a disciplined manner, and the payment plans help people more easily budget their finances. Recent surveys of companies offering this type of benefit show employee purchase programs are resonating:

64%	93%	76%
of employees who might consider employee purchase programs are less likely to consider using a 401(k) or other alternatives for short-term financing.[17]	of workers "agree" or "somewhat agree" that having access to an employee purchase program helps reduce their financial pressures and stress.[18]	said they would purchase a desktop, laptop, high-definition television or home appliance (washer, dryer or refrigerator), power tools and/or a lawnmower in the next 12 months if credit or financing were not an issue.[19]

Employee Purchase Programs Promote Disciplined Buying *(continued)*

Employee purchase programs offer tangible and direct financial benefits to employees, but they also provide benefits to their employers by directly supporting their HR objectives such as employee productivity and financial wellness.

Employee benefits:

- Easy qualification
- Convenient payroll deduction
- Avoidance of high-interest rates and long term payment plans
- Simplified shopping experience
- Improved employee knowledge base with computer access
- Physical reminders of an employer's benefit program
- Saved money with twelve-month repayment plans

Employer benefits:

- No participation requirements
- No employer liability for purchases
- Enhances employee benefits packages
- No implementation or participation fees
- Minimal administration costs
- Improves employee retention
- Supports business objectives of education, training and improving computer literacy and increasing participation in employee self-service of benefits
- Encourages employees to be more productive
- Allows some HR functions to move online
- Improves quality of work-life balance

Employees are realizing that fiscal responsibility is not only important now, but it will better position them both personally and professionally for the future. Budget-conscious employees who don't want to use cash or credit to buy name-brand products to meet their individual needs can choose to participate when and how often they want. And, companies can feel good about adding a useful benefit as another effective tool in their total rewards packages to help drive loyalty, productivity, recruiting and retention. In fact, an employee purchase program using payroll deduction can complement any cash discount programs employers may already have in place.

Case Studies: Companies Help Employees Navigate Credit Crunch

The following case studies showcase two employers using employee purchase programs as tools to help their employees build and maintain responsible ways to buy products their families need.

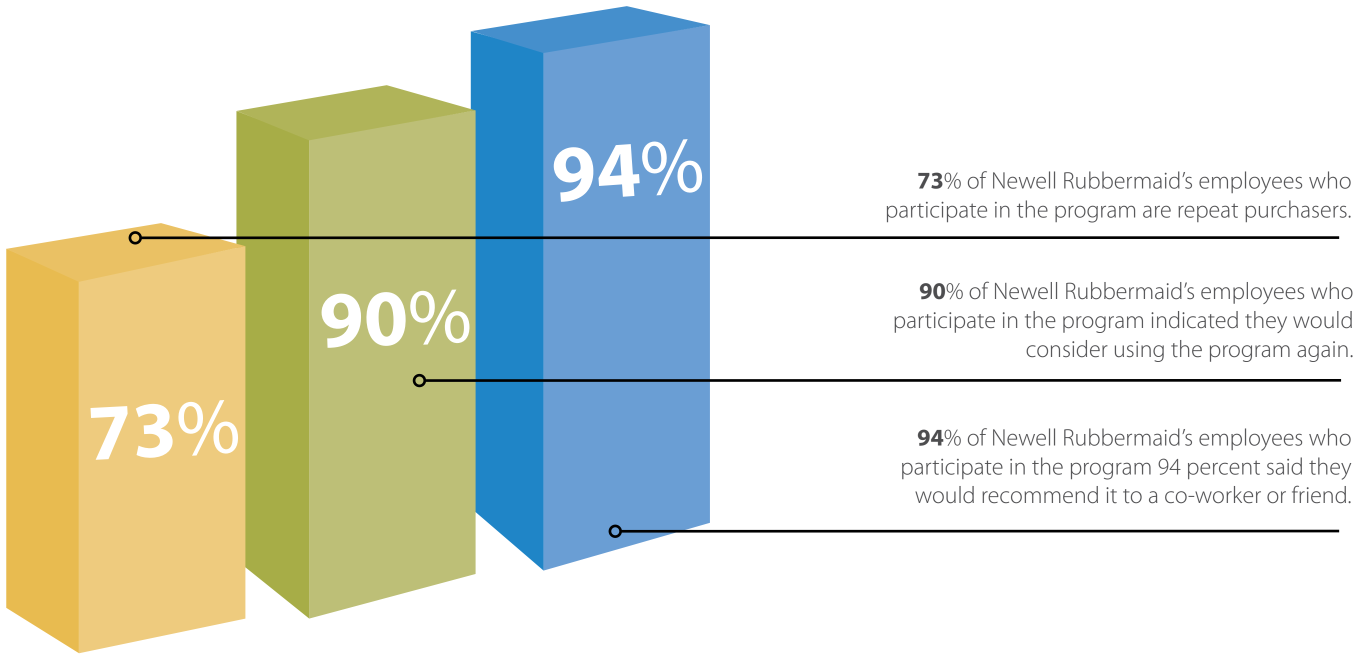
Newell Rubbermaid

Knowing that the brutal recession and resulting credit crunch was keeping most working Americans from making meaningful purchases, Newell Rubbermaid, a global marketer of consumer and commercial products, wanted to ensure its employees had the opportunity to purchase computers to make their lives more manageable at home.

The S&P 500 company made an employee purchase program available to its 12,400 employees in 48 locations across the United States.

As credit markets began to tighten around the country, Newell Rubbermaid wanted to provide another available option for employees who saw their credit card rates go up or their credit lines lowered—or who simply wanted the convenience of having purchases taken out of payroll deduction. Mindful that many employees were looking for a more responsible way to purchase items they needed for themselves or their families, the company liked the fact that its program was free from hidden costs often associated with interest charges or late fees as is the case with credit cards or other payment options that could take years to pay in full. Newell Rubbermaid additionally liked the spending limits that were put in place, based on salary, which helped protect employees from over-extending themselves.

While approximately 73 percent of Newell Rubbermaid's employees who participate in the program are repeat purchasers, 90 percent indicated they would consider using the program again and 94 percent said they would recommend it to a co-worker or friend. These types of statistics really speak volumes about how much the company's employees appreciate and love the benefit. At the same time, Newell Rubbermaid gains the benefit of helping ease employees' financial stress while also supporting its bottom line with a more satisfied and focused workforce.



Case Studies: Companies Help Employees Navigate Credit Crunch *(continued)*

WellStar Health System

Challenged by both a competitive marketplace for highly skilled talent and an economy where working Americans were struggling with credit problems, WellStar Health System, a not-for-profit health system in Marietta, Ga., decided to add an employee purchase program to its benefits package. With more than 11,000 physicians, nurses, medical technicians, radiologists, nutritionists, clerks and laundry service staffers, the company wanted to make it possible for its employees to purchase computers, electronics, household appliances and furniture through a convenient payroll-deduction arrangement.

With an employee purchase program in place, WellStar employees are able to make purchases online or over the telephone year-round and not wait for open enrollment. The most popular products include laptop and desktop computers, as well as accessories for those items such as printers and virus-protection software. Consumer electronics are another hot-selling category.

Offering the program on an employee-pay-all voluntary basis enables WellStar to help control benefit costs while also offering valuable purchasing opportunities to help attract and retain top talent at a time of high anxiety across the workplace.

Since the employee purchase program is based on employment status, job tenure and annual salary rather than an individual's credit score, many workers have an opportunity to buy life-enhancing products that they otherwise would not have been able to acquire.

That means WellStar is offering this segment of its workforce a responsible way to buy important name-brand products for themselves or their families when cash or credit isn't an option. By using payroll deduction, employees can make manageable payments over 12 months, but they receive their products right away. Employees say they like the automatic budgeting aspect of the program. One significant measure of success is that more than 73 percent of employees who participate in the program are return customers. Offering an employee purchase program speaks volumes about how WellStar cares about the well-being of their employees.

Work-life Balance is Key in the Recovery and Beyond

Even after the economy fully recovers, millions of Americans will be left with damaged credit scores, negatively affecting their ability to get loans and other credit in the future. As the country continues to progress toward a full recovery, companies should not lose sight of how important work-life balance is to employees—and to building and maintaining a more focused, engaged and loyal workforce.

Work-life balance will become an important recruiting and retention tool as companies begin to hire again and workers gain more confidence in the economy.

A recent measure of workers' confidence in their personal employment situation and optimism in the economic environment reveals that more employees believe that the economy is getting stronger. Four in ten of those surveyed also report that they are likely to make a job change in the next 12 months.

Companies should plan to increase their efforts and work to reinforce their commitment to employees. Investing in the types of voluntary benefits, such as employee purchase programs, can ease stress and help support employees financially. This will allow HR professionals to position their companies to recover from the recession and emerge ready to compete.

Employees are showing increasingly more interest in benefits that provide financial well-being, viewing them as foundations for their financial safety nets. As a consequence, workplaces are proving to be fertile grounds for financial support programs and other related voluntary benefits. Helping employees strive to build and maintain financial wellness will benefit employers well into the future.

About Purchasing Power

Purchasing Power is the premier employee purchase program that helps American workers purchase name-brand products with manageable monthly payments through payroll deduction. Since 2001, Purchasing Power has serviced more than 500,000 orders for employees of companies, including Fortune 500, and government agencies. Purchasing Power is licensed in all 50 states as a reseller of personal computers, consumer electronics, and home appliances and maintains relationships with major manufacturers, as well as resellers, distributors and other suppliers. For more information, visit www.PurchasingPower.com.

References

[1]Alden, William, "Economy Recovering Slowing, As Jobs and Housing Stay Weak," The Huffington Post, Dec. 23, 2010.
[2]Nutting, Rex, "Unemployment Rate Hits 10.2%, a 26-Year High," Economic Report, MarketWatch, Nov. 6, 2009.
[3]MetLife, "MetLife's Employee Benefits Trends Study Finds Employees Move From 'Intent" to "Action" to Protect Financial Futures," Press Release, Mar. 23, 2009.
[4]Careerbuilder.com, "One in Five Workers Have Trouble Making Ends Meet as More Indicate They Live Paycheck to Paycheck, Reveals New CareerBuilder Survey," Press Release, Sept. 1 2010.
[5]Schultz, Matt and Woolsey, Ben, "Credit Card Statistics, Industry Facts, Debt Statistics," Creditcards.com, accessed Apr.4, 2011 at http://www.creditcards.com/credit-card-news/credit-card-industry-facts-personal-debt-statistics-1276.php.
[6]AACER, the American Bankruptcy Institute, January 2010.
[7]U.S. Bureau of Labor Statistics, "Employment Situations Summary," Economic News Release, Apr. 1, 2011.
[8]Rampell, Catherine, "Unemployment's Rising Toll on Families," New York Times, Mar. 28, 2011.
[9]Associated Press, "Report: Workers Worse Off on Pay, Employment," MSNBC.com, Sept. 1, 2008.
[10]"States with Highest Foreclosure Rates, CNBC.com, Mar. 10, 2011.
[11]RealtyTrac, Foreclosure Market Report. February 2011.
[12]Experian, National Score Index Study, February 2007.
[13]Cash, Rana, "Credit Card Rules Push for Relief," Atlanta Journal-Constitution, Feb. 21, 2010.
[14]TNS, Harvard Business School and Dartmouth College, TNS Personal Risk Assessment and Risk Literacy Survey, November 2009.
[15]The EDSA Group, "Financial Distress for Employees Means Lower Profits for Employers, HR Management, Apr. 16, 2010.
[16]Federal Reserve Bank of Kansas City, accessed at www.kansascityfed.org/comaffrs/workshops/FEbrochure.pdf.
[17]Purchasing Power, Customer Survey, November 2010.
[18]Ibid.
[19]Harris Interactive and Purchasing Power, Survey, January 2009.
[20]SFN Group, "U.S. Employment Report: Employee Confidence on the Upswing in 2011," Press Release, Feb. 4, 2011.