

# Financial wellness among the higher education workforce

## *Impact of COVID-19*

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# Executive summary

The higher education workforce has been impacted along multiple dimensions, including financial, as colleges and universities searched for viable paths to continue operating in the face of COVID-19. The *2020 Higher Education Financial Wellness Survey* was fielded at the beginning of the Fall 2020 semester. At that time, 35% of higher education's full-time workforce had experienced a decrease in income through furlough or salary reduction. In addition, 45% were very or somewhat concerned about losing their job within the next two years. Beyond that backdrop, the survey provides a nuanced perspective regarding COVID-19's impact on financial wellness among college and university full-time employees.

- 27% reported that their overall financial condition had worsened since the onset of COVID-19. At the same time, an essentially identical 25% reported improvement. Improved personal finances in the context of the pandemic are likely due to decreased discretionary spending.
- 61% were satisfied with their current financial condition; only 16% were dissatisfied. Satisfaction strongly correlated with changes in financial condition since the onset of COVID-19. Nonetheless, 35% of those reporting a worsened financial condition also reported being satisfied, but only 3% were very satisfied.
- 40% expect their overall financial condition to improve over the next year, while 13% expect it to worsen. Expectations are evenly divided for those reporting a decrease in their financial condition since the onset of COVID-19—30% expect further worsening, 35% expect improvement, and 36% expect their condition to stay about the same.
- 28% of borrowers have taken on new debt, including credit card debt, and 25% have missed or been late with loan payments, including credit cards, because of financial hardship resulting from COVID-19.
- Prior to COVID-19, 78% of higher education employees had non-retirement savings that could serve as an emergency fund. Over one-third have used at least some of that savings since the onset of COVID-19.
- One-third of higher education employees have received non-retirement financial advice within the past two years; 21% have received such advice since the onset of COVID-19.

## Introduction

Achieving and maintaining financial wellness is a goal shared across individuals.<sup>1</sup> However, this goal has proven particularly challenging for many individuals and households since the onset of COVID-19 and its economic consequences. Financial wellness depends not only on individuals' financial resources but also on decisions made regarding the use and management of those resources. Financial decisions are inherently interrelated—they inevitably involve trade-offs and are often made in the context of uncertainty and sometimes even financial duress.

The College and University Professional Association for Human Resources (CUPA-HR) and the TIAA Institute designed the *2020 Higher Education Financial Wellness Survey* to examine personal finances and financial wellness among higher education's full-time workforce in the context of the COVID-19 pandemic. The survey was fielded online from September 18 to October 17, 2020, with a sample of 1,195 faculty, staff and administrators employed full time by a public or private nonprofit college or university.<sup>2</sup> Responses were weighted to be representative of the full-time higher education workforce.

This report examines how financial well-being among college and university employees has been impacted by COVID-19 and its economic consequences, including the topics of debt, non-retirement saving and use of financial advice.<sup>3</sup>

- 1 Financial wellness can be defined as a state of being wherein a person has control over day-to-day and month-to-month finances; has the capacity to absorb a financial shock; is on track to meet financial goals; and has the financial freedom to make choices that allow for enjoying life. See Consumer Financial Protection Bureau, *Financial Well-being: The Goal of Financial Education* (2015).
- 2 Survey respondents were selected from members of the Research Now online research panel, one of the most comprehensive and deeply profiled online survey panels.
- 3 Other reports using 2020 *Higher Education Financial Wellness Survey* data examined COVID-19's impact on retirement readiness among college and university full-time employees and its impact on faculty retirement patterns. See Yakoboski and Fuesting, *Retirement readiness among the higher education workforce: Impact of COVID-19*, CUPA-HR and TIAA Institute (March 2021) and Yakoboski and Fuesting, *Faculty retirement and COVID-19*, CUPA-HR and TIAA Institute (January 2021).

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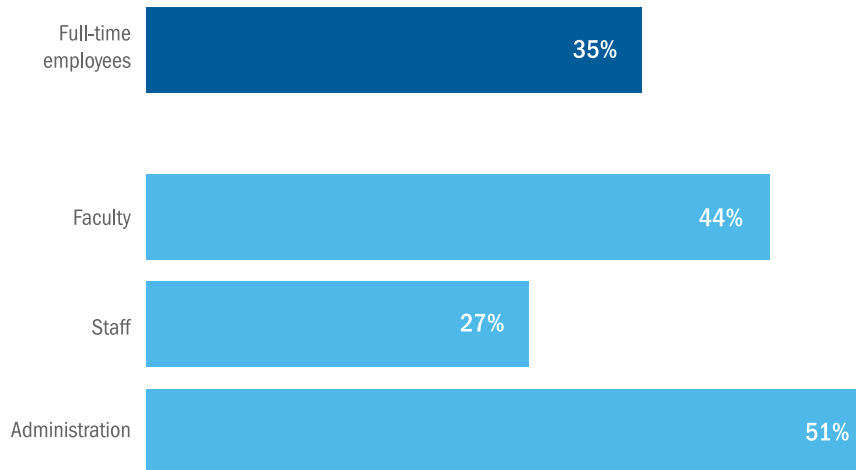
## Decreases in income

The COVID-19 pandemic has severely challenged higher education. One manifestation has been the impact on the college and university workforce in terms of layoffs, furloughs and salary reductions as institutions searched for viable paths to continue operating. Individuals could also be impacted by the analogous employment experience of a spouse or partner. This is in addition to health concerns, including potential infection with the virus.

The survey was fielded approximately six months into the COVID-19 pandemic—colleges and universities were at the beginning of the Fall 2020 semester, having completed the Spring 2020 semester in virtual mode. At that time, 35% of higher education’s full-time workforce had experienced a decrease in income through furlough or salary reduction (Figure 1). This was more common among faculty and administration (44% and 51%, respectively) than staff (27%). It was more common among those under age 50 (46%) than their older peers (19%). It was also more common among employees of private nonprofit institutions than public institutions (48% and 29%, respectively).

**Figure 1. Decrease in income**

One-third of the full-time higher education workforce had experienced a furlough or salary reduction.



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

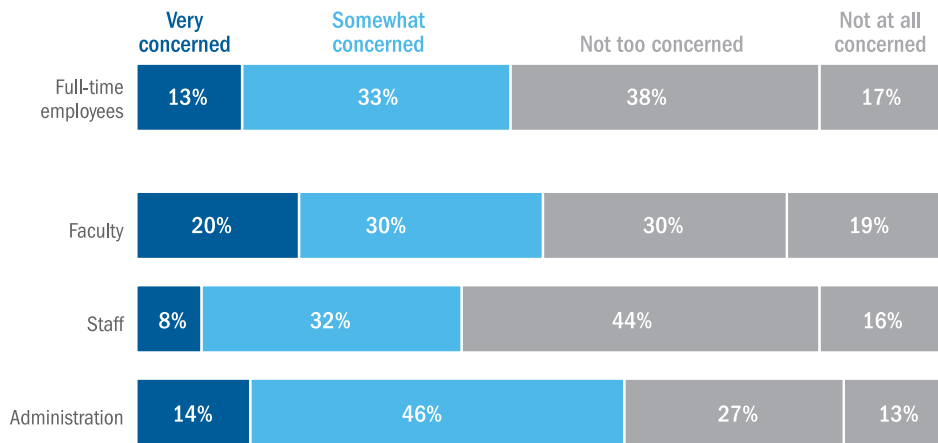
## Job security

Many full-time employees in higher education had concerns about their job security as well—13% were very concerned about losing their job within the next two years, while an additional 33% were somewhat concerned (Figure 2). Concern was markedly more common among those who had already experienced a decrease in income—68% were very or somewhat concerned about losing their job compared with 34% of those who had experienced no decrease in income.

**Figure 2. Job security**

Over 40% of the full-time higher education workforce are concerned about losing their job.

Are you concerned about losing your current job within the next two years?



Source: Higher Education Financial Wellness Survey, CUPA-HR and TIAA Institute (2020).

Job security concern was most common among those in administration positions, with 60% somewhat or very concerned (Figure 2). It was least common among staff (40%). Fifty-five percent of full-time employees at private institutions were concerned, including 18% very concerned. The analogous figures at public institutions were 41% and 10%, respectively. Fifty-six percent of those under age 50 were at least somewhat concerned about losing their job within the next two years compared with 31% of their older peers.

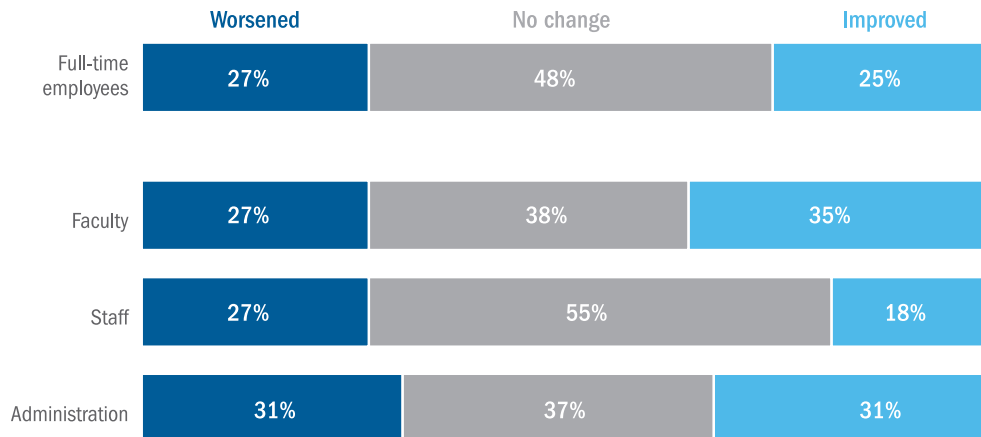
## Financial wellness

Twenty-seven percent of college and university full-time employees reported that their overall financial condition had worsened since the onset of COVID-19, and an essentially identical 25% reported improvement (Figure 3). While 8% reported significant improvement, only 3% reported significant worsening. Improved personal finances in the context of the pandemic is likely due to decreased discretionary spending as individuals were encouraged to remain home and various businesses were closed by state mandates. Individuals who switched to working remotely during the pandemic may have also saved on costs associated with commuting. Decreased discretionary spending could be reallocated to increased saving and increased payments on existing debt, thus improving financial well-being.

**Figure 3. Financial wellness**

Financial wellness has both worsened and improved among the full-time higher education workforce since the onset of COVID-19.

How has your overall financial condition changed since the onset of COVID-19 and its economic consequences?



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

More faculty reported improvement (35%) than worsening (27%). Staff are least likely to have experienced an improvement in their overall financial condition (18%). While there was no difference across age groups in the percentage whose financial condition worsened, those under age 50 are more likely than their older peers to have experienced improvement, 34% compared with 12%.

Among those who experienced a decrease in income due to furlough or salary reduction, 42% reported that their overall financial condition had worsened since the onset of COVID-19, but an essentially equal 40% reported improvement.<sup>4</sup> The latter finding is surprising, but several factors could help explain it.

- For some individuals, decreased discretionary spending may have offset losses in income.
- Those with adequate emergency savings prior to the pandemic would have been positioned to absorb a decrease in income.
- Individuals may view changes made to spending patterns as long-term beneficial and intend to maintain them as their new normal.
- Evaluating one's financial wellness inherently involves some degree of subjectivity. Individuals who experience a negative financial shock, such as a decrease in income, may subsequently recalibrate their barometer of what constitutes financial wellness.

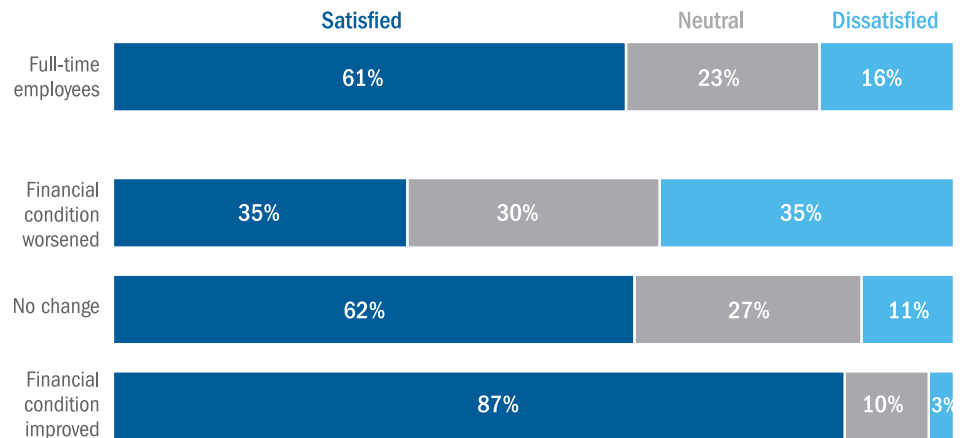
Sixty-one percent of higher education's full-time employees were satisfied with their financial condition at the time of the survey, including 16% who were very satisfied (Figure 4). Only 16% were dissatisfied, including 2% very dissatisfied. Financial satisfaction was most common among faculty—71% were satisfied with their financial condition, with 24% very satisfied. There was little difference in financial satisfaction levels across age groups.

<sup>4</sup> Among those who had not experienced a furlough or salary reduction, 20% reported that their overall financial condition had worsened since the onset of COVID-19, 16% reported improvement, and 64% no change.

## Figure 4. Financial satisfaction

Most full-time higher education employees are satisfied with their current financial condition.

Overall, are you satisfied or dissatisfied with your current financial condition?



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

As would be expected, satisfaction with current financial condition strongly correlated with changes in financial condition since the onset of COVID-19 (Figure 4). Among those reporting improved financial well-being since the onset of COVID-19, 87% reported being satisfied with their current financial condition, with 42% very satisfied; only 3% were dissatisfied. In contrast, among those whose financial well-being worsened, 35% were dissatisfied with their current financial condition; there also were 35% satisfied, but only 3% were very satisfied.

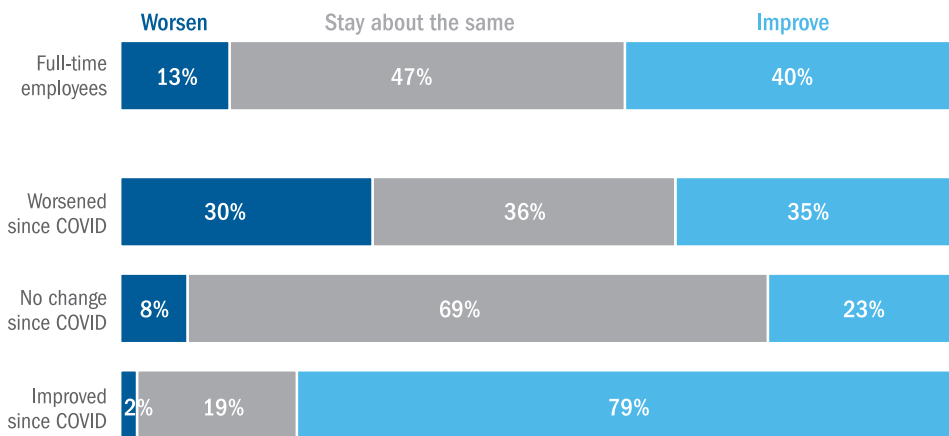
Finally, 40% of college and university full-time employees expect their overall financial condition to improve over the next year, while 13% expect it to worsen (Figure 5). Almost 80% of those reporting improvement in their financial condition since the onset of COVID-19 expect further improvement during the next year. In contrast, expectations are evenly divided for those reporting a worsening in their financial condition since the onset of COVID-19—30% expect further worsening, 35% expect improvement, and 36% expect their condition to stay about the same.



## Figure 5. Financial wellness

40% of higher education employees expect their overall financial condition to improve during the next year.

How do you think your overall financial condition in one year will compare with today?



Source: Higher Education Financial Wellness Survey, CUPA-HR and TIAA Institute (2020).

Almost one-half (48%) of those satisfied with their current financial condition expect improvement in it over the next year, while just 7% expect it to worsen. The analogous figures among those dissatisfied with their financial condition are 26% and 29%, respectively.

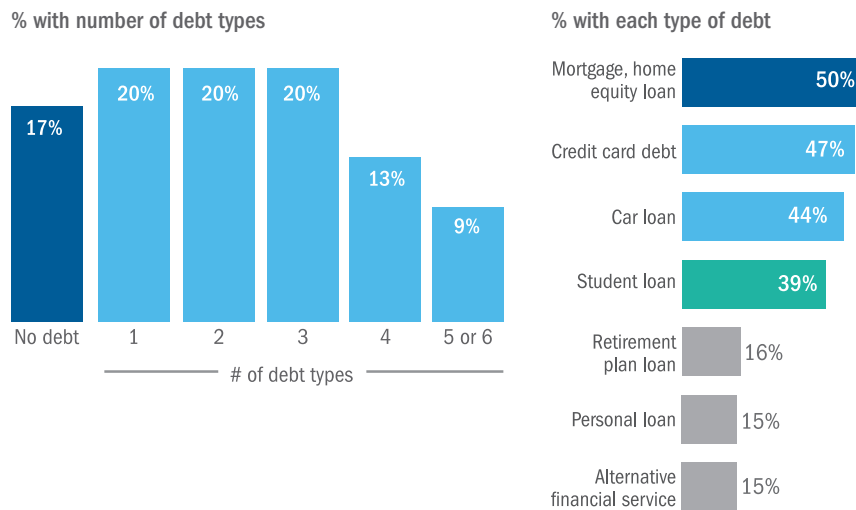
Staff are least likely to expect improvement in their financial condition (34%); there is essentially no difference across occupations in the percentage expecting things to worsen. Fifty percent of those under age 50 expect their financial condition to improve; the analogous figure among those older is 26%.

## Debt

As with U.S. adults in general, debt is ubiquitous among the higher education workforce—83% carry some form of debt, and more carry 4-6 sources of debt than carry no debt (22% and 17%, respectively) (Figure 6). One-half of higher education employees carry housing debt, i.e., a mortgage, home equity loan, or both. Credit card debt and car loans are the next most common debt sources carried. Thirty-nine percent of higher education employees have outstanding student loans—25% for themselves and 24% for a spouse, partner, child or other family member.

**Figure 6. Debt**

Over 80% of higher education employees carry debt.



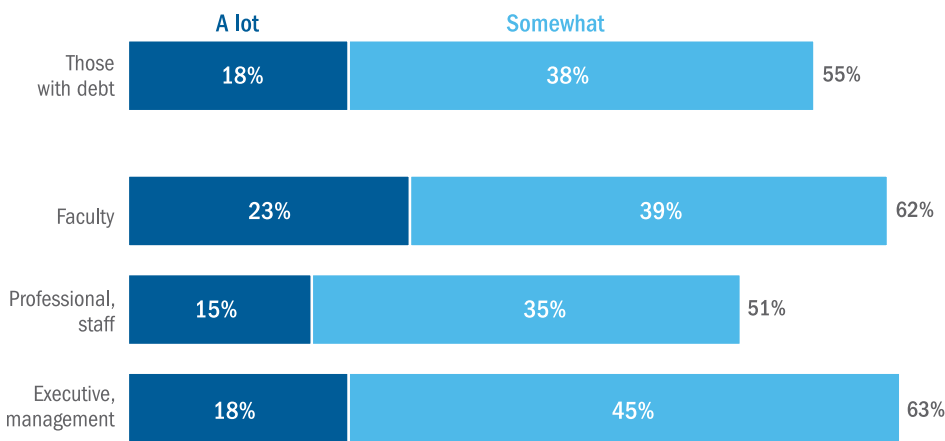
Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Fifty-five percent of those carrying debt are debt constrained, i.e., their level of debt and debt payments prevent them from adequately addressing other financial priorities (Figure 7). Debt constraint is more common among faculty and administration than staff. Two-thirds of debtors under age 50 report being debt constrained compared with 37% of their older peers.

## Figure 7. Debt constraint

Over one-half of those with debt are debt constrained.

Is your level of debt and debt payments preventing you from adequately addressing other financial priorities?



Source: Higher Education Financial Wellness Survey, CUPA-HR and TIAA Institute (2020).

Student loans disproportionately affect debt constraint—76% of those with student loan debt are debt constrained, including 30% who report that they are constrained a lot. The analogous figures among those with debt, but no student loan debt, are 37% and 7%, respectively.

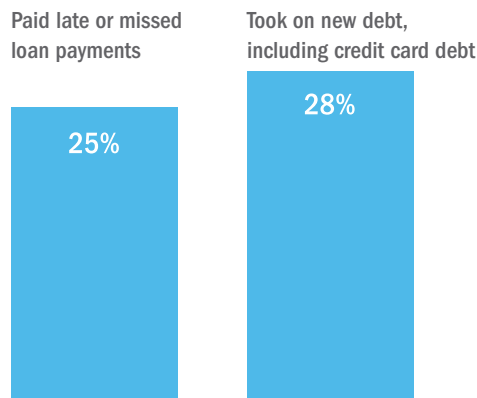
## COVID-19 and debt

Not surprisingly, COVID-19 led to debt issues for some borrowers. Almost 30% took on new debt, including credit card debt, because of financial hardship resulting from COVID-19 and its economic consequences (Figure 8).<sup>5</sup> This was more common among faculty and those in administration (37% and 41%, respectively) than staff (22%). Borrowers under age 50 are more likely than their older peers to have taken on new debt, 39% compared with 10%.

### Figure 8. COVID-19 and debt

COVID-19 has led to debt issues for some borrowers in the higher education workforce.

Because of financial hardship resulting from COVID-19...



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

In addition, 25% of borrowers have missed or been late with loan payments, including credit cards, because of financial hardship resulting from COVID-19 and its economic consequences (Figure 8). This was more common among faculty and those in administration (36% and 38%, respectively) than staff (16%). Borrowers under age 50 are more likely than their older peers to have been late with loan payments, 35% compared with 8%.

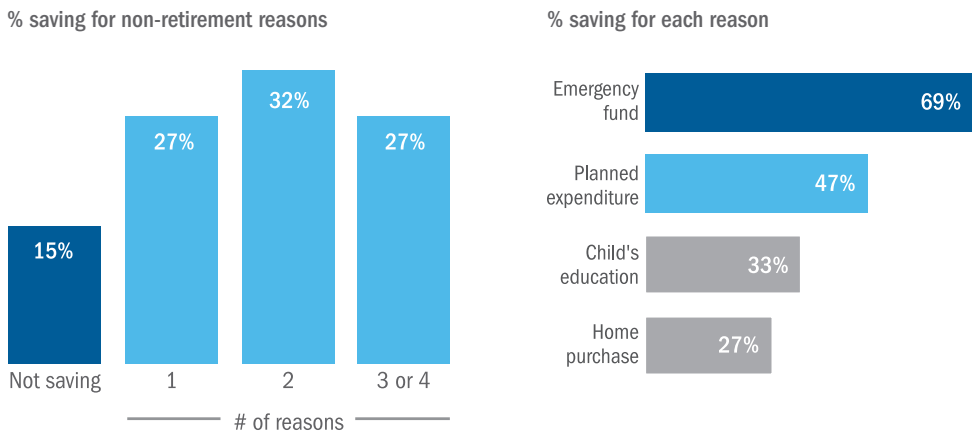
<sup>5</sup> Eleven percent of retirement savers have taken a loan from a retirement savings account because of financial hardship resulting from COVID-19, while 17% have made a withdrawal. On net, 24% have done either or both.

## Saving

Eighty-five percent of college and university full-time employees are saving for a reason other than retirement, with most saving for multiple reasons (Figure 9). Approximately 70% are saving to build an emergency fund, the most common reason for saving. This percentage does not vary among faculty, staff and administration. It is lower among employees age 60 or older (57%) than their younger peers.

**Figure 9. Non-retirement saving**

Over 80% of higher education employees are saving for a non-retirement reason.



Source: Higher Education Financial Wellness Survey, CUPA-HR and TIAA Institute (2020).

Prior to the onset of COVID-19, 78% of higher education employees had non-retirement savings that could help cover expenses in case of sickness, job loss, economic downturn or other emergencies. Emergency savings was most common among faculty and administration, but even 74% of staff reported some. It was also common across age groups. Over one-third (37%) of those with emergency savings have used at least some of it since the onset of COVID-19. This is most common among those under age 40 (58% of whom have tapped their emergency funds) and progressively less common at older ages. It is also most common among those in administration (55%) and least common among staff (30%).

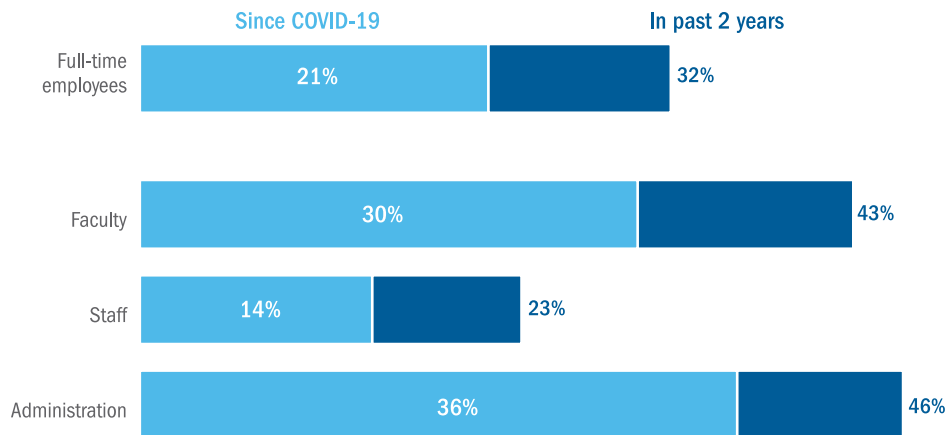
A large expenditure planned within the next two years is the second most common (47%) non-retirement reason for saving among higher education employees (Figure 9). In addition, one-third are saving for a child’s education and 27% are saving for a home purchase. Saving for a home purchase is most prevalent among those under age 40 (44%). Close to one-half of those under age 50 are saving for a child’s education.

## Advice

One-third of full-time employees in higher education have received financial advice on issues not related to retirement from a professional advisor or advisory service within the past two years; 21% have received such advice since the onset of COVID-19 (Figure 10). Many who have not received financial advice within the past two years are interested in doing so, 10% are very interested and 39% somewhat interested.

**Figure 10. Financial advice**

One-third of higher education employees have received non-retirement financial advice within the past 2 years.



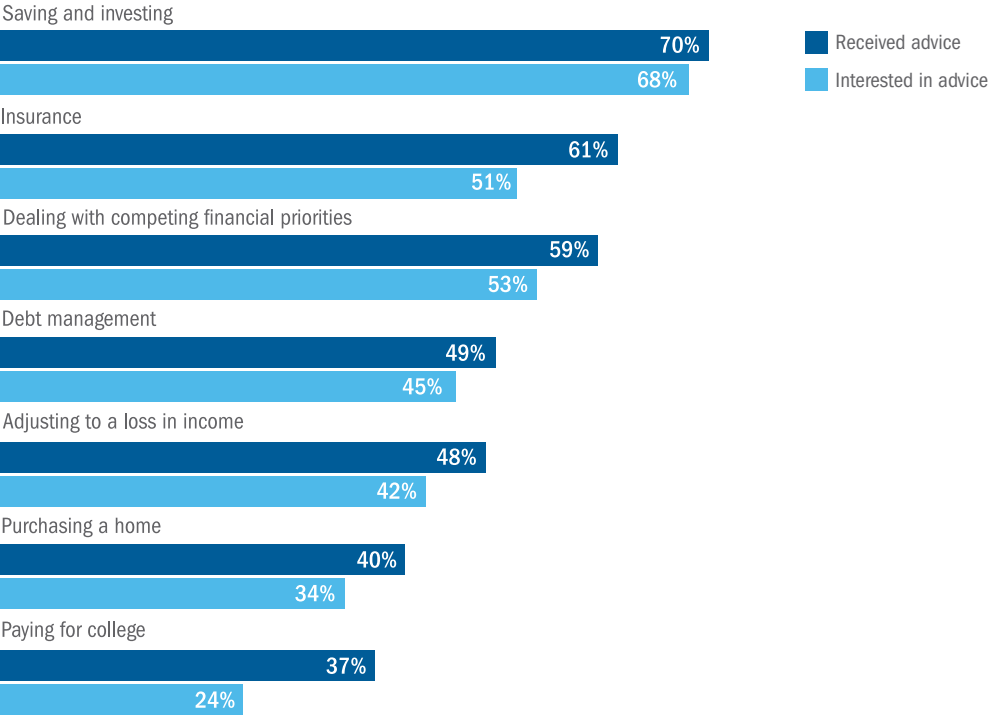
Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Staff are least likely to have received advice within the past two years; only 23% have done so. With that said, 47% of staff who have not received advice are at least somewhat interested in doing so. Those age 50 or older are less likely than their younger peers to have received financial advice, 21% compared with 40%. They are also less likely to be at least somewhat interested if they have not already received advice, 40% compared with 58%.

Saving and investing is the topic on which advice has most commonly been received, as well as the topic of most interest among those interested in receiving advice (Figure 11). Insurance and dealing with competing financial priorities are the two next most popular topics in terms of advice received and advice of interest. In fact, the rank ordering of topics in terms of advice received and advice of interest is almost identical.

### Figure 11. Financial advice

Saving and investing is topic of most interest.



Source: Higher Education Financial Wellness Survey, CUPA-HR and TIAA Institute (2020).

## Discussion

COVID-19 has negatively impacted personal finances for a significant minority of higher education's full-time workforce. This is reflected in objective experience and subjective evaluations.

By the beginning of the Fall 2020 semester, 35% of college and university full-time employees had experienced a decrease in income due to furlough or salary reduction. Almost 30% had tapped into emergency savings because of the pandemic and its economic consequences. Almost 25% had taken on new debt, including credit card debt, because of financial hardship resulting from the pandemic.

Individuals' subjective evaluation of their personal finances in the context of COVID-19 reveal their perspective on their experience, and also provide more general insight into how individuals view financial well-being, particularly in the context of changing financial circumstances.

At the beginning of the Fall 2020 semester, one-quarter of higher education's full-time workforce reported that their overall financial condition had worsened since the onset of COVID-19; at the same time, one-quarter reported improvement. Improved personal finances in the context of the pandemic may seem surprising at first take, but could certainly result from decreased discretionary spending among many individuals who largely remained at home for extended periods of time.

Looking forward, 30% of those who had experienced a worsened financial condition expected further deterioration over the next year. Forty-five percent of all full-time higher education employees were very or somewhat concerned about losing their job within the next two years.

Even prior to the pandemic, employers, including colleges and universities, have been increasingly focused on the overall financial wellness of their employees. Moving forward, these findings highlight the importance of financial wellness programs that inform individuals' self-evaluations regarding their financial well-being with objective indicators along relevant dimensions. This identifies particular areas on which the individual should focus, for example, a low level of emergency savings. These findings also point to the importance of financial literacy. Financial literacy is knowledge and understanding that enable individuals to make appropriate financial decisions, which is particularly important in times of financial stress. Unfortunately, most U.S. adults had woefully low levels of financial literacy heading into the pandemic.<sup>6</sup>

<sup>6</sup> See Yakoboski, Paul J., Annamaria Lusardi and Andrea Hasler, *The 2020 TIAA Institute-GFLEC Personal Finance Index: Many Do Not Know What They Do Not Know*, TIAA Institute and Global Financial Literacy Excellence Center (April 2020).



## About the authors

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