

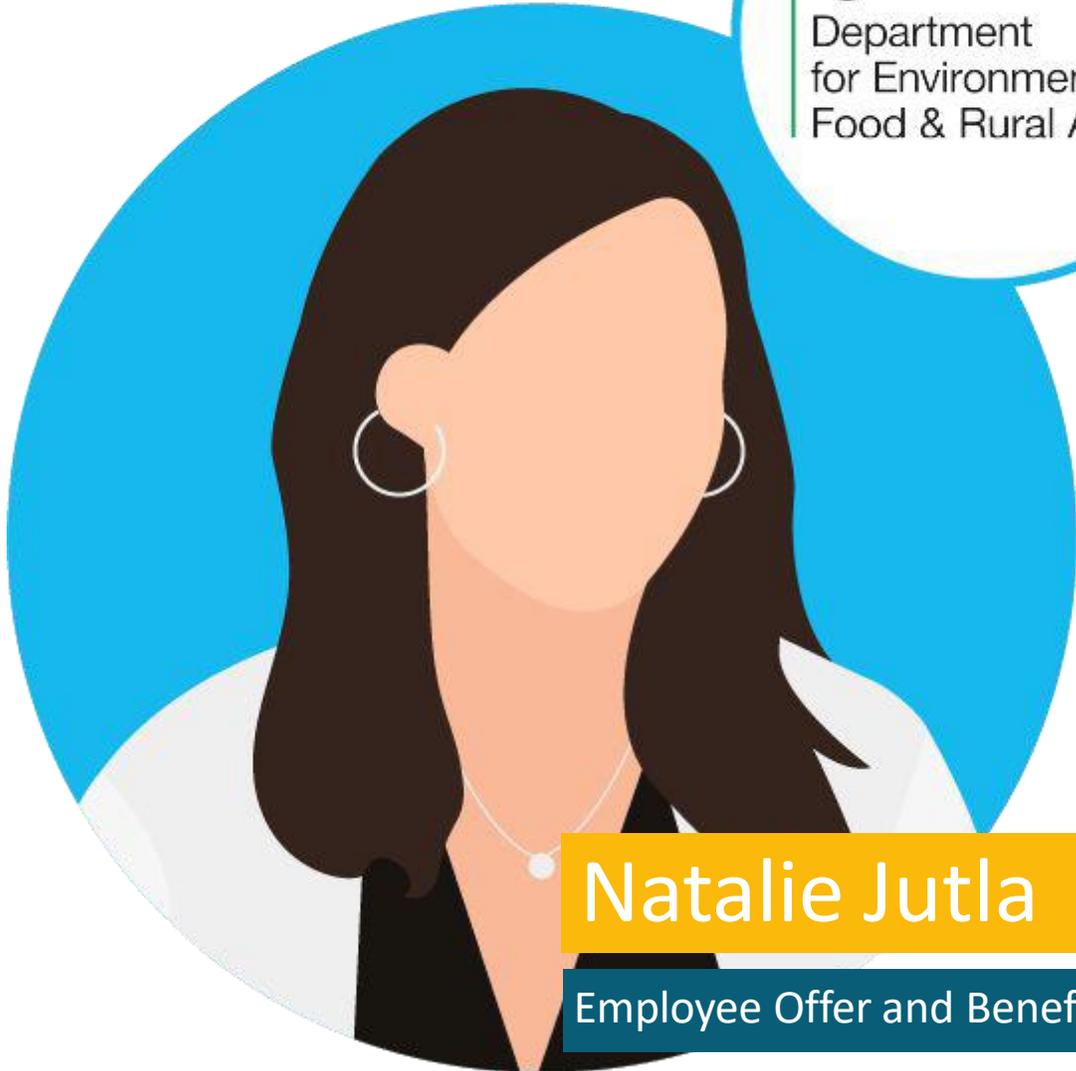
Developing effective financial wellbeing schemes

Creating a financially capable culture





Department
for Environment
Food & Rural Affairs



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Understanding the 'now'
What is financial capability?
Empowering your workforce
Preparing for the future



Understanding the 'now'

Financial Wellbeing in 2021

Financial wellbeing continues to be poor in the UK in 2021.

However COVID has seen employers start to embrace the concept of financial wellbeing, with many of their employees now telling them that they as their employer have a responsibility to provide it.

26% of employees are worrying about money on an ongoing basis

27% of employees claim to be suffering from general stress

Financial wellbeing and overall wellbeing are inextricably linked

We need to focus on a truly holistic approach



How are employers managing Financial Wellbeing?



The cost of poor financial wellbeing to organisations

Poor financial wellbeing is costing UK organisations.

Over a quarter of UK employees are worrying about money on an ongoing basis. This constant worrying is having a detrimental impact on their working lives.



26%
Of employees are worried about money



13.4x
More likely to have sleepless nights



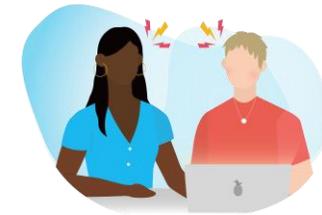
2.8
Hours a week lost on money worries



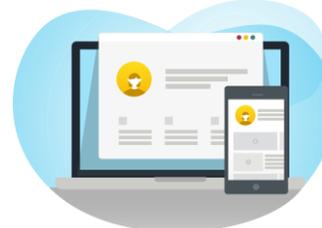
7.5x
More likely to impact quality of work



8.7x
More likely not to be able to finish daily tasks



6.5x
More likely to have troubled relationships with colleagues



3x
More likely to be looking for a new job

The consequence

20-29 Productive days lost annually

Additional recruitment costs

Additional training costs

The impact

13-17% Of salary cost

Calculating the cost of poor financial wellbeing to your organisation

A Harvard Kennedy School study determined the cost of someone leaving to an organization.

We have used the results from this study together with our findings of lower productivity to determine the overall cost of poor financial wellbeing in an organization.

The calculation is based on a combination of days and hours lost, daily tasks not completed (or not completed well) and the incremental recruitment and staff training costs due to lower retention.

In the UK today, we know that **20-29 working days are lost on average out of 240** annual working days due to poor financial wellbeing, which equated to between **13-17% of total payroll costs**.

Lower impact calculations

Average Salary

÷

Number of Employees

÷

13%

=

Your **lower** Impact

Upper impact calculations

Average Salary

÷

Number of Employees

÷

17%

=

Your **upper** Impact

The financial help employees need

There isn't one size fits all' for what kind of financial help employees want. An employee's needs are always determined by their financial health at a given point in time.

Those with low financial wellbeing would like help from their employer on how to reduce their spending and make their money go further, borrowing, paying bills, and what to do if they lose their income.

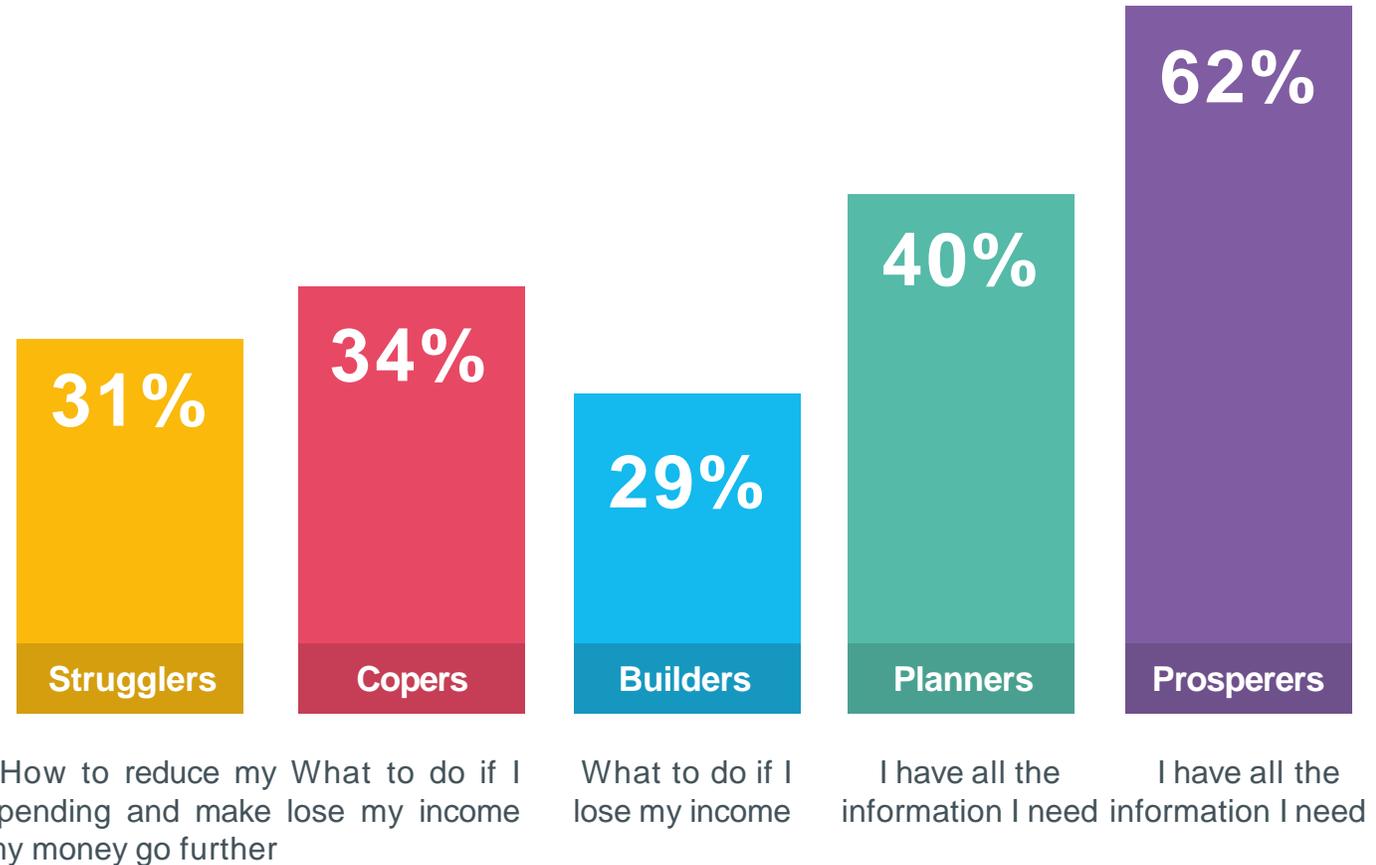
However, the majority employees with higher levels of financial wellbeing feel like they don't need much financial help from their employer.

When it comes to advice and access to tools, employers should be focusing on those who are suffering the most in order to create the most impact.

Interestingly, many employers continue to equate annual salary to levels of financial wellbeing. In particular, those employers who pay higher than average salaries tend to believe that there isn't a financial wellbeing issue in their organisations.

Our three years of data analysing the attitudes and behaviours of over 15,000 employees unequivocally shows that the mix of Strugglers, Copers, Builders, Planners and Prosperers is more or less the same across all industries.

In other words, irrespective of which industry sector you are in, it is likely that 35% of your employees are either Strugglers or Copers who are very keen to get support to get out of debt and into savings.



Surviving or thriving?

On 14 June, Aviva released their report entitled: Thriving in the Age of Ambiguity.

Debt decisions



Nearly a quarter (24%) of workers feel they have made a bad decision about debt during the coronavirus pandemic

Positive Savings



41% of employees say that the Pandemic has positively impacted their ability to save.

Mental Health



More than a third feel like their work life balance has improved during the pandemic.

No control



60% feel their finances at least sometimes control their lives.

Survival mode



One year on from the pandemic, 57% of respondents are **'just getting by'** financially

COVID-19 and financial wellbeing:

The bigger picture

9million

People have been on a furlough scheme with their employer.

26%

Of employees worry about money an ongoing basis.

85%

Of UK adults have spent less during the lockdowns.

2.6million

Tenants expect to fall behind on their rent because of coronavirus.

36%

Of employees aged 18-24 have moved house too secure a better quality of life during the pandemic.

1.9million

Homeowners needed a mortgage payment holiday.

31%

Of people with savings accounts have increased their monthly deposits.

57%

Of employees feel they are just about getting financially.

24%

Of employees feel they have made bad decisions about debt during the pandemic (this includes 51% of 18-24 year olds.)



What is Financial Capability?

The five levels of financial fitness



Strugglers

Often run out of money before payday.



Copers

Have virtually no savings and don't have enough to spend on things without feeling guilty.



Builders

Have some savings but less than three months, so don't have sufficient resilience to deal with life's unexpected expenses (e.g. a new boiler, vet bill, car breakdown).



Planners

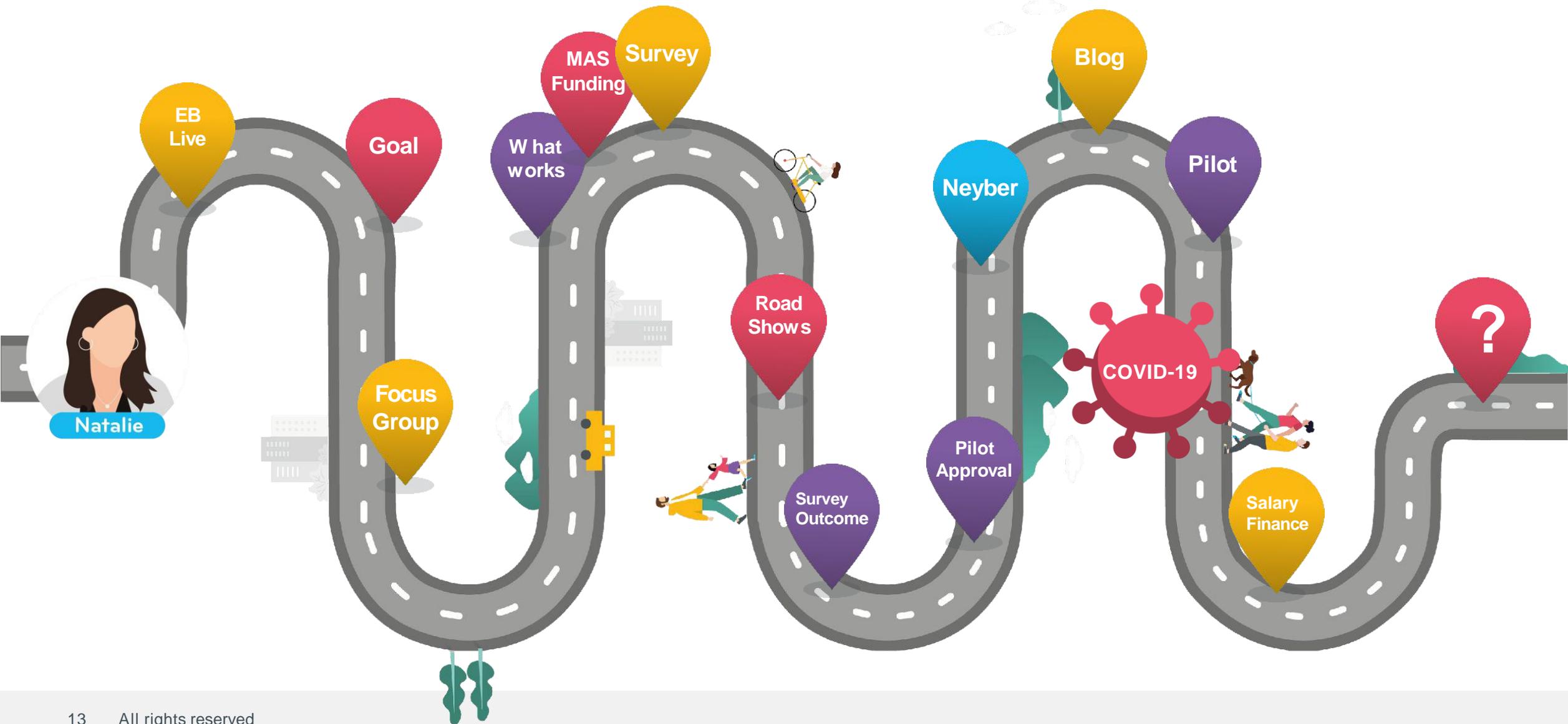
Have more than three months of savings to cope with an unexpected expense and a plan in place to achieve long-term financial goals.



Prosperers

Finances are not a constraint to living the life they want

Our financial wellbeing journey to date



Preparation is key





Capability



Resilience



**Financial
Wellbeing**

Growing a path to Financial Wellness for your employees



Empowering your workforce

4 key areas to consider



Salaries

A reduction in income for any member of a household can put a great strain on financial wellbeing for others.

Even if your employee is still secure and in a fully paid role, their family life may have been impacted by the lockdown measures and their own income could now be stretched.



Mortgages/Rent

Mortgages and rent payments are an employee's biggest monthly expense, and any changes can cause an immense amount of stress and a feeling of insecurity.

Your employees may be worrying about their ability to keep a stable roof over their heads.



Spending

For every cautious employee you may have, there will be another who has not got full control of their monthly outgoings.

Saving for short term goals and life events is difficult for some, but encouragement and access to the right savings products can help them to build a healthier saving mentality.



Family

The hidden lives of employees can vastly influence how they see money and how they manage it.

Encouraging open conversation and providing pertinent support on issues like childcare, caring for relatives or assisting with personal development can all help to ease the pressure..

Financial wellbeing ingredients for a post-pandemic generation



Provide accessible financial education

Meaningful, free to access financial education that will encourage better habits, answer questions, and keep employees up to date on issues that affect them.



Make salaries go further

Whether offering a low-cost credit product, schemes to help with everyday outgoings or access to debt support, employee financial benefits can help ease the stress of managing money.



Encourage saving

Developing a savings habit increases an employee's resilience and their focus on the future.

People who struggle to save, may find that a salary-linked saving scheme can help.

A good pension scheme can help your employees feel secure about their future.



Open the conversation

Creating a healthy culture when it comes to talking about money.

Use communications to build awareness of support and understanding to break down barriers.

What are employees saying?

“

I'm hoping now my personal finances will be a lot stronger especially as I'm nearing retirement.

Thank you for a good opportunity to help with my savings!

Sarah Bloxidge

**Birmingham Community
Healthcare NHS
Foundation Trust**

“

In the current Covid climate when there is so much uncertainty, this is **one thing I haven't got to worry about**. I know I'm saving regularly and my money is safe, secure and earning me interest. And it was so easy to set up.

Stephen Short

BT

“

This way, **my overdraft was paid and I was able to stop worrying about the fees**. A really big weight had been lifted off my chest. [I am] really happy to have been able to pay off my overdraft. One debt gone, a few others left to pay and once all will be paid off, I will be on my way to **start saving for a house** of our own.

Mihaela Pozna

Tesco



Preparing for the future

Seven things to consider on your journey to Financial Wellness

01 Ask your people what's important to them

02 Build an informed financial wellbeing strategy

03 Prepare to educate and explain the importance of a financially capable workforce

04 Not one size fits all

05 Know what's available in the market by finding a flexible/adaptable provider

06 Work with your teams to ensure it isn't a tick box exercise – build your champions

07 Frequency & Communication



Questions

Thank you for your time

