

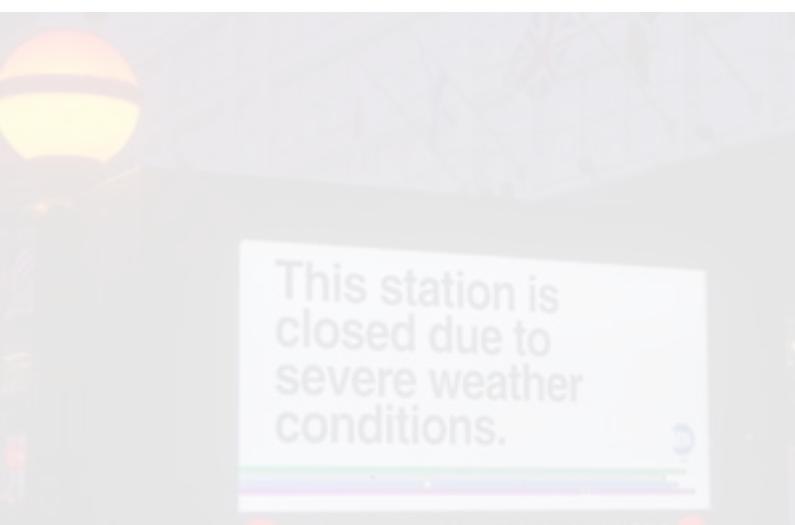


commonwealth

Feeling the Heat:

Climate Change's Impact on Worker Financial Security

OCTOBER 2023



Acknowledgements

Thank you to Commonwealth research team contributors to this report and the associated analysis: Paula Grieco, Elizabeth Dobrska, Charles de la Cruz, and Katia Diaz. Thank you to the Commonwealth communications team: Paula Grieco, Elizabeth Dobrska, Allison Newman, Katia Diaz, Ashley Ann Wolfe, and Teresa Willand. Additional contributions from: Peter Tufano, Catherine New, and Kristen Elworthy.

Commonwealth would also like to thank Logica for their contributions to this project.



Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx, and women-led households disproportionately experience financial insecurity due in large part to longstanding, systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth's work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 2 million people to save nearly \$8 billion in savings. Commonwealth understands that broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.



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Foreword

Provided by Peter Tufano

Chair and Co-Founder, Commonwealth
Professor, Harvard Business School
Senior Advisor, Salata Institute for Climate and Sustainability

Mother Nature’s power to both sustain and take away life has perhaps never been so clear as with the current climate crisis and its most present manifestation: more frequent and extreme weather events. Denialism or posturing can’t alter the outcome, because Mother Nature has no regard for our political parties, ideologies, economies, GDPs, national boundaries, or culture wars. Mother Nature doesn’t take sides, but she has an undeniably profound impact.

This Commonwealth Report, *Feeling the Heat: Climate Change’s Impact on Worker Financial Security*, provides a window into understanding the impact on the financial lives of workers in the United States earning low to moderate incomes (LMI). Mountains of scientific evidence (and news coverage) demonstrate that we are experiencing unprecedented extreme weather that has economic and public health implications. Equally convincing attribution science shows that these weather patterns have been exacerbated by climate change. Adding to this body of evidence, Commonwealth has turned to its core stakeholders—workers earning low to moderate incomes with annual incomes under \$80,000—to assess how extreme weather affects their finances, asking:

- Have you experienced extreme weather?
- How, if at all, has it affected your financial lives?
- What support would you like to see to help families like yours deal with extreme weather?

Their answers are revealing and remind us of the importance of addressing climate change.

HAVE WORKERS EARNING LMI EXPERIENCED EXTREME WEATHER?

Yes, and more so recently. In the last 12 months, survey participants reported personally experiencing high levels of pollution (74%), extended heat waves (53%), extreme cold weather or freezes (51%), droughts (48%), wildfires (46%) and other extreme weather. Like climate scientists, they judge that extreme weather is becoming more frequent (82%) and more severe (also 82%). Similarly, more than eight in 10 (81%) agree with the statement that extreme weather “is becoming more common because of climate change.”

HAS IT AFFECTED THEIR FINANCIAL LIVES?

Yes, and on many fronts. While a large body of public health research links extreme weather to adverse medical outcomes, this Commonwealth study is one of the first to trace the line between extreme weather and *financial* outcomes of U.S. workers living on LMI. Those harmed by extreme weather identified effects on their work (70% of those impacted); education (55%); financial situation (54%); home or living situation (52%); financial opportunities (49%); and finally, health (47%). While the impacts of extreme weather on health are well documented, these financial and life impacts

are even more prevalent than health impacts. These financial effects are not simply short term in nature, but 20-40% of those affected report effects lasting between one and four years (mid-term impact). This includes financial opportunities (43%), financial situation (41%), health (26%), home/living (24%), education (19%), and work (16%). These effects overwhelm many workers, with 46% reporting that if extreme weather were to impact them tomorrow, they are not confident in their ability to financially recover (e.g., pay for damages and medical expenses).

WHAT SUPPORT DID FAMILIES EARNING LMI RECEIVE TO DEAL WITH EXTREME WEATHER? WHAT SUPPORT WOULD THEY LIKE TO SEE?

Friends and family came to the rescue—but institutions need to do more in the future. Among those who were affected by extreme weather, support by family and friends was cited more frequently (24%) than support by government, community groups, financial institutions, or other groups. When asked whom they’d *like to see* providing support, the results were very different. Those surveyed would have preferred that support from government, community organizations, and financial institutions be 1.6 to 2.7 times as frequent as actually observed. In addition, there was a demand for employers to do more, with more than 80% calling for some sort of expanded employer response (e.g., paid time off, flexibility in work schedules, financial resources, extended time off, etc.).

WHERE DO WE GO FROM HERE?

Clearly, we need to acknowledge the financial hardship of extreme weather and create programs and policies—by governments, communities, and businesses—to help people cope with ever-more-regular “extreme” events that we read about every day. Yet, while the Commonwealth survey addresses the symptoms of climate change—extreme weather-induced hardship—we need to get to the root of the problem: to reduce greenhouse gas emissions to net zero to stop further climate warming that produces the extreme weather that families experience. About 60% of workers remain hopeful that “We as a society can solve this climate crisis,” with 18% being pessimistic and 22% simply being unsure. To deliver a solution to those who remain hopeful—and even to those who have less hope, we need to act. This involves decarbonizing our economies and societies. These actions may be costly and difficult, but studies show that *not acting* will ultimately prove to be even more costly and more difficult—with the burden disproportionately borne by the poor.

Even acknowledging the existence of climate change—let alone doing something about it—is being used as a cultural and political litmus test for some, especially in the U.S. We need to turn down the heat on political posturing, act quickly and responsibly, and enable Mother Nature to turn down some of the heat on the planet. Until we cool the former—and get to work, we have little hope to cool the latter. Fortunately, some important public policies (such as the Inflation Reduction Act or IRA) and foresighted companies—startups and large firms—are providing role models. This Commonwealth survey of U.S. workers provides useful guidance for employers who must not only decarbonize their businesses to ultimately slow down extreme weather events, but also support their employees who must deal with these all-too-frequent burdens.

93%

of workers earning LMI report experiencing unusual or extreme weather due to climate change.

Executive Summary

In this new report, Commonwealth is examining a critical, yet hidden, cost of climate change: its impact on worker financial security. As unusual and extreme weather events continue, the role of employers and other institutions will become increasingly pivotal in mitigating its short- and long-term effects on worker financial security.

In 2022, the U.S. experienced 18 separate climate disasters, each costing more than \$1 billion in damages and totaling close to \$200 billion. This tally—of the major events only—greatly underestimates the true cost of climate change.

Climate change's repercussions put an additional financial burden on those with the [fewest resources](#) to manage financial and life stressors, and its impact on workers has increased dramatically in recent years, particularly for labor-intensive jobs, service positions, and/or those who are working outdoors.

When workers experience extreme or unusual weather events, there are implications for productivity, employers' bottom lines, and employees' financial security. For instance, in 2021, employers lost [more than 2.5 billion hours](#) of labor across agriculture, construction, manufacturing, and service sectors due to heat exposure. In 2023 (as of September 11), there have been [23 confirmed weather/climate disaster events](#) with losses exceeding \$1 billion each to affect the U.S. These events included 2 flooding events, 18 severe storm events, 1 tropical cyclone event, 1 wildfire event, and 1 winter storm event. Overall, these events resulted in the deaths of 253 people and had significant economic effects on the areas impacted.

To better understand the impact of extreme or unusual weather (climate events) on workers earning LMI—and in particular, its impact on their financial situation—**Commonwealth conducted a survey of 1,200 workers in the U.S. with household incomes between \$30,000 and \$80,000.** More than 80% of workers in our survey agree: extreme or unusual weather is happening more frequently, becoming more severe, and becoming more common because of climate change.

This report summarizes our findings from that survey, including the financial impact that workers say they are experiencing due to climate change; how their health, well-being, and living situations have been impacted; and their perceptions of what institutions can—and should—be doing to mitigate the impact of climate change on workers' finances.



Not being able to work means no income. No income means inability to pay bills and being hungry."

- Survey respondent

In spring and summer 2023, the world was experiencing its [hottest summer on record](#), with unprecedented heat waves roiling the U.S. and the globe. Extreme drought led to wildfires across Canada for much of the year with the [effects of toxic smoke](#) reaching as far as New York City, which for a time had the worst air quality in the world. These fires also spread to the Midwest, the Great Lakes, and other parts of the Northeast. At the same time, the team at Commonwealth was working on this report and survey that demonstrated the devastating impact of climate change on workers' financial situations, livelihoods and well-being—particularly those earning low and moderate incomes.

Key findings include:

- **54% of workers surveyed reported that extreme weather is negatively impacting them, their family members, and those they know.** Workers surveyed identified effects on their work, education, financial situation, home or living situation, financial opportunities, and health. Climate change is also affecting the financial security of workers, with 49% of respondents saying they have become less secure in their financial situation, and 28% have lost their financial stability altogether.
- **Unusual or extreme weather events are significantly disrupting the work of those surveyed, leading to broader implications for their financial situations and opportunities.** Forty-nine percent of workers earning LMI have experienced negative changes in their work due to climate change. Meanwhile, 46% of workers surveyed are not confident that they could financially recover if unusual or extreme weather were to impact them tomorrow.
- **Workers who are Black, Latinx, and/or women with dependents are disproportionately impacted by climate change and face more challenges to their financial well-being that will make it harder for them to achieve and maintain financial stability.** In fact, 58% of Black workers and 52% of Latinx workers report having their work impacted by extreme or unusual weather, as compared to 46% of white workers.
- **Workers are looking to employers to mitigate the financial effects of extreme or unusual weather, with more than 80% calling for an expanded employer response.** Over half of workers would feel relieved if their employer helped them if something were to happen due to unusual or extreme weather.
- **Workers also believe financial institutions and the government have an important role to play.** While only a handful of workers have received support from financial institutions after experiencing extreme or unusual weather, 23% feel they should be providing aid. Meanwhile, 73% of workers surveyed say the government has a role to play in supporting those impacted by climate change.

These findings are consistent with Commonwealth's [research](#) that indicates employers, financial institutions, and the government may play key roles in enabling the financial security of workers earning LMI—who are disproportionately women, Black, and Latinx. As climate change continues to disrupt worker productivity and their financial security, each of these institutions will be critical resources for mitigating the impact of extreme or unusual weather through proactive and reactive measures, ensuring that climate change does not further widen the racial and gender wealth gap.

54%

of workers surveyed reported that **extreme weather is negatively impacting them, their family members, and those they know.**

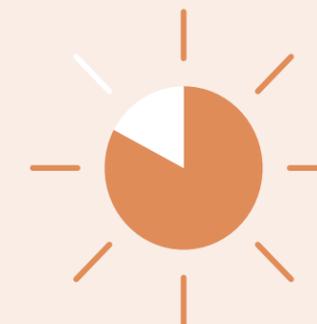


49%

of workers earning LMI have experienced **negative changes in their work due to climate change**

83%

of workers are calling for an **expanded employer response** to mitigate the financial effects of extreme or unusual weather



73%

of workers surveyed say **the government has a role to play in supporting those impacted by climate change.**



1. Workers earning LMI are increasingly experiencing extreme and unusual weather.

Workers earning LMI in the U.S. are increasingly recognizing the impact that extreme or unusual weather has on their day-to-day lives and finances. A distinct majority shared that they had experienced extreme weather, such as high levels of pollution, extended heat waves, extreme cold, droughts, or wildfires—in many cases, more than once in the past year.

83%

of workers report experiencing extreme weather events such as droughts, floods, hurricanes, tornadoes and wildfires, **within the last year.**

77%

of workers report experiencing unusual or extreme weather events **multiple times per year**. 83% of workers earning LMI today have experienced multiple types of unusual or extreme weather events, such as droughts, floods, hurricanes, tornadoes and wildfires, **within the past year**.

Families earning LMI report experiencing extreme weather

In the last 12 months, survey participants reported personally experiencing:



74%
high levels of pollution



53%
extended heat waves



51%
extreme cold weather or freezes



48%
droughts



46%
wildfires

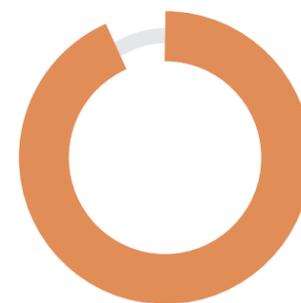


and other extreme weather

What qualifies as “extreme or unusual weather” or climate change?



Throughout this report we use the term climate change to refer to unusual or extreme weather events. Examples include: disasters such as droughts, floods, hurricanes, tornadoes, unusual or extreme temperatures such as heat waves or freezes, unusually large storms, wildfires, unusually high winds, or high amounts of pollution.



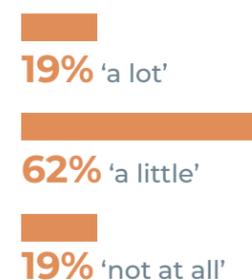
93%

have experienced unusual or extreme weather with climate change



81%

say it is increasingly impacting their day-to-day lives at least ‘a little’:



My hope would be that the whole community, government, and businesses work together to help people during an extreme weather event.”

- Survey respondent



2. Workers earning LMI are experiencing significant work disruptions due to climate change.

The effects of climate change have rippled through individuals' lives—primarily disrupting work patterns and income sources of workers. These disruptions to workers' homes, work, and family—as well as their financial security and opportunities—are particularly salient for workers living on low incomes (as opposed to those living on moderate incomes) and those who are Black and Latinx (as compared to white workers).

49%

of all workers earning LMI have personally experienced negative changes in their work due to extreme or unusual weather.

49%

of all workers earning LMI have personally experienced negative changes in their work due to extreme or unusual weather.

Black and Latinx workers are disproportionately impacted:



of Black workers



of Latinx workers



of white workers



My greatest worry is not being able to work regularly. I want to keep up with financial obligations.”

- Survey respondent



Work closures have affected one in three workers



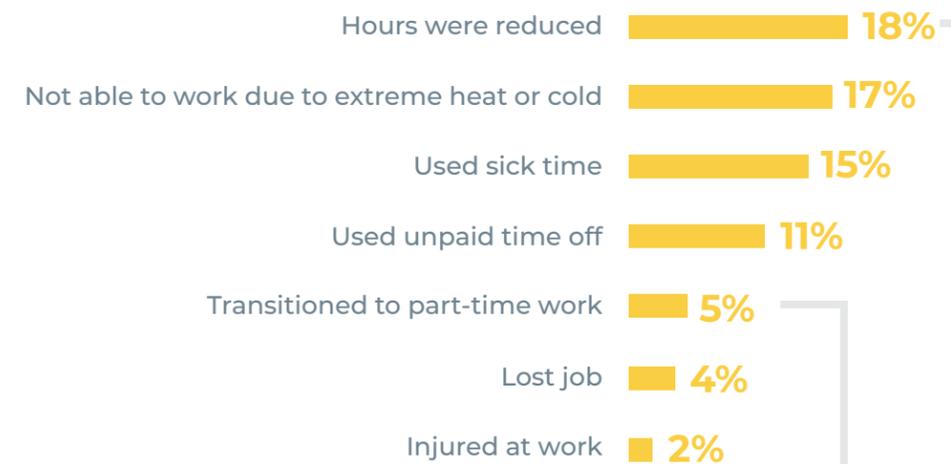
Work was closed



Not able to get to work



Used paid time off



10% of Black workers had to transition from full-time to part-time work

27% of Black workers have experienced changes in their hours at work



3. Climate change is increasing worker financial instability.

As climate change shakes the foundations of worker financial security—in particular, shifts in work schedules, reduced hours, or workplace closures, which result in job loss and reduced financial stability—there are broader implications for their financial lives. More than one-third of workers worry that they would be unable to recover financially if extreme or unusual weather were to impact them tomorrow. In order to manage decreased financial security on their own, workers are tapping into savings, monitoring their spending, and finding additional sources of income or taking on loans. As a result, some worry about paying their bills or getting behind financially.

46%

of workers are not confident that they could financially recover if unusual or extreme weather were to impact them tomorrow.

Workers report that their work has been impacted



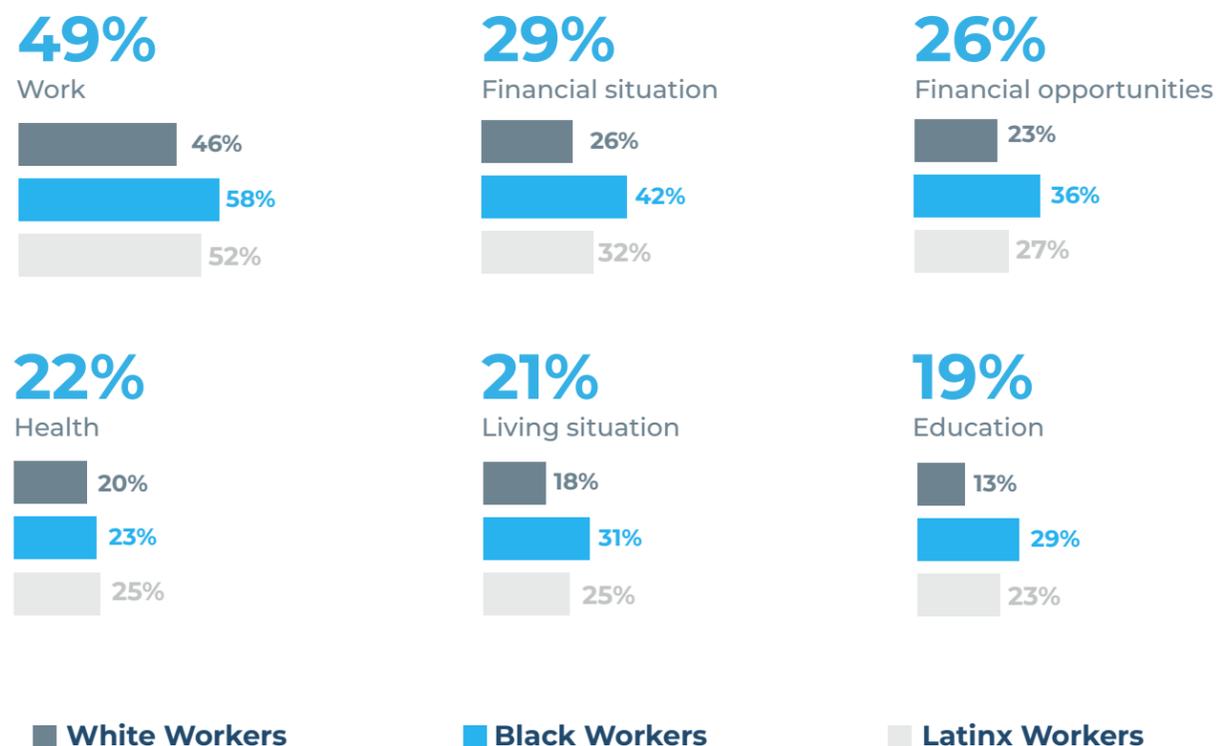
of workers say their work has been personally impacted by unusual or extreme weather.

Workers report that their family and community are also experiencing the negative impacts of climate change



of workers who were harmed by extreme or unusual weather reported that they, a member of their family, or someone they knew had their financial situation impacted.

Of workers harmed by extreme and unusual weather, Black and Latinx workers were disproportionately impacted:



Black and Latinx worker communities are significantly more likely to be impacted:

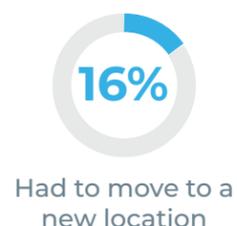
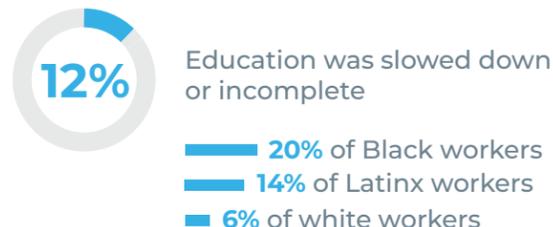
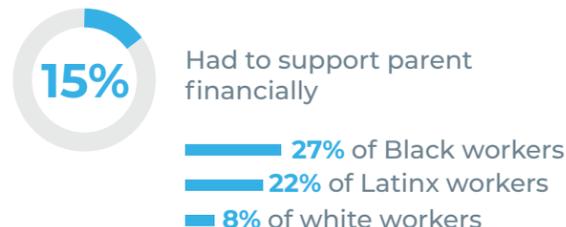


I think my biggest worry was financial with work being closed and not being able to make up the hours. I basically live paycheck to paycheck so any disruption in pay can put me behind."

- Survey respondent

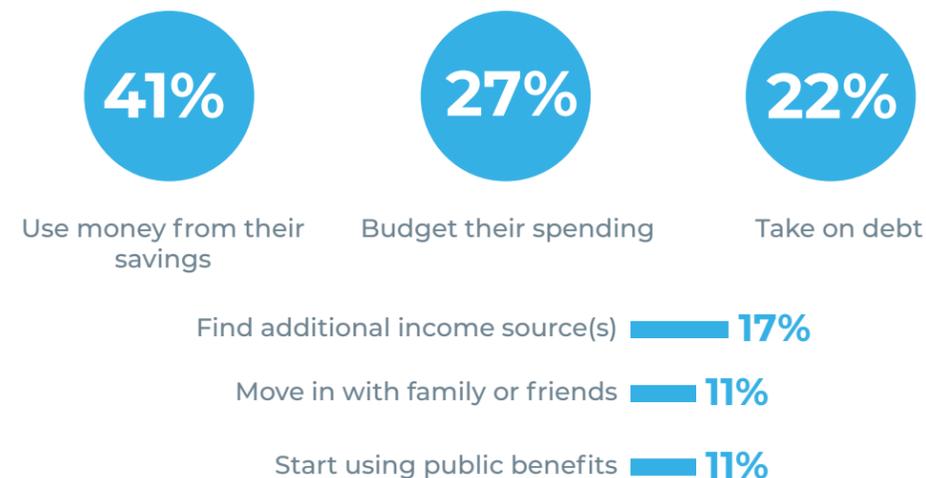
Unusual or extreme weather decreases financial stability

Black and Latinx workers are more than twice as likely as white workers to need to support their parents financially or slow down their education due to the impact of unusual or extreme weather.



Workers have to tap into savings and rely on other sources to cope with extreme and unusual weather impacts

As a result of unusual or extreme weather and its financial impact, workers have also had to take on debt, find additional sources of income, use public benefits, or move.



Workers report unusual or extreme weather has reduced their annual income



Over a quarter of workers are not able to pay off debt and are hindered from saving

One-third of women are less able to save for other emergency expenses, while Black workers are also less able to pay for special events (20%) or begin investing in the stock market.



Ability to save for other emergency expenses



Ability to pay off debt



Ability to save for retirement

Ability to pay for a vacation **20%**

Ability to buy a car **13%**

Ability to pay for a special event **12%**

Ability to receive or pass down inheritance **11%**

Ability to buy a house **10%**

Ability to save for higher education **10%**

Ability to invest in the stock market **7%**

33% of women have also struggled to save for other emergency expenses compared to **26% of men**.





4. Long-term generational setbacks could result from challenges to work, education, living situation, and health due to unusual and extreme weather.

While workers expect that the overall impact from extreme or unusual weather on their work, education, living situations, and health will be shorter-term, more than half of respondents said they expect mid- or long-term effects on their financial situation and opportunities. Workers also reported issues with housing (which impacted younger workers more than older workers), their mental health (which disproportionately impacted Gen Z and Millennial respondents, women, and parents) and education (which impacted Black women with dependents more than other respondents). These challenges present the potential for a generational setback—particularly as housing stability and education are key factors to long-term financial security.

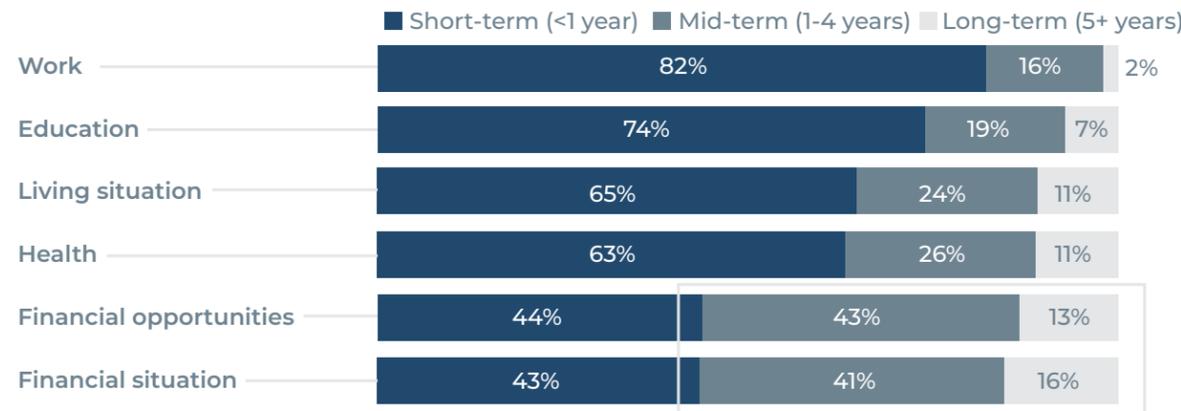
57%

of workers expect mid- and long-term impacts to their financial situation.

Short-, medium- and long-term impact of climate change



57% of workers expect mid- to long-term impacts to their financial situation while **56% expect impact** to their financial opportunities.



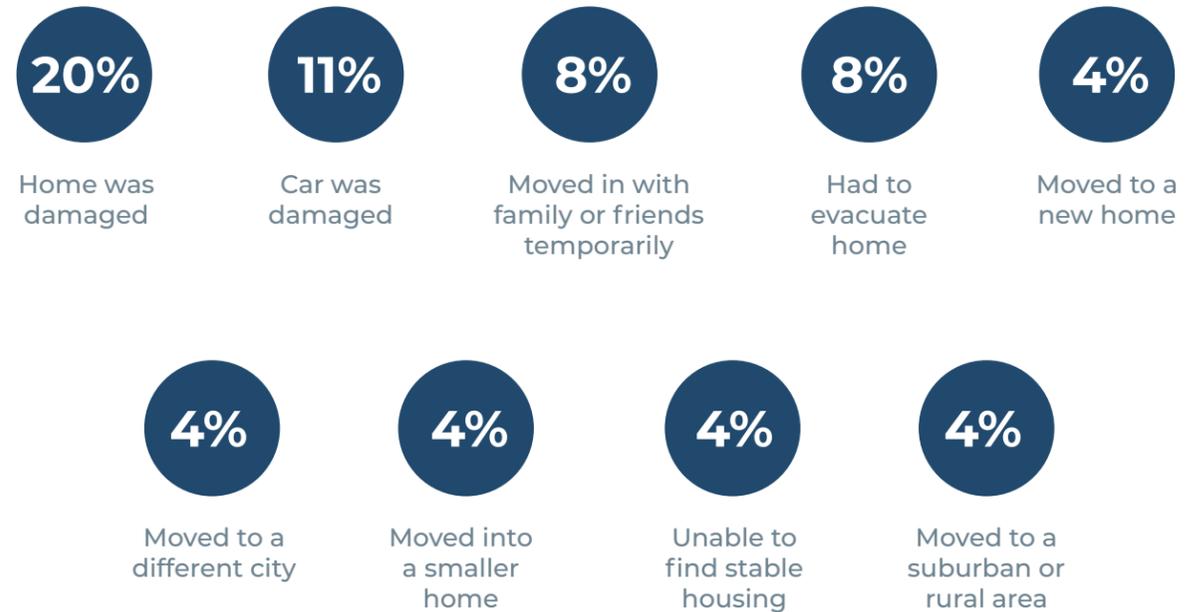
57% believe climate change is impacting them more than their parents' and grandparents' lives.



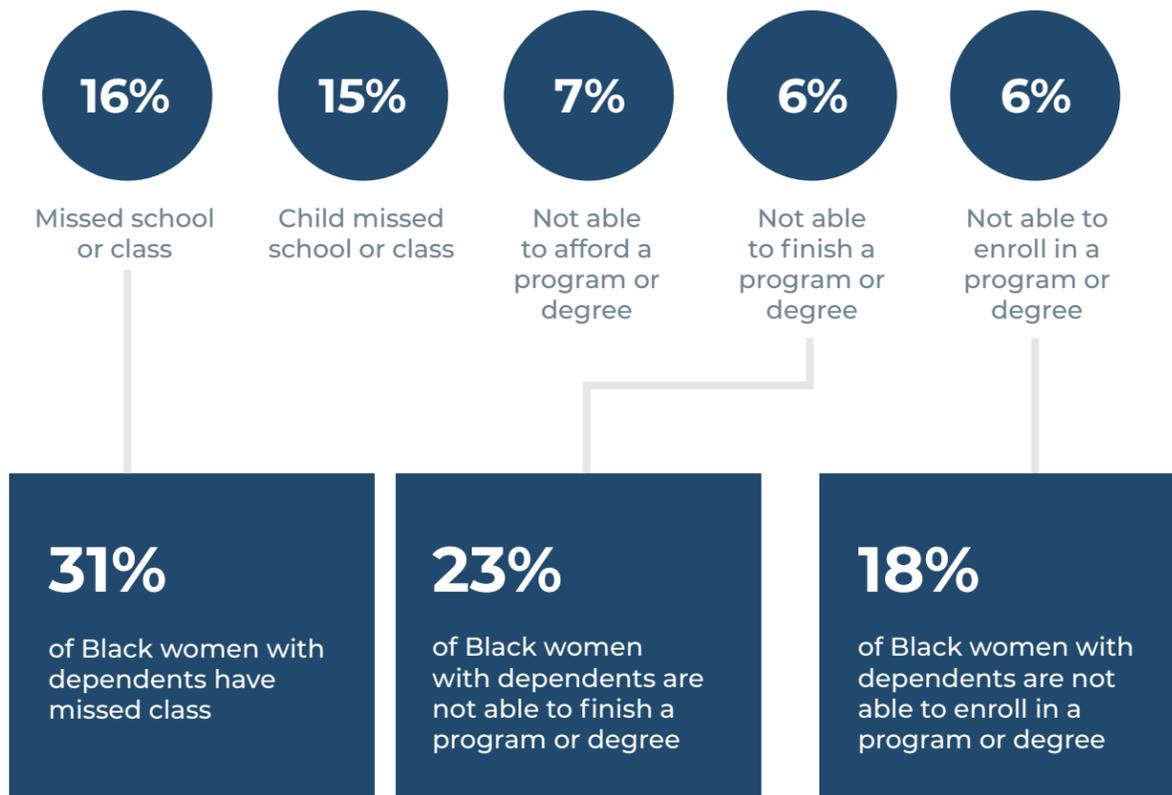
Recovering from disasters requires a lot of time and assistance for years. I wish people will give and receive the support needed to get people back on their feet."

- Survey respondent

Living situations of workers have been impacted



The education of workers and their children have been disrupted



Unusual or extreme weather has impacted workers' mental health





5. Addressing climate change and its impact on workers and their financial security requires support from multiple stakeholders, including employers and financial institutions.

Workers are calling for support from employers, financial institutions, and the government—all of which play key roles in supporting the financial security of workers impacted by climate change. A multi-faceted approach to supporting workers who are financially impacted by climate change could arm them with time off or flexibility, financial support, or affordable options in bank fees or loan payments—all tactics that could help manage the financial stress on workers.

83%

of workers are calling for an expanded employer response to mitigate the financial effects of extreme or unusual weather



83%

of workers are **calling for an expanded employer response** to mitigate the financial effects of extreme or unusual weather*

73%

of workers say the **government has a role to play** in supporting those impacted by climate change*

23%

of workers believe that **financial institutions should be playing a larger role** in providing aid to workers impacted by unusual or extreme weather*

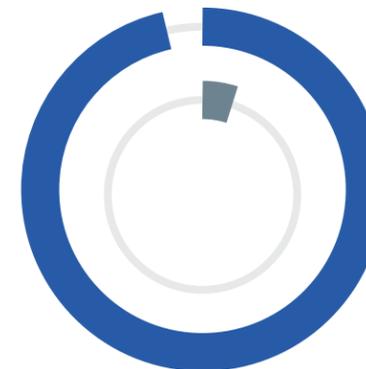
*Respondents answered a multi-select question with the option of choosing more than one answer. Responses will not add to 100%.



My greatest hope would be for companies, financial institutions and governments to come together. No one chooses these type of circumstances, therefore let's think of what other people might be going through and how it affects them financially today and more importantly in the future."

- Survey respondent

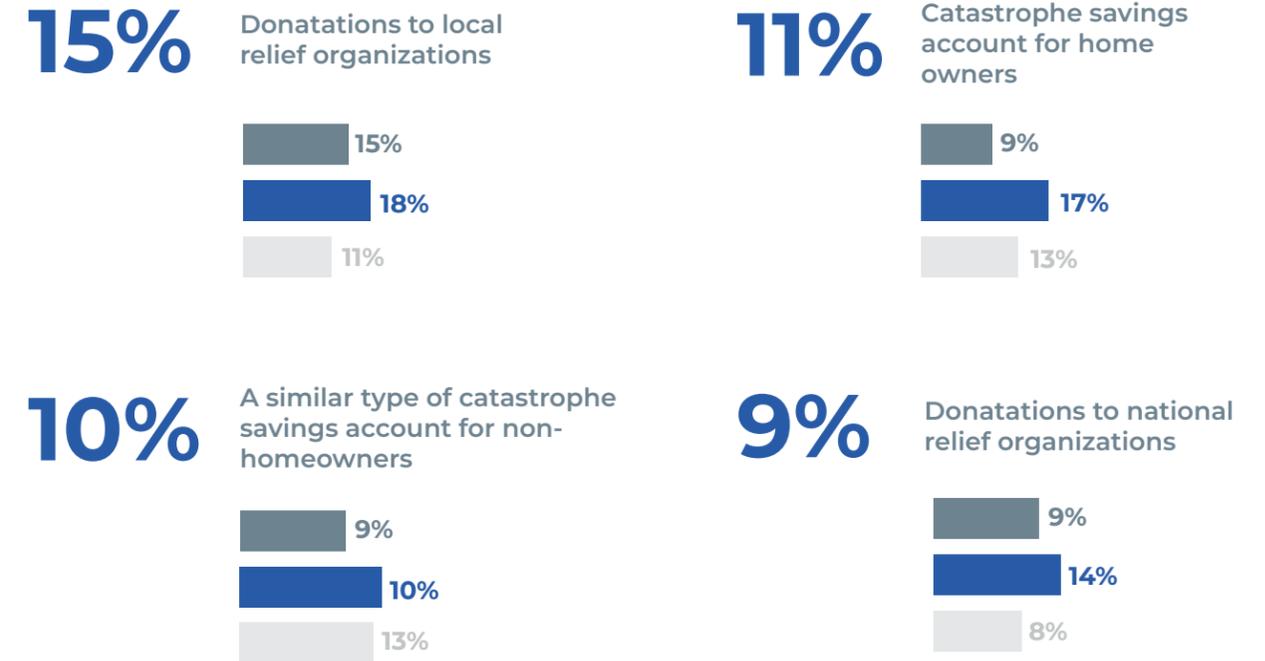
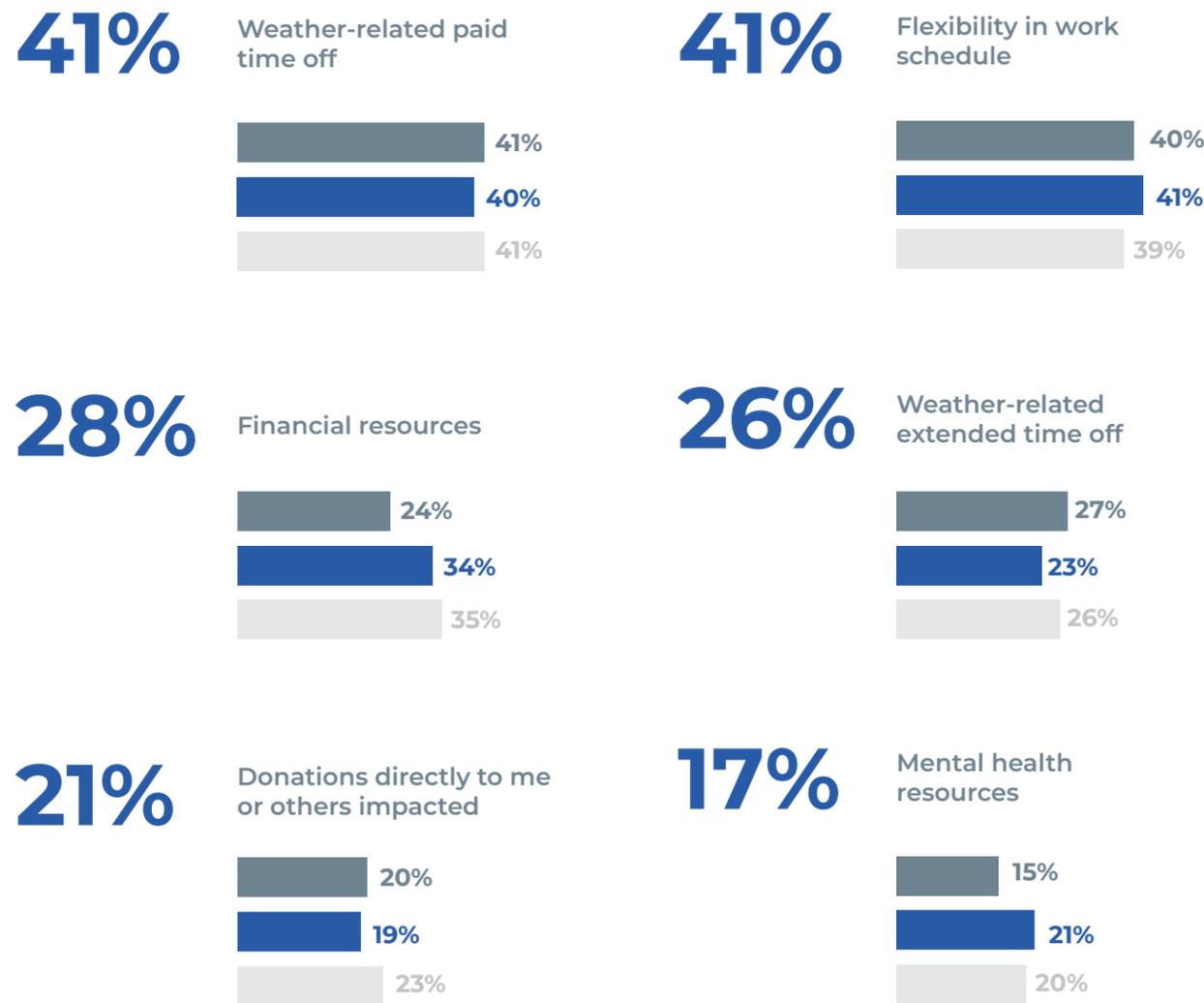
Employers have an opportunity to provide relief to workers



95% of workers would feel relieved, happy, or content/satisfied if their employer helped them if something were to happen due to unusual or extreme weather. **Only 5% wouldn't care.**

What workers would like employers to provide after an extreme or unusual weather event

■ White Workers ■ Black Workers ■ Latinx Workers



60%

of workers are hopeful that we as a society can solve the climate crisis together, while 18% are pessimistic and 22% are unsure.

Conclusion

As unusual and extreme weather becomes more frequent and severe, workers are looking to employers, financial institutions, and the government to play a role in supporting individuals and communities impacted by climate change, and to prioritize the workers who are directly and indirectly affected.

The financial impact of climate change on workers earning low and moderate incomes goes well beyond the individual. It impacts their workplace, their community, their financial institution, and ultimately society as a whole. With the disproportionate financial impact on workers who are Black, Latinx, and women, climate events also threaten to continue widening the racial and gender wealth gaps.

As we continue our work focused on the intersection of climate change and the workplace, we look towards a strategy to arm employers, policymakers, and other institutions with the information they need to support people who experience the financial effects of climate change on their work. Because the financial well-being of workers is inextricably linked to the greater economy, mitigating the financial impact of climate change on workers is essential for the benefit of employers, individuals, and ultimately society as a whole.

Climate change and its financial impact on workers and the workplace is an enormous challenge requiring deep, strategic thinking and action through robust cross-sector partnerships. Commonwealth is committed to moving this important discussion forward and is seeking far-sighted partners to collaborate.

To continue to receive updates on climate change and its impact in the workplace and to join us in this discussion email us at info@buildcommonwealth.org.

Appendix

Snapshots by gender, race/ethnicity, location, employer size and industry

Gender

MAN



WOMAN



Race/Ethnicity

WORK IMPACTED

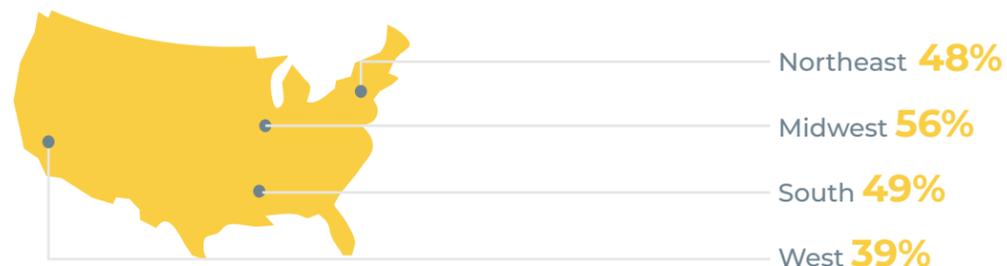


WORK NOT IMPACTED



Region

WORK IMPACTED



Employer size

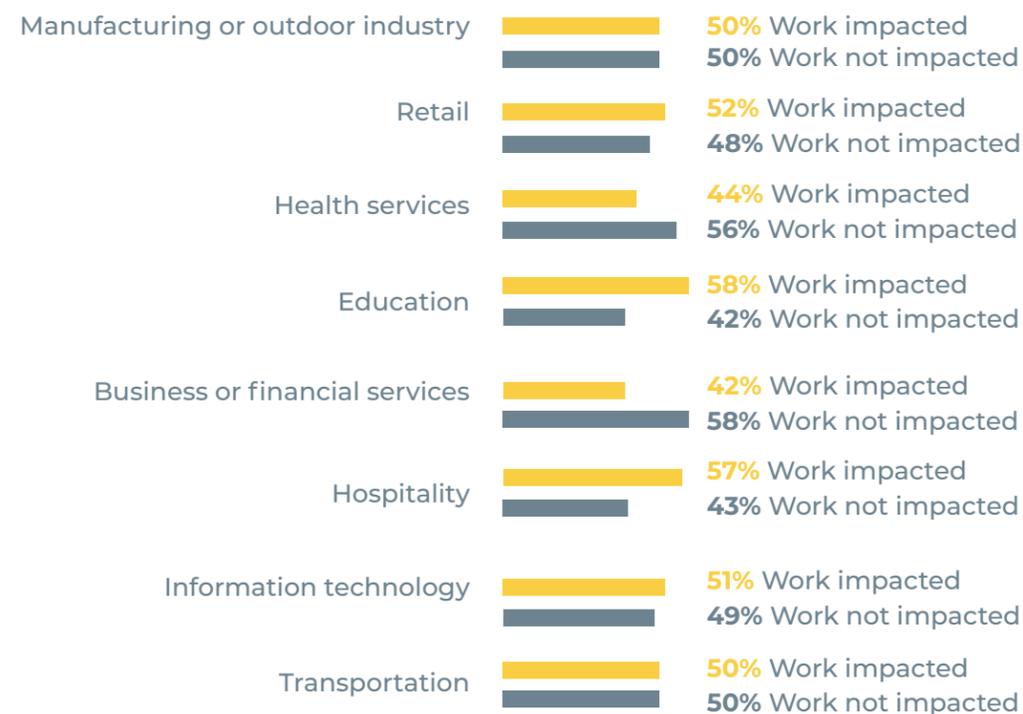
<1,000 EMPLOYEES



1,000+ EMPLOYEES



Industry





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