CIPD
Championing better work and working lives

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Close Brothers
Driving financial wellbeing

Research report

January 2017

Employee financial *well-being:* why it's important

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has more than 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Employee financial well-being: why it's important

Research report

Contents

Acknowledgements

We would like to thank the authors of this report, Annette Cox, Catherine Rickard, Kate Spiegelhalter and Duncan Brown from the Institute for Employment Studies (IES).

In particular, we would like to thank them for undertaking a literature review on financial well-being, and administering, managing and conducting workshops with HR practitioners, policy-makers and behavioural science experts, to further explore key issues from which they drew considerable insight to inform this and other related reports.

We are also extremely grateful to all the workshop participants who generously shared their time, experience, insights and materials for the purposes of this research, as well as those experts who were unable to attend, but still contributed their thoughts.

Foreword – CIPD

‘There has been a growing realisation that while communication and education are both important elements of current and future financial well-being, they are not enough.’

As part of a major workstream on worker health and well-being, the CIPD began a new piece of research on employee financial well-being at the start of 2016 to catalyse the creation of healthy workplaces for the long term. This report will predominantly be of interest to employers and HR professionals, but also to policy-makers, benefit advisers and providers, and money charities.

Our 2016 policy report, *Growing the Health and Well-being Agenda: From first steps to full potential*, called out the required shift in how employers regard well-being, from reacting to and dealing with issues to a more proactive prevention of problems and recognising that mental wellness can influence physical well-being.

That report noted the importance of financial well-being and recommended that it be part of an integrated and holistic approach to employee well-being and a component of a healthy workplace. As a consequence, we have commissioned the Institute for Employment Studies (IES) to undertake research to help employers build the case for initiatives to support financial well-being and develop a coherent approach, as well as explore the barriers that workers face and how they can be overcome.

Our follow-on practical resource, *Employee Financial Well-being: Practical guidance*, builds on the research findings in this report to help employers create and implement a financial well-being programme.

This research project builds on previous CIPD work, looking at the importance of employer financial communication and education in helping employees appreciate the value of their workplace benefits package and make informed choices when making decisions, such as how much money to contribute to the company pension or the save as you earn share plan.

However, there has been a growing realisation that while communication and education are both important elements of current and future financial well-being, they are not enough. There are other components that are just as important. Similarly, many education and communication programmes have been reactive rather than proactive.

In addition, the perception that their contributions are not being acknowledged can impact on employee self-worth, health and productivity. Even a worker getting a good wage may suffer from low financial well-being if they’ve made badly informed decisions or they feel they’re not being as generously rewarded as their colleagues.

This report presents research evidence that shows poor financial well-being impacts on health in terms of poor psychological well-being, higher stress and anxiety levels, and lower levels of good health. In turn, this affects productivity in terms of poorer job performance, short-term decision-making, reduced ability to concentrate, lower productivity and absenteeism.

In addition, our survey, *Financial Well-being: The employee view*, reveals the extent of the problem, with one in four UK workers reporting that money worries have affected their ability to do their job. What's also clear is this is not just about how much workers earn, but about the level of control they feel they have over their finances, irrespective of pay and grade. It is not simply about low pay.

There's a clear case for taking action and supporting employee financial well-being, making it an integral part of creating a healthy workplace where people can flourish, reach their potential and make a significant contribution to their organisation's performance. There's also of course the ethical argument: we should take action because it is the right thing to do.

We hope this work will inspire more employers to act in this area and reap the benefits from doing so – both in terms of increased performance through enabling employees to make informed decisions and avoid hitting a crisis point that affects their work, as well as in terms of increased engagement and willingness to go the extra mile by creating a workplace where the employer genuinely cares about staff well-being and people feel valued.

One of the criticisms levelled at human resources management is the way workers are often treated in the workplace; the 'human' aspect of HR has been, by and large, disregarded. No matter how progressive the HR practices in place are, if they do not integrate the fears, joys, worries, successes, aspirations and failures that employees experience in their lives, they fail to do more than to equate workers to mere units of value on a balance sheet. If the future of work lies in enabling and liberating people to be at their best, HRM must be built on an understanding of the whole individual, and employee financial well-being recognised as a significant component of that understanding.

Charles Cotton
CIPD Adviser, Performance and Reward

Jill Miller
CIPD Adviser, Diversity and Inclusion

Foreword – Close Brothers

‘There is a growing recognition that wellness is holistic and co-dependent; physical, emotional and financial health work together, and if one part is missing, this imbalance may also impact the other two.’

The crucial role of employers in driving financial wellness
Well-being strategies are well established globally, with 69%[1] of multinational organisations having a strategy in place. However, while focus on physical and emotional elements are well formulated, financial lags behind and is often the missing piece in wellness strategies, with only 42%[2] of companies surveyed having a financial wellbeing strategy in place.

Financial health has traditionally been seen as a standalone provision, rather than as an integral part of overall well-being. There is, however, a growing recognition that wellness is holistic and co-dependent; physical, emotional and financial health work together, and if one part is missing, this imbalance may also impact the other two. And while financial well-being exists at a personal level, a lack of it can also have a big impact on the workplace and society as a whole, with a loss of productivity and effectiveness.

Employers have a pivotal role to play in improving their workers' financial well-being:

- Reward and benefits form the most important building block for employees to use to improve finances.
- Employers are in a great position to secure preferential deals for their employees on key benefits from things such as private medical insurance to car leasing and retail vouchers.
- An employer's communication and benefits framework provides an existing, tried and tested route to add in financial education; increasing financial awareness and employee confidence.
- Employers are a trusted source of information for employees.
- Employers provide a route to reach large numbers of people.
- Via benefits platforms and other workplace benefits, employers can make it easy for their staff to implement change.

However, for these factors to take effect in driving improved financial well-being, employees need to be aware of their benefits, they need to understand the positive impact these could make to their personal finances, they need to be inspired and supported to take steps to implement change, to know where to go for further help and to have the impetus to continue to do this regularly. This is a big ask for businesses and their benefits communications, and that's where financial education is key; it helps to join the dots across all benefits and helps individuals to see how to use these benefits to help with their own financial issues, plans and goals.

Improving financial well-being really is the Holy Grail; it helps individual workers to get their finances on track as well as helps businesses to increase productivity, engagement and retention, all of which adds to the bottom line.

Jeanette Makings
Head of Financial Education at Close Brothers

[1] XEROX. (2016) *Working well: a global survey of workforce wellbeing strategies [online]*. Survey report. Seventh edition. October. Available at: https://www.bucksurveys.com/BuckSurveys/Portals/0/aspdnsf/GlobalWellbeing/2016_Global_Wellbeing_Survey_Executive-Summary.pdf [Accessed 23 November 2016].

[2] Ibid.

Executive summary

One in four workers report that money worries have affected their ability to do their job (CIPD 2017)

58% of employees face barriers in managing their finances as well as they would like (CIPD 2017)

Over a quarter of employees feel less financially secure now than at the start of 2016 (CIPD 2017)

19% of employees have lost sleep worrying about their finances (CIPD 2017)

One in three workers aged between 25 and 34 report money worries have affected their work (CIPD 2017)

40% of employees state money worries have caused them stress over the past year (Evans 2016)

What is the focus of this report?

This report introduces the concept of employee financial well-being and collates some key information about the (poor) state of financial well-being in the UK working population, based on findings from a literature review and workshops with experts in the area. It provides an overview of the impact of policy, economic and population change on future challenges to financial well-being and outlines the impact and risks of poor financial well-being for individuals and organisations. We aimed to bring together in one place the wide breadth of academic and policy work in the area, developing a persuasive case for action.

The report aims to encourage stakeholders, such as employers, government, and reward, benefits and financial education providers, to consider what they can do to help improve financial well-being and to consider and help to deliver the benefits more seriously. The information in this report illustrates vividly the drivers for change and the risks and costs of failure to take action.

55% of UK employees report that facing financial pressures affects their behaviour at work and ability to perform in their job (Neyber 2016)

Only half of working-age people are paying into a pension or have a previous pension (MAS 2015)

Some 44% of women and 34% of men in the UK workforce have felt anxiety caused by financial stress (Neyber 2016)

The report uses the following definitions:

Advice: refers to regulated financial advice delivered by a qualified adviser.

Guidance: refers to other forms of help, outside of the definition of advice.

Financial education: refers to all forms of help which increase financial knowledge, skills, attitudes and resources.

'Substantial proportions of people are facing increasing financial challenges and risks.'

What is the issue?

Substantial proportions of people are facing increasing financial challenges and risks. Survey evidence discussed in more detail in the main body of the report shows there are sizeable groups of people struggling with current financial difficulties and an even bigger cohort sleepwalking into a future of financial vulnerability. Changes in society – for example, the rising costs of education and housing, and pensions reforms – mean that the financial pressures facing people at work today are also only likely to intensify over the next decades and will demand that people make some big choices and possibly exercise much greater financial discipline than recent generations.

The evidence of the levels of poor financial well-being in the UK population, alongside recognition of the effects of poor financial well-being on an organisation's bottom line (see Table 1), provides a compelling case for change and improvement and for employers to consider the financial health of their workforce and reflect on their responsibilities and opportunities. In addition, we believe that CIPD members and other good employers will want to ensure that their employees are supported and helped in order to maximise their well-being and avoid consequences such as poverty and debt, in the short or long term.

What have we found?

Key messages from our research include:

- Employers should take action to improve employee financial well-being that can help improve people's financial competence and productivity, reduce time off work due to stress and thereby improve organisational performance.
- Employees of all types and earning levels can be at risk of poor financial well-being and may require financial education.
- Evidence shows that poor financial well-being impacts on health in terms of poor psychological well-being, higher stress and anxiety levels, and lower levels of good health. This in turn impacts productivity in terms of poorer job performance, short-term decision-making, reduced ability to concentrate, lower productivity and absenteeism.

Only 28% of people have a savings buffer equal to three months' income (MAS 2015)

40% of people feel they do not have good control of their money or manage it well (MAS 2015)

One in four high-earners report the biggest barrier to managing their finances is finding the time (CIPD 2017)

- Research shows that many employees are receptive to employer support and are interested in receiving advice and guidance from their employers about financial issues, and there are many opportunities for employers to provide such help without legal exposure.
- Employee financial well-being involves broadening the approach to flexible benefits and rewards communications and recognising that an employee's wider financial situation is relevant to their behaviour and performance at work.
- A tripartite approach (government, employer, individuals) is required in tackling poor financial well-being and filling the financial education gap. Employers cannot just leave this problem to government to solve or assume it is a personal responsibility of employees to address on their own.
- Employers need to take financial well-being seriously as part of their wider well-being strategies and identify those who are vulnerable in their workforce, offer staff access and signpost to sources of independent advice to make good choices to get the most from their earnings, and evaluate the impact of the support offered.
- The Government should fill the financial education gap for people who may not be able to access online sources easily and who frequently change employers and/or those with short working hours who may find it harder to access, and offer incentives to the provider market to ensure people in SMEs have access to financial education.
- Individuals should actively learn to manage their finances and budget effectively, take advantage of support offered, become savvy consumers and take early action to prevent any financial challenges escalating into big problems.

Table 1: Cost to organisations of poor employee financial well-being

Impact area of poor financial well-being	Cost to organisations
Employee absenteeism	• 8% of the UK workforce admit to taking time off work because of financial stress (Neyber 2016). • Higher levels of financial stress can result in higher absenteeism, which damages productivity: individuals in a high financial stress group averaged 6.2 full-time equivalent (FTE) days lost to absence compared with 3.8 FTE days in a low financial stress group (WTW 2016).
Employee mental health	• Employee mental health problems have an estimated total cost to UK employers of £8.4 billion a year in sickness absence and £15.1 billion a year in reduced productivity at work (Sainsbury Centre for Mental Health 2007).
Employee stress levels	• Financial stress costs the UK economy £120.7 billion, and 17.5 million hours were lost because of absence from financial stress (Neyber 2016). • Using the UK retail sector as an example, stress attributed to concerns about personal finances cost the industry an estimated £7 billion because of employees taking time off work and 1.7 million hours are lost through employees taking time off because of financial stress (Neyber 2016).
Employee job performance	• For every £1 million an organisation spends on payroll, it is estimated that it loses 4% of productivity due to poor employee financial well-being (Barclays 2014). • 19% of employees have lost sleep worrying about their finances (CIPD 2017); disturbed sleep patterns contribute to lower employee productivity. Surveys at four US organisations estimated that fatigue-related productivity losses cost $1,967 annually per employee (Rosekind et al 2010).
Employee decision-making and focus	• Reduced cognitive performance at work as employees experiencing financial anxiety are slower to process financial information (Shapiro and Burchell 2012). This bias may have a negative work impact for individuals undertaking financial tasks and an impact on the quality and creativity of employee decisions may negatively affect business performance.

Introduction

Why take action on financial well-being?

The need to promote and protect the financial well-being of people in the UK has grown in prominence because of a combination of factors. These include: depressed wages in the UK since the financial crisis (OECD 2015), rising housing costs (ibid) and challenges in achieving adequate pension savings, all of which have combined to create a ‘perfect storm’ of pressures on current and future financial well-being. Projections of future financial challenges outlined in this report also show the potential negative impact of young people entering the labour market with substantial debts from education. Perceptions and expectations about earnings, income and debt are changing in line with broader patterns of social change, and it is important to understand how the HR function and organisations may need to take account of changes in social attitudes, as well as generational shifts in levels of wealth and debt.

What does this report cover?

This report introduces the concept of employee financial well-being and presents some key information about the state of financial well-being in the UK working population. It sets out the results of research into the impact of policy, economic and population change on future challenges to financial well-being and highlights some possible future scenarios. Then it outlines the impact and risks of poor financial well-being for individuals and organisations, and reviews the employer case for taking action to improve financial well-being as well as where the responsibilities lie between employers, individuals and the state. A key conclusion is that employers have a vital and growing role to play in this.

This report is one of a series of four outputs from this research. Find the reports at **cipd.co.uk/financialwellbeing**

Financial Well-being: The employee view is a survey report that explores employee attitudes to their financial well-being and highlights the implications for HR practitioners.

Employee Financial Well-being: Practical guidance is a practical resource which guides employers through a series of actions to improve employee financial well-being.

Employee Financial Well-being: Behavioural insights provides more information for organisations already delivering in this area about using behavioural insights approaches to guide employee behaviour.

How did we produce this report?

We reviewed the academic literature together with relevant policy and business reports published since 2006 and developed a series of questions and challenges about financial well-being. We then posed these challenges in a series of three expert workshops attended by 25 delegates with diverse expertise from backgrounds in reward management, financial technology and benefits provision, behavioural insights and communications management. The insights we gained have been distilled to inform the report content together with academic research and policy challenges to develop a persuasive case for action. We are extremely grateful for the insights and contribution of the workshop participants. Please see Appendix 1 for more details.

1 What is employee financial well-being?

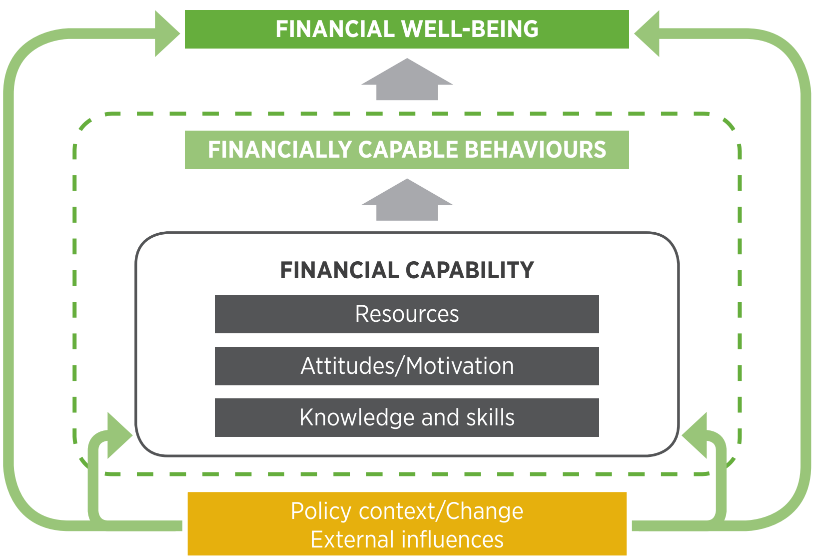
The financial well-being literature uses different terms for *'different dimensions and concepts which describe individuals' financial state and financial behaviours'* (Cox et al 2009, p6), for example: financial well-being, financial capability and financial competence.

Financial well-being can be defined as a state of emotional and physical well-being, produced by a set of conditions and capabilities. It includes making the most of an adequate income to enjoy a reasonable quality of life and having the skills and capabilities to manage money well, both on a daily basis and for the future (MAS 2015). These are illustrated by the model adapted from the Money Advisory Service (MAS) in Figure 1. Our adaption of the MAS model takes into account the impact of policy context and change and how financial capability translates to financial well-being.

Financial well-being consists of **objective** and **subjective** dimensions. Objective measures focus mainly on income and spending behaviours relative to needs, and subjective measures focus on whether people experience anxiety or can enjoy their income regardless of earnings levels (Cox et al 2009).

This model shows how knowledge, skills and attitudes, and resources are shaped by external influences which could be both positive (for example promotion) and negative (for example divorce or redundancy), which then affect decision-making and behaviours. **Resources** focuses on being able to access affordable and trustworthy information and guidance to help manage money and to access money in the most cost-effective way through mobile and digital routes. A mindset of helpful **attitudes and motivation** includes commitment to saving, desire to avoid debt and willingness to make short-term sacrifices for long-term gains. **Knowledge and skills** are founded

Figure 1: Factors influencing financial well-being



Source: Adapted from image 1 in *Financial Capability in the UK 2015* (MAS 2015, p9) in basic understanding of financial concepts and terminology[3] – being able to make judgements about the risks and benefits of financial products and services and being a savvy consumer.

Appropriately positioning financial well-being within wider organisational and HR strategies is critical for deciding how best to position action to improve it, the kinds of resources to draw on and how best to engage senior leaders, front-line managers, employees and partners/suppliers in areas from occupational health services to rewards and benefits. There is no 'one size fits all' approach to diagnosing and helping to improve your employees' financial well-being. Our resource, *Employee Financial Well-being: Practical guidance*, highlights some key questions organisations should ask when positioning financial well-being initiatives. Traditionally, in many organisations, employee financial well-being has fitted within pay and benefits provision for businesses keen to ensure that workers' earnings meet their needs and that benefits offer protection against risks such as loss of income if the employee becomes ill. Some organisations, including those with a history of paternalistic approaches and providing welfare support to secure employee financial well-being, may think they are doing more than enough to support employees by paying them a fair salary and offering a pension and benefits that match competitors.

Now the development of an increasing variety of looser and low-cost employment models, as well as changes in the wider financial landscape, have meant that the thinking in leading-edge organisations has evolved to place emphasis on offering direct access or signposting to financial education as an important part of securing financial well-being, beyond just providing an employee assistance helpline to pick up the pieces once employees have got into serious difficulties. This is partly in response to the increasing complexity of financial products and decisions that employees have to make in the contemporary benefits and pensions landscape.

Choice and flexibility in rewards is good if you can tailor your package to better meet your personal needs (which can change over time), but assumes that you have the knowledge and skills to do that effectively. A key finding emerging from all stages and sources of this study is that employees of all types and earning levels need to have these skills and this education.

Capability and knowledge-building approaches support the possibility of changing mindsets, improving ability in managing money and enabling connection to further sources of information, advice and guidance. Examples of the kinds of support that employers are offering are shown in Boxes 1 and 2.

Box 1: FTSE business in oil and gas sector

This organisation commissioned an external specialist to provide a holistic financial education programme to all employees across nine locations in the UK and offshore workers. The programme includes: life-stage-based face-to-face seminars (early career, mid-career and late career); a rolling programme of live topic-based webinars; an online event booking site; and financial advice on request. The programme is inclusive and is available to all staff irrespective of location, pension scheme, age or life stage.

Around 25% of employees use the financial education programme each year. Evaluation has shown: a 79% average increase in knowledge; a 9% average increase in employees valuing company benefits; a 76% increase in employee confidence in making financial decisions; a 75% increase in the likelihood of staff making a change to their finances; and 89% overall satisfaction with the programme.

The organisation said: *'[The programme] increases our EVP, enables early engagement on key issues and improves employee relations. It drives engagement, allows us to connect with remote workers and supports internal communications without any administrative burden.'*

Source: Close Brothers, December 2016

[3] The MAS UK Financial Capability Survey (2015) used the measures of being able to read the balance on a bank statement, comprehension of inflation and buying power, and being able to calculate a balance after interest is added as simple measures to identify who lacks basic skills and knowledge (MAS 2015).

Box 2: FTSE business in the financial services sector

This organisation has a wide staff demographic in terms of age, geography, office and homeworkers, and financial awareness. The exercise was to drive increased engagement with the defined contribution pension and launch a new default investment option. The programme included: a dedicated brand with launch campaign and merchandise based around fortune cookies and the concept of 'Don't leave building your future to fortune'; face-to-face seminars, live and recorded webinars, and online education and event booking site; follow-up one-to-one financial advice on request; email communications, posters in all refreshment areas and toilet door posters; and staff aged 55 and above were offered access to a retirement seminar programme.

Evaluation showed that: more than 80% of employees used the online site; more than 35% of staff attended seminars/webinars; there was an 89% average increase in knowledge; a 73% increase in employee confidence in making financial decisions; and a 33% increase in employees valuing their pension.

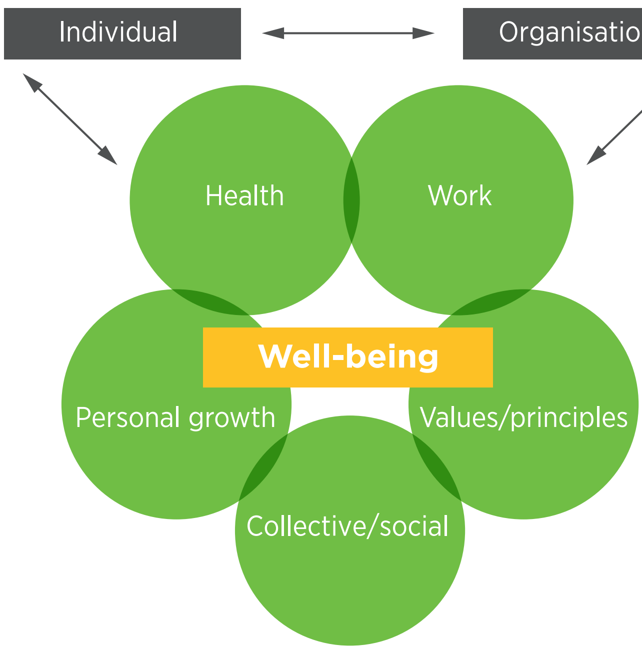
An employee said: *'The seminar was very valuable in informing me about my pension and the changes taking place. The site is easy to use and has lots of valuable tools and calculators to help me plan for the future.'*

Source: Close Brothers, December 2016

The CIPD's model of well-being is shown in Figure 2. It places financial well-being and financial education within emotional well-being as part of the domain of personal growth. This taps into the importance of money in contributing to people's sense of security and confidence in being able to live comfortably. This fresh perspective puts learning capability at the heart of well-being, and stresses the opportunity for empowering people to improve their financial competence and tackle any difficulties and challenges that emerge during their lives. It encompasses a holistic and broader understanding of health and well-being and creates a compelling vision of healthy, successful and socially responsible organisations which harness and support employees' capabilities for the benefits of people and their organisations.

Ensuring financial well-being means different priorities and actions are required by different types of people, meaning that – as one of our expert workshops concluded – *'we need to teach our people how to fish rather than just giving them fish'.*

Figure 2: CIPD well-being model – the five domains of well-being



Our research stresses that people from any and every occupation – including in any income bracket – can be at risk of slipping into poor financial well-being but can take steps to guard against this.

Why worry about the current state of financial well-being?

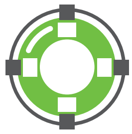
There is evidence from a major recent survey of financial capability in the UK population (MAS 2015) that substantial proportions of people are facing financial challenges and risks.

Given the potential scale of people with current or future financial difficulties and the risks of holding these attitudes to personal finances, we need to ask what the possible effects might be on health and performance at work. The next section reviews some of the key evidence and explains why employers need to take action.

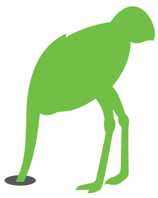
Key facts

- 40% of working-age people do not have good control of their money and do not manage it well, assessed as: keeping track of their spending, having a budget and sticking to it, and unable to meet current financial commitments without difficulty. Young people aged under 25 are much less likely to do this well.

- Only half of working-age people are paying into a pension or have a previous pension.



- Only 28% of working-age people have the recommended savings equal to three months' income in case of unexpected expenditure or job loss.



- Among those who already have a heavy debt burden (measured as missing three key debt repayment deadlines in the last six months), 81% have sought no advice and 33% cannot imagine doing so.

- This reflects social attitudes which are focused on living for today, with only around 40% thinking it is important to save for a rainy day or for retirement.

2 Why is employee financial well-being important?

There is a growing body of evidence that shows why we need to take poor employee financial well-being seriously.

A rich seam of research shows that poor financial well-being has negative consequences on employees' performance at work, affecting employees' health and productivity, which has costs for an organisation (see Table 1). Figure 3 summarises some of these key findings.

Figure 3: The impact of poor financial well-being

Table 2: Factors influencing financial well-being

Employee segment	Characteristics and challenges	Prospects
Starting out	• Young people aged 18–25, leaving full-time education from school, college or university, starting their first job or apprenticeship. Challenges may include learning to budget and live away from home, choose and manage credit, utility supplies, navigate accommodation options, pay back debt from education, start saving for future life goals such as buying a property and understanding employee benefits and the tax advantages of making the most of them as they enter their first job. • Behavioural scores for day-to-day money management are lower among 18–24-year-olds, partly due to lower incomes.[4] When 'dealing with financial difficulty', 89% of people aged 18–24 scored worse than average (MAS 2015). Young people also struggle more with budgeting and using credit effectively.	• Increased cost of university education and resulting debt will leave graduating students with an average debt of £44,000 (Crawford and Jin 2014). • One in six younger employees have already defaulted on debt repayments and a fifth of these have faced legal consequences as a result (Neyber 2016).
In your prime	• People aged from late 20s to mid-40s, possibly with a young family to support, balancing demands and costs of childcare, rent or mortgage payments and costs of family life. Challenges could include ensuring adequate income protection to protect against adverse financial life events, saving for a rainy day or future goals and making retirement provision. • 28% of UK adults in the MAS survey had some form of financial resilience through savings and life cover, compared with 57% of retired people (MAS 2015).	• An estimated one in four aged 25–34 have a debt problem (find keeping up with bills and credit commitments a heavy burden and/or are in regular arrears) – the biggest proportion of any age group (MAS 2016). • In the past five years homeownership has decreased by almost ten percentage points among 25–34-year-olds, with a simultaneous 15% increase in private renting (National Housing Federation 2014). • Childcare costs rose by a third between 2010 and 2015 (Family and Childcare Trust 2015). • Nearly two-thirds of children living in poverty now come from working families (Belfield et al 2015). • Working households are increasingly using credit cards, personal and payday loans, overdrafts and store cards to get through each month. The number of families with such problem debt is up by more than a quarter since 2012 – 'problem debt' is defined as having to spend 25% or more of monthly gross income on unsecured debt repayment (TUC/Unison 2016).

CONTINUED

Table 2 illustrates the three key core employee segments highlighted by our research, some of the likely financial priorities and risks they may encounter, and an illustration of their prospects in light of these risks.

Table 2: continued

Employee segment	Characteristics and challenges	Prospects
Preparing for later life	• People in their late 40s onwards who need to maximise their retirement provision, secure an income for later life and handle unexpected life events such as the early onset of ill health/ disability, redundancy, or the death of a partner. • Older people are much less likely to find work again following redundancy (DWP 2014). • Disability and poor health are preventing nearly half a million people approaching retirement from working (TUC 2012).	• 46% of UK employees state they often worry about their future financial position (Willis Towers Watson 2016a). • Nearly half (49%) of unretired people report they have not done anything to prepare for retirement (Aviva 2016). • Over half of employees do not believe they will have sufficient financial resources 25 years into retirement, while 39% are not confident that their resources will stretch even 15 years into retirement (Willis Towers Watson 2016).

Table 3 explores the impact of poor financial well-being on employers through employee: absenteeism; mental health; stress levels; job performance; and decision making. For instance, 19% of employees have lost sleep worrying about their finances according to CIPD research.

What's the impact on employers? Disturbed sleep patterns contribute to lower employee productivity. Surveys at four US employers estimated that fatigue-related productivity losses cost $1,967 annually per employee.

Table 3: Impact of poor financial well-being on organisations

What is the issue?	What is the evidence?	What is the impact on organisations?
Employee absenteeism	• 8% of the UK workforce admit to taking time off work because of financial stress (Neyber 2016).	• The median annual employee absence cost is £522 per employee (CIPD 2016a).
Employee mental health	• Financial incapability is associated with mental stress, anxiety and/or depression (Taylor et al 2009). • Some 44% of women and 34% of men in the UK workforce have felt anxiety caused by financial stress (Neyber 2016). • Increasing financial capability from low to average levels reduces the likelihood of suffering anxiety or depression by 15% (Taylor et al 2009).	• Employee mental health problems have an estimated total cost to UK employers of £8.4 billion a year in sickness absence and £15.1 billion a year in reduced productivity at work (Sainsbury Centre for Mental Health 2007).
Employee stress levels	• 40% of employees state money worries have caused them stress over the past year (Evans 2016). • Employees believing they will retire aged 70 or later are found to be experiencing stress (51% report high or above-average stress levels) and are less engaged with their jobs (one in three are found to be disengaged) (Willis Towers Watson 2016a).	• Financial stress costs the UK economy £120.7 billion and 17.5 million hours were lost because of absence from financial stress (Neyber 2016). • Using the UK retail sector as an example, stress attributed to concerns about personal finances cost the industry an estimated £7 billion because of employees taking time off work and 1.7 million hours are lost through employees taking time off because of financial stress (Neyber 2016). This will have an impact on employee engagement.
Employee job performance	• 59% of employees with 'current' financial worries state money concerns prevent them from performing their best at work (Willis Towers Watson 2016). • 55% of UK employees report that facing financial pressures affects their behaviour at work and ability to perform in their job (Neyber 2016). • 19% of employees have lost sleep worrying about their finances (CIPD 2017).	• For every £1 million an organisation spends on payroll, there is an estimated 4% loss in productivity due to poor employee financial well-being (Barclays 2014). • Disturbed sleep patterns contribute to lower employee productivity. Surveys at four US organisations estimated that fatigue-related productivity losses cost $1,967 annually per employee (Rosekind et al 2010).
Employee decision-making and focus	• 16% of the UK workforce struggle to focus at work when they have money worries (Neyber 2016). • Poverty and poor emotional states can lead to short-sighted and risk-adverse decisions (Haushofer and Fehr 2014). • Poverty consumes 'mental bandwidth' which would otherwise allow people to direct attention to forward planning and problem-solving (Shafir and Mullainathan 2015).	• Reduced cognitive performance at work as employees experiencing financial anxiety are slower to process financial information (Shapiro and Burchell 2012). This bias may have a negative work impact for individuals undertaking financial tasks and an impact on the quality and creativity of employee decisions may negatively affect business performance.

Looking to the future

Changes in the economy mean that the financial pressures faced by people at work today are only likely to intensify over the next decades, and will demand that they make some big choices and possibly exercise much greater financial discipline than recent generations. One example of such change is the development of the 'gig' economy, where people are working in multiple task-based jobs a few hours per week or work in a series of short-term contracts. These may grow as a share of the labour market compared with those in corporate long-term full-time jobs (PwC 2014). Below we highlight some of the emerging trends and challenges in three key areas: education, housing and pensions, together with the support government is offering.

Education
Expanding higher education provision in a climate of austerity has brought the challenge of paying for it. Major changes include: introducing and increasing fees for degree courses; replacing education maintenance grants with loans in England; extending loans to vocational courses such as nursing; and introducing loans for postgraduate courses. They combine to increase both the level of debt which young people have on entering the labour market and the number of people affected. Projections show that graduates will be paying off student debt into their forties and fifties. Only 5% are projected to have paid student debts in full by age 40 (Crawford and Jin 2014). Middle-income earners are likely to pay most as low-earners are not required to pay back their loans and higher earners will pay back their loans fastest and therefore pay less interest in total.

Housing
Despite a fall in house prices during the recession (prices plunged in 2008 before recovering in 2009 and then reaching a plateau in 2010 and 2011 (BBC 2014)), housing costs have been increasing and there is substantial variation in accommodation costs across the UK, making some areas unaffordable for people on low and moderate incomes, which lowers labour market mobility. Rental costs frequently outstrip monthly mortgage repayments, creating an added challenge for those seeking to save for a house purchase.

Average house prices are forecast to rise 50% in ten years, and in London they will nearly double (ARLA/NAEA 2015). The average cost of renting will rise too – by 27% between 2015 and 2025 (ibid). Over half of people aged 20–39 are projected to be renting by 2025 (PwC 2015). Some estimates suggest that nine out of out ten people aged under 35 and in the bottom half of the UK's income distribution will be unable to afford to buy a home within the next decade (Resolution Foundation 2016). More people will either rely on transfer of housing through inheritance or living in a rented home. The latter has particular implications upon retirement, when housing costs will still need to be met from pensions.

Pensions
Young workers will have to contribute more towards their pensions than older people to achieve the same level of income and will find it necessary to work until later in life. This is caused by population ageing, with fewer working people to pay for the pensions, health and social care costs of those retired. The state

'Changes in the economy mean that the financial pressures faced by people at work today are only likely to intensify over the next decades.'

pension age is currently under review and is currently set to rise to 68 by the 2030s as a result of increased life expectancy, and pensions are becoming less generous in the level of guaranteed income as defined contribution schemes are fast replacing final salary schemes. Over a fifth of people with defined contribution pension schemes think they will have to work until they are at least 70 (Willis Towers Watson 2016), and industry predictions are that young people will have to work and save 8% of their wages from the age of 22 until they reach 77 to achieve the same pension as their parents (Royal London 2016). Women will have to work longer than men because of career breaks followed by a return on lower wages than male colleagues. Achieving adequate pensions in the future is going to require a change in mindset, as surveys estimate that up to half of people not yet retired have made no plans for retirement savings (Aviva 2016).

Current attitudes among young people suggest several barriers to starting a pension: those aged 18–24 not yet contributing to a pension cite not perceiving a pressing need as their main reason, while those aged 25–29 are more likely to find it unaffordable (Royal London 2015). Larger employers have reported that it is the young or low-earners who are also more likely to opt out of auto-enrolment (DWP 2016). Debt from education and escalating housing costs are likely to make it even more challenging for young people to start saving for pensions.

Greater workforce diversity and transfer of responsibilities for pensions planning to employers and workers will be highly influential. A series of reforms to pension regulations demands that people make choices which they will need to think about carefully. The removal of requirements to buy an annuity enables people aged over 55 to take their entire defined contribution pension as a lump sum. For those earlier in life, required provision of a company pension and automatic enrolment of workers has encouraged many people to start saving, but also offers the possibility of opting out – although fewer than one in ten automatically enrolled workers opt out (DWP 2016). It raises questions about: whether the level of minimum contribution (2% for employers and a rise by 2019 to 4% for employees) will be enough in the future and how workers may respond if contribution rates are raised; and the role of the employer in encouraging employees to adequately save towards achieving the lifestyle they aspire to in retirement.

Government support

To address some of the financial challenges facing the working population, the Government has introduced both the National Living Wage to raise incomes among low-earners and schemes with matched funding to incentivise long-term saving and saving for housing purposes.

For low-earners, the escalating National Living Wage requires that employers pay those aged over 25 at least 60% of median pay by 2020. This rise is expected to increase the earnings of 6 million people (Living Wage Foundation 2015).

People will have choices to make about whether to use new investment vehicles created by the Government to help them save; changes to benefits delivery may place greater pressure on budgeting. Help-to-buy ISAs and equity loans are specifically targeted at people seeking to make house purchases, while new Lifetime ISAs for people aged under 40 offer tax-free savings of up to £4,000 per year with a 25% annual bonus and can be used to fund house purchases or a pension. For low-earners on in-work benefits, a Help to Save Scheme will incentivise those who put aside £50 a month with a government top-up of 50% after two years, which will be worth up to £600. Universal Credit is streamlining the delivery of income-related benefits to working-age people and delivering these in a monthly payment: this will increase the need for people on low incomes to manage a monthly rather than a weekly budget and potentially to handle larger sums of money as housing costs will be paid to individuals rather than direct to landlords.

The Government has also proposed to restructure the delivery of public financial guidance to ensure that consumers can access the help they need to make effective financial decisions. It has proposed a new delivery model made up of a new pensions guidance body, charged with making sure that consumers can get all their pensions questions answered in one place, and a new slimmed down money guidance body, charged with equipping consumers to make more effective financial decisions by identifying gaps in the financial guidance and debt advice markets (HM Treasury 2016).

What might the future look like?

As a way of thinking about the potential consequences of the decisions we make now as individuals, employers and a nation, the following three scenarios illustrate what the future might hold for people facing different financial circumstances in 20 years' time.

Scenario 1: Early career

Emma is 27 and comes from a family with a modest background. Having graduated from university with a degree in journalism, she now works as an account manager for a high street retail company, earning £26,000 per year. Despite working through college, she has debts of around £20,000. She rents a room in a shared house, but high living costs mean that she and her boyfriend are unable to save up a deposit for a house. They would like to start a family but cannot envisage this for the next decade. When asked about the future, Emma is bleak: *'I can't buy a house, afford a pension or even think about having children. I remember my parents working really long hours in demanding jobs in the emergency services to pay their mortgage when I was growing up, but my situation makes me feel I'd rather live for the moment.'* What could her financial future be in 2035?

Little or no financial planning:	Good financial planning:
• opted out of pensions scheme so has 'lost money' in terms of tax relief and employer contributions • not taking up opportunity for other employee benefits such as SAYE • paid more interest on debts than was necessary • lost income when off work for a long-term illness • still renting	• examined in depth all expenditure and found savings • structured repayment of debt in most cost-effective manner • utilised available corporate discounts / salary sacrifice arrangements • made provision for short-, medium- and long-term savings needs, including joining employer's pension scheme to take advantage of their contributions and share save schemes • purchased 'permanent health insurance' so still had an income when off work because of a long-term illness • investigated options under Shared Ownership/Help to Buy schemes so could get on the housing ladder

Scenario 2: Mid-career

Katie and Ben are in their late thirties with two young children and in 2035 will be approaching the time they wish to retire. Ben earns £42,000 per year as an IT programmer and Katie works part-time as a childminder. With the help of their parents and diligent budgeting, they saved a deposit for their house, but Ben is still paying off his student loan. They both pay into a pension scheme but are conscious that it may not be enough to give them a secure retirement, and they will still be paying their mortgage into their late fifties. Ben says: *'We are relatively comfortable now but we have had some tough times when I lost my job a few years ago. I worry about what the future might hold. We're going to look into how we can save to help our children pay for college courses and whether we can do anything else to help ourselves. It's hard to know what to focus on first – buying the house, paying off my student loan, saving for the kids or the pension.'*

Little or no financial planning:	Good financial planning:
• no provision for death/critical illness/ long-term illness • potentially financially expensive mistakes if do not consider all options for their financial objectives • take longer to repay their mortgage than would need to • insufficient monies to retire on comfortably, and meet their other financial objectives	• ensure family are protected financially in event of death of either Katie or Ben or if they should suffer a serious illness • when mortgage is in place review terms in place to ensure paying as competitive an interest rate as possible • examined in depth all expenditure and found savings • regular review of pension planning to see if still on track for retirement needs and share save scheme contributions • built a financial plan with timescales that are monitored on a regular basis in respect of all their 'goals'

Scenario 3: Late career

Helen is 58 and works full-time for a manufacturing company earning £54,000 per year. Her husband is self-employed with no pension and, although she has built up a pension pot of £60,000, she hasn't reviewed it for many years and has no idea if this is enough to last them through retirement. She says: *'I looked online and saw I won't get any state pension until I'm 66, but I've no idea if that will cover my living costs, and recent changes to pensions have left me more confused about what to do than ever.'* In 2035 she will be in her late seventies.

Little or no financial planning:	Good financial planning:
• will have insufficient sustainable income to retire on • has not checked state pension provision and National Insurance record is correct for both of them • unaware of options available on how to take retirement benefits • no private pension provision for her husband	• checked National Insurance is correct and taken action in respect of any 'gaps' • detailed anticipated income and expenditure requirements in retirement, and can then look to plan to make up shortfall in retirement provision while still working as much as possible • uses 'pension freedoms' to benefit their retirement goals and objectives • plan between her and her husband most tax-efficient way to make further pension contributions • identified what capital was needed over the short and medium term

Scenario 4: Late career

Paddy is 62 and works full-time as a solicitor earning £85,000 per annum. His wife also works full-time as a teacher earning £42,000 per year. He has built up a large 'defined contribution' pension pot of £950,000 and feels they are well on track for a comfortable retirement. He says: *'We've both worked many years and are looking forward to enjoying our retirement, though find it difficult to commit the time to actually think about what the future might be like when we get there.'* He will be over 80 in 2035.

Little or no financial planning:	Good financial planning:
• Paddy pays unnecessary Lifetime Allowance (LTA) tax charges at retirement, and then further LTA tax charges at age 75 • pays unnecessary income tax on pension income • no planning if need long-term care in later life	• has good idea of what 'essential' and 'discretionary' spending may look like in retirement, and plan their retirement income accordingly • plan pension income to minimise income tax bill • requested state pension forecasts • Paddy manages pension fund to ensure as little Lifetime Allowance tax charge is payable as possible, both at retirement and age 75 • ensured correct asset allocation in line with his retirement plans • identified what capital was needed over the short and medium term • have a plan prepared in case Paddy or his wife needs long-term care in the future • ensured wills and power of attorney (PoA) in place and made family aware

Scenario 5: After retirement

Sarah is 68 and worked as a scientist for over 30 years for a well-known pharmaceutical company, and has a pension income of £50,000 per annum from a final salary scheme, and a separate defined contribution pension plan of £180,000. She built up over a long period of time investments of £800,000 via a variety of shares and investment funds.

Little or no financial planning:	Good financial planning:
• doesn't apply for appropriate Lifetime Allowance protection • pays unnecessary tax charges on defined contribution plan • pays inheritance tax on estate on death that may have been reduced by planning	• considers action required in respect of Lifetime Allowance protection available • minimises tax charges payable on defined contribution pension plan • ensured correct asset allocation in line with her retirement plans • reduces inheritance tax payable on her death in terms of both investments held and surplus retirement income while still maintaining desired lifestyle • ensured wills and PoA in place and made family aware • identified what capital was needed over the short and medium term

To prevent some of the negative outcomes of the scenarios illustrated above, we need to take action. Employers have a key role to play in helping people maintain their current financial well-being and protect their future financial security and we outline the case for change in the next section.
In general, they all need to fully understand their expenditure and they all need to understand what capital is required over the short to medium term.

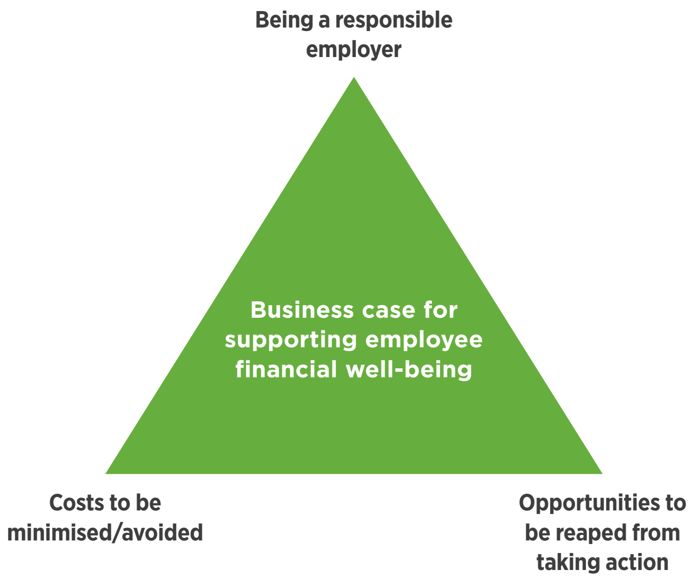
3 What is the case for supporting employee financial well-being?

What are the pressures for change?

The evidence so far reveals substantial levels of poor financial well-being within the UK population, providing a compelling case for employers to influence change and improvement. External pressures on organisations – such as changes in government policy, including the National Living Wage, automatic enrolment, abolition of the default retirement age – alongside internal pressures such as workforce ageing are compelling employers to take a serious look at the financial health of workers and reflect on organisational responsibilities and opportunities.

These pressures, in addition to sector-specific challenges – such as a 1% cap on public sector pay increases – raise questions about employer roles in supporting good financial decision-making, supported by research evidence suggesting that poor employee financial well-being is detrimental and costly to organisations. Much of the economic business case can be built around monetised consequences of poor employee financial well-being (see Table 1). But there are also a series of 'upside' benefits to employers (see Figure 4). Recent major initiatives across all sectors on 'total rewards' (which encompasses all aspects of the rewards package that are valued by employees, including elements such as learning and development opportunities and/or an attractive working environment, in addition to the wider pay and benefits package) and rewards communications have helped raise employee awareness of the value of their own rewards and benefits, and contributed to improved engagement levels and perceptions of employers. Developing a strategy on employee financial well-being involves broadening this approach to recognise that employees' wider financial situation is relevant to their behaviour and performance at work.

Figure 4: The business case for supporting employee financial well-being



Why should employers act?

Employee engagement can benefit

Many larger organisations typically view supporting financial well-being as an ethical responsibility, and 85% cite their reason for expanding financial well-being initiatives as being 'the right thing to do', while 80% believe it is helping to improve employee engagement (Aon Hewitt 2016).

Financially savvy citizens can make better business decisions and be more productive

Helping to develop a workforce that is shrewd about personal finances could offer big benefits; these employees are more likely to be financially savvy with their organisation's money, and make better financial decisions at work. Financially capable employees are less likely to make themselves vulnerable because of debt and exploitation, which can be particularly important in some sectors, for example security or the police. As we have already shown, people who are not worrying about money are better able to sustain concentration on job tasks, engage in creative problem-solving and be more productive.

Financially healthy workers are likely to have better wider health and lower absence levels

A wealth of evidence (see Table 1) shows how financial well-being affects wider health outcomes, which in turn links to sickness levels and productivity losses. The impacts of absence and lower employee productivity are easily costed for organisations, so understanding the prevalence and impact of poor financial well-being helps create the case for support.

An employee financial well-being strategy can also provide a holistic fit with an organisation's existing health and well-being strategy. Therefore an employee financial well-being strategy can be achievable and affordable if separate existing benefits are linked and integrated in a well-being model which better *'reflect[s] employee needs and work[s] alongside the culture of the organisation'* (Haymes and Zahran 2016).

Employees are open to employer support

While employers may worry that supporting employees' financial well-being may be viewed by workers as 'interference' in their personal lives, research suggests that more staff than ever before are interested in obtaining access to advice and guidance from their employers about financial issues (Willis Towers Watson 2016). For example, research revealed that 79% of European employees are 'persuadable' or 'on board' with the idea of employers helping their financial well-being (ibid). Employees increasingly support the idea that employers should actively encourage workers to save for their retirement (Willis Towers Watson 2016a). This is important because research shows that more than half of all adults have a mindset that focuses more on current needs or desires at the expense of future financial goals (MAS 2015).

Enabling workers to meet later-life income needs opens up the talent pipeline

Employers arguably have a role in encouraging workers to meet their longer-term financial needs. The average age of people in the workforce is increasing, partly because of the rise in state pension age, inadequate pension savings and the abolition of the default retirement age. Improved financial well-being may enable people to make free rather than forced choices about when to retire. Enabling people to retire at the time of their choosing may ensure that only people who want to work continue, with potential for improved engagement and productivity. It is also in employers' interest for their workforce to be able to retire in order to sustain a natural churn in their labour force and develop new talent.

Support can be provided without legal exposure

Some employers are wary of offering financial advice to their employees because of liability concerns and lack of understanding about when general forms of support become regulated advice. But there is lots of help that employers can provide without legal exposure (HMT/FCA 2016). In broad terms, giving education and guidance does not result in legal liability for employee choices, but offering advice about a course of action does.

The variety of drivers and benefits of offering financial education support is clear, so we now need to identify the actions required to help realise these ambitions. The next section outlines the steps that the Government, employers and individuals can take.

4 Recommendations

It is clear from the evidence and our expert input on this project that a tripartite approach is required in tackling the risks of financial well-being and filling the financial education gap. Employers cannot just leave it to government to solve or assume it is a personal responsibility of employees to address on their own.

Here are some of the most important ways in which these players can help to create a more positive context for general financial well-being in the UK workforce.

Recommendations for government

- **Education, education, education...** Sustained investment in building a more financially capable population is required. Continue to promote financial education more actively in schools and to include an emphasis on applying maths at GCSE or equivalent as a life skill in real-world situations related to personal finance and build on this within personal, social and health education within all types of schools. Educate prospective university applicants about student loans and fees so they understand the terms; standardise interest, making terms transparent; and educate students on how to build repayment plans.

- **Offer financial education to vocational work-based learners...** Embed the citizens' curriculum and its financial capability elements – developed by the Learning and Work Institute with support from the former Department for Business, Innovation and Skills – within the 15 new technical routes and Trailblazer qualifications and all publicly subsidised vocational qualifications aimed at young people aged 16–19 who will be spending time in the workplace as part of their programmes of study.

- **Ensure financial education targets people most in need...** Ensure public provision of financial guidance meets the needs of people who may not be able or want to access online websites offering financial education. Some groups will require more intensive face-to-face support and guidance, for example low-earners, who are less likely to be targeted by open market providers. More active support is likely to be needed for those in precarious employment with multiple part-time or short-term contracts who have less sustained contact with an employer. Potential pathways and targets for advice include people receiving Jobseekers Allowance and Universal Credit, who will be working but on low incomes, via Jobcentre Plus.

- **Make financial advice markets work for everyone...** Review how public policy incentives and sanctions may be used to encourage independent financial advice firms offering services to employers to provide low-cost support to small and medium-sized enterprises (SMEs).

- **Tell employers where to get help for staff...** Signpost employers to the range of different advice sources available to support financial education and well-being covering government, publicly funded, private and voluntary sector providers. This landscape can shift rapidly, so the information needs to be accessed from a single point, such as via the gov.uk website, marketed effectively and updated regularly with a description of what each provider offers, whether their services are regulated and whether listing is an endorsement. Be transparent and raise awareness of the kinds of support that are regulated and unregulated and communicate this to employers, for example, through HMRC.

- **Create a culture of personal financial responsibility...** Encourage and promote a cultural shift towards paying more attention to personal financial well-being; for example, promote Pensions Week more widely, just as the Dutch Government promotes national 'pensions days' to raise people's awareness of the importance of saving for retirement. Explore whether national financial well-being could be promoted within broader public health strategies. Investigate the possibility of auto-enrolling people into key insurance schemes, such as unemployment, critical illness or permanent health coverage.

Recommendations for reward, benefits and financial education providers

- **Educate clients to create intelligent consumers...** Increase focus on improving financial capability and well-being rather than crisis recovery or sales volumes. This will develop consumer expertise to develop realistic financial goals based on reasoned appraisal of their financial situation.

- **Improve access to financial planning tools...** Make tools developed primarily to help wealthier people plan their financial well-being available to a much wider population. Ensure these tools are widely available across employers of all sizes, not just large/ multinational organisations with sophisticated HR departments and systems.

- **Target all young people, not just graduates...** This will help develop financially literate future generations.

- **Make learning about personal financial management easy for people...** Simplify language and terminology used in financial education, using graphics and personalised evidence-based tools. Exploit behavioural insights approaches to increase take-up and engagement among individuals. Make your services deliver increased value for money from employers.

Recommendations for employees

- **Make the most of your salary and benefits...** Employees in organisations offering a flexible benefits or total reward package should take advantage of accompanying financial education to ensure they are making the most of its value, including tax breaks and reviewing and updating preferences over time as personal circumstances change. Learn from experts and expert peers to build understanding of employer benefits such as pensions.

- **Learn to budget...** Make time for thinking about your life goals and priorities and how you will get there. Ensure you have an adequate savings pot for a rainy day. Think about ways of training yourself to save for that rainy day.

- **Don't put off balancing your books...** Schedule some time regularly and at least annually to review your financial situation and take the action you need.

- **Set yourself small, progressive financial goals...** Devise and break down long-term financial ambitions into small steps to improve financial well-being. This can be more motivating and create big benefits in the long term.

- **Develop good money habits...** Saving tiny amounts regularly can mount up over a number of years. Checking your bank statement every month can help you track your money habits.

- **Teach yourself how to make the most of your money...** Become a savvy consumer from using independent, reliable web or digital sources and forums and focus on getting the best deal you can in managing money through shopping around for essential services and discretionary spending.

- **Don't be an ostrich...** If you sense or know that you are heading for financial trouble, get help as soon as possible from one of the many sources available – they will help you get back on your feet fast. Have a look at the list of those that can help in Appendix 2.

Recommendations for employers and HR professionals

- **Create your financial well-being strategy and case...** Build a rationale for supporting employee financial well-being, identifying what kind of needs for support there are among your employees and what you want to achieve. Our resource (*Employee Financial Well-being: Practical guidance*) helps you to diagnose and analyse these needs.

- **Use financial well-being strategies to support workforce physical and mental well-being...** Mainstream financial well-being as part of a holistic well-being strategy to ensure it feeds across the spectrum of HR activities and gets the attention and resourcing it needs within your business.

- **Shout about your financial well-being initiatives...** Promote the support that is already available to employees and be prepared to direct your people to independent sources of advice from government and the voluntary sector alongside bespoke provision if needed.

- **Pick the right moments to talk to staff...** Harness significant life events (for example marriage, birth of a child, divorce) as opportunities to target financial information to different employee segments and remind them to examine their needs and priorities.

- **Include everyone in your organisation…** Be aware that poor financial well-being can occur across all types of employee segments regardless of age, occupation or income bracket. Higher earners may still worry about money, make poor financial decisions or run into debt. Consider packaging financial education within an overall health and well-being policy, induction or mandatory training to ensure coverage of awareness of your offerings among employees.

- **Build trust among employees…** Be clear about the terms of what you are offering and whether it is information, advice, guidance, who is paying and where responsibility for decision-making lies. This can increase take-up of any financial education you or a benefits provider can offer.

- **Be a fair payer…** Provide a decent and fair reward package to your employees and ensure they understand and appreciate it fully. Offer opportunities for choice to tailor the package to suit their needs. Flexible and voluntary benefits might include well-priced/discounted detailed financial advice and support.
- **Provide an employee assistance programme (EAP)…** This can help to pick up and address serious financial issues concerning employees; monitor these situations, but aim for a prevention rather than cure approach to help employees avoid getting into these situations in the first place.

- **Identify and mobilise workplace champions for financial well-being…** Select savvy and credible staff, including employee representatives, informal champions and trade union representatives, to share resources. These all have a stake in supporting their colleagues, signposting them to suitable advice and helping to increase employee engagement in taking financial well-being and education opportunities seriously.

- **Take advantage of what government and financial service providers offer…** Make use of state programmes and free support to help improve the financial education of your workforce.

- **Assess what's (not) working…** Make sure you find out what difference you are making by monitoring and evaluating the impact of any financial education and support you offer.

Take a look at three other sources of information based on this research available at cipd.co.uk/financialwellbeing:

- ***Employee Financial Well-being: Practical guidance*** for practical advice on supporting employee financial well-being

- ***Employee Financial Well-being: Behavioural insights*** for advice on how to engage with different types of workers in developing financial education to improve financial well-being

- ***Financial Well-being: The employee view*** for perspectives about how employees view their own financial well-being, the barriers they face to improving it and how they may be overcome.

Appendix 1: Research methodology

Literature review methodology

The literature review addressed three key research questions:

1. What are the key future pressures and challenges likely to affect employee financial well-being?
2. What is the case for and roles of employees, employers and government in supporting employee financial well-being?
3. What insights do behavioural science principles offer to employers to help shape good practice in supporting workers' financial well-being and decisions?

We adopted a multi-disciplinary perspective to the literature search using the following sources:

- academic databases accessed through the University of Brighton: International Bibliography of the Social Sciences (IBSS), XpertHR, Wiley Online, Business Source Premier, CINAHL – Nursing and allied health journals, and PsycINFO
- grey literature:
  - ACAS, CBI, CIPD, Institute for Employment Studies, Institute for Public Policy Research, Work Foundation, Joseph Rowntree Foundation, ESRC, Institute for Fiscal Studies, Trades Union Congress, Financial Conduct Authority, Social Market Foundation, Pension Advisory Service, Citizens Advice, European Commission, Pensionswise, Pensions Policy Institute, Living Wage Foundation, Resolution Foundation, New Economics Foundation, Money Advice Service, OECD
  - other charities/third sector/specialist advice agencies/debt counselling charities
  - law centres
  - government departments
  - management consultancies
  - HR press, for example *Employee Benefits*, *Personnel Today*, *People Management.*

The exclusion criteria applied to our literature search included: non-English language publications; dissertations/theses; sources pre-dating 2006; full-text/book chapters unavailable online because of the practicalities of obtaining them in the timescales. We also proposed to only review evidence from the UK, Europe, USA, Australia, Singapore, New Zealand and Canada where available.

Workshops

We held three workshops between May and July 2016. The workshops drew on literature to identify a series of questions with relevant interest groups:

1. The first workshop (May 2016) included a mix of reward practitioners, policy-makers and key experts in financial well-being. We introduced the group to major themes from the literature and they: discussed what is meant by financial well-being; identified the workforce groups most at risk of poor financial well-being and the timing of opportunities to engage; discussed how key policy changes will affect workers at most risk of current/future financial hardship and how people at risk of poor financial well-being would fare under positive and negative scenarios of policy change and financial education provision in future.
2. The second workshop (June 2016) was with HR practitioners from a variety of different areas within the HR function. This group discussed organisational approaches to financial well-being for the groups identified in the first workshop, including how best to reach workers at risk of poor financial well-being through different phases of the employee lifecycle.
3. The third workshop was with a mix of multi-disciplinary behavioural insights experts, reward/HR practitioners and employee communications experts. This group discussed the key messages for effectively supporting improved financial behaviour and identified the best channels/methods for these messages for the groups identified at key points within their lives.

Workshop participants

We would like to thank the following organisations who took part in the workshops from which we drew considerable insight to inform this and other related reports.

Bank Workers Charity

Barclays

Behavioural Insights Team

British Heart Foundation

Citizens Advice Bureau

Close Brothers

Coral

Diabetes UK

GSK

Guys and St Thomas Hospital NHS Foundation Trust

Home Office

KPMG

Maitland Consulting

McDonalds

Metropolitan Group

Money Advice Service

Nudge Global

Pensions Policy Institute

Quiet Room

Squirrel Financial Wellbeing

Toynbee Hall

Warwick Business School

Wealth at Work

Appendix 2: Where can I get more information?

Please see **cipd.co.uk/financialwellbeing** for further outputs from this research:

- ***Employee Financial Well-being: Practical guidance*** for practical advice on supporting employee financial well-being
- ***Employee Financial Well-being: Behavioural insights*** for advice drawn from behavioural insights on how to engage with different sections of the workforce concerning financial well-being
- ***Financial Well-being: The employee view*** for perspectives about how employees view their own financial well-being, the barriers they face to improving it and how they may be overcome.

There are a number of information sources also available to employers and employees, including:

For employers:

- Financial Conduct Authority
  www.fca.org.uk
- GOV.UK
  www.gov.uk/workplace-pensions-employers
- Pensions Regulator – information for employers
  www.thepensionsregulator.gov.uk
- Pension Wise
  www.pensionwise.gov.uk
- Department for Work and Pensions – pensions reform
  www.dwp.gov.uk/pensionsreform
- HM Revenue & Customs – pension schemes
  www.hmrc.gov.uk/pensionschemes/index.htm
- Money Advice Service
  www.moneyadviceservice.org.uk
- The Pension Service – part of the Department for Work and Pensions
  www.thepensionservice.gov.uk
- Pensions Management Institute (PMI)
  www.pensions-pmi.org.uk

For employees:

- Money Advice Service
  www.moneyadviceservice.org.uk
- Citizens Advice
  www.citizensadvice.org.uk
- Pension Wise
  www.pensionwise.gov.uk
- Pensions Advisory Service
  www.pensionsadvisoryservice.org.uk
- Debt Advice Foundation
  www.debtadvicefoundation.org
- National Debtline
  www.nationaldebtline.org
- GOV.UK
  www.gov.uk
- Insolvency Service
  www.bis.gov.uk/insolvency
- StepChange Debt Charity
  www.stepchange.org
- TaxHelp for Older People
  www.taxvol.org.uk
- Taxaid
  www.taxaid.org.uk
- Independent financial advisers
  www.moneyadviceservice.org.uk
- Low Incomes Tax Reform Group
  www.litrg.org.uk

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Issued: January 2017 Reference: 7420