



# Paper

## Building the business case for employee financial wellbeing

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IES has been researching the links between financial wellbeing and employee performance at work for almost a decade. Indeed, we conducted one of the first surveys of employee financial wellbeing in the UK in 2009 (Cox, Hooker, Markwick, 2009). Unfortunately, over that period, the extent of financial problems suffered by people in the UK has grown, with a substantial proportion of people facing increasing financial challenges and risks (Cox et al, 2017). Employee Assistance Programme helplines seem to be evolving into debt management and tax support and dealing with the related stress, and the associated ‘scary statistics’ are probably well known to this audience by now: 40 per cent of adults say they are not in control of their finances (MAS, 2015); only 28 per cent of people have a savings buffer equal to three months’ income (MAS 2015); and a third of employees’ state financial worries are their biggest concern (Neyber, 2017), affecting sleep patterns and ones performance at work.

Despite the spark in interest around employee financial wellbeing over the last couple of years – indeed, the government-backed Money Advice Service (MAS) launched the UK’s first Financial Capability Week in 2016 – there still seems to be a lag in employers taking action to support their employees’ financial wellbeing. Only about 10 per cent of organisations have a financial wellbeing strategy and over two-thirds do not offer any form of financial guidance (Thomsons, 2018). Despite this, research indicates that the implementation of financial wellbeing programmes is on the corporate agenda of more than half of organisations within the next three years (Willis Towers Watson, 2017), so perhaps we will begin to see some positive change.

In soliciting participants for our latest MAS-funded research study, we found many HR functions keen to meet and get involved, whilst senior management teams remained resistant and reluctant to take it any further.

Previous research by IES and the CIPD (Cox et al, 2017) highlighted that poor financial wellbeing impacts on employees’ health in terms of poor psychological wellbeing, higher stress and anxiety levels, and lower levels of good health. This in turn impacts organisational productivity in terms of poorer job performance, short-term decision-making, a reduced ability to concentrate, lower productivity and absenteeism. This suggests that involvement in employee financial wellbeing could contribute to higher organisational performance and productivity.

Employers have a pivotal role in improving employees’ financial wellbeing as reward and access to benefits form the most important foundation for employees to manage their financial situation. HR is also perfectly placed to secure preferential deals on key benefits for employees such as retail discounts and private medical insurance; and the internal communication network in an organisation provides an existing and potentially effective conduit for financial education and information (Cox et al, 2017).

In January 2017, IES and the Chartered Institute of Personnel and Development (CIPD) launched the IES/CIPD financial wellbeing practical guide for employers (Rickard et al, 2017). This guide is designed to help promote and guide effective employer actions in supporting their employees’ financial wellbeing. In the 18 months to June 2018, IES tested the key stages of this guidance, with financial wellbeing support being delivered to employees in two large public sector organisations, with funding from the Money Advice Service’s What Works Fund.

The project aimed to build a business case within each organisation for supporting employee financial wellbeing; assess the level of support needed by employees through the launch of a baseline employee survey; and assess the effectiveness of actions taken.

## Build a business case

The key findings from the study highlighted the role of HR in building a business case for supporting their employees' financial wellbeing. The study found that building a business case has to be the very first stage in the journey for organisations to help their employees make better financial decisions. For key stakeholders to understand and value the need to support employee financial wellbeing, the business case must be specific to the organisational context, as even in working with large reputable employers where HR staff were supportive of wellbeing initiatives, the research highlighted the potential difficulties of 'selling' the business case at senior levels. Without their endorsement for activity in this area, it is clear that any financial wellbeing strategy HR may wish to implement will not be realised.

Making the well-evidenced links in the business case between improved financial wellbeing and improvements in productivity, employee engagement and improved corporate social responsibility reputation can help to capture senior interest and buy-in for engagement in employee financial wellbeing support. Any desire of the organisations to be seen as 'leading edge' on this and to strengthen their employment brand was also seen as a key element of the business case.

Our study also found that a champion is pivotal at the senior level and in HR/reward to secure buy-in and support for actions on improving financial wellbeing and providing a definition of financial capability/wellbeing to senior level (and to employees) is an important stage to ensure engagement. HR needs to make a clearer case that if employees are suffering financially then the business suffers; and this is not just an issue of pay levels but the costs and financial stresses that their employees are facing and suffering. 35 days holiday seems an amazing benefit provided by one of our clients, yet many employees in our work with them told us they would rather have 10 days more work and pay to cope with the costs of travelling to and working in central London.

## Assess need for support

Our research also found that generally there was a lack of understanding of the current state of employees' financial wellbeing; with engagement or reward surveys currently not covering this area and any existing actions had tended to be seen as financial education and 'add-ons' to total rewards. To remedy this, we conducted quantitative baseline employee surveys in each organisation in summer 2017 (333 and 748 online responses were achieved across the two organisations respectively) to identify the employee need for financial wellbeing support. The baseline surveys explored several areas:

- Financial wellbeing measures – comprising dimensions such as employees being able to cope with household bills, or having savings for the future.

- Financially capable behaviours – the behaviours that employees exhibit or the actions they take, for example, saving regularly, keeping track of finances, or working towards longer-term goals.
- Financial enablers and inhibitors – the things that make behaviours or financial wellbeing either easier or more difficult for employees to achieve. They encompass attitudes and motivations and skills and knowledge such as confidence in talking to those who could give advice.

Overall, the surveys found that, broadly, between one quarter and one third of employees across the two organisations reported that financial worries had impacted their job performance; and their health; between 15 and 20 per cent had lost sleep due to financial worries; and around 10 to 15 per cent had found it hard to concentrate at work as a result of financial worries. All factors which have a negative impact on organisational performance and productivity.

Stakeholders in the study organisations were aware that there were some employees who had not had a pay increase in real terms for many years due to the one per cent pay cap which has been a key part of the government's austerity programme since 2010. They felt the organisation's role should be about supporting employees to help their money go further. Their aim was to demonstrate that, whilst financial wellbeing support would not directly affect pay levels, it could improve financial wellbeing by getting employees to maximise their earnings through, for example, fully accessing the benefits offering available to them.

The employee surveys were considered by stakeholders to be an effective tool to assess employee need for financial wellbeing support<sup>1</sup>. The results highlighted needs within both organisations for support of their employees' financial wellbeing by identifying areas where employees may benefit from support, information and guidance. Importantly, the surveys also demonstrated that over half of the employees at both organisations agreed that there was a role for their employer to provide financial support and guidance in the workplace; an appetite which has been reflected by other external research (eg Capita Employee Benefits, 2017; Standard Life, 2011). At both organisations, employees were most interested in receiving financial education on the topics such as retirement and pensions, savings and investments and wills and estate planning.

## Roll-out financial wellbeing initiatives

The survey results were also useful in helping the organisations to get initiatives off the ground initially, and subsequently to build a more strategic and impactful approach. While the HR departments saw the value of a more comprehensive and strategic approach to employee wellbeing in which the financial aspects were incorporated, the research also

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<sup>1</sup> A sample employee financial wellbeing survey is included in the annex of Rickard et al, 2017

highlighted that specific and focused initiatives eg pension sessions or access to independent financial advisers (IFAs), seemed to be better supported and valued. In addition, an audit of all relevant activity, across different parts of a business, could highlight various strands of existing financial wellbeing support within the organisation (eg various financial or wellbeing benefits; an Employee Assistance Programme that offers debt counselling etc) that require repackaging and communication under an employee financial wellbeing umbrella. This would represent an easy win for employers that are 'starting out' in supporting employee financial wellbeing.

The employee surveys also highlighted that there is most demand among employees for support with traditional benefits, eg pensions. Therefore, for organisations starting out in supporting employees' financial wellbeing, further 'easy wins' may be found in initially focusing efforts and resources on traditional initiatives which build awareness, such as pension roadshows, rather than attempting to get senior support for more innovative solutions such as employee loan providers. Many initiatives are also relatively low cost to undertake – MAS, for example, provides access to its own suite of financial support tools to employers free of charge. Ignorance and outdated attitudes seem to be the major barriers, rather than cost.

The evaluation also highlighted that getting actions going on financial wellbeing and sustaining them within organisations is challenging. More progress may be made by HR regularly reinforcing the business case for providing this type of support, but ultimately further research and evidence needs to be conducted on what types of activities employers are engaging in to support employee financial wellbeing and their levels of effectiveness; and HR needs to help address the 'myths' and misplaced concerns associated with implementing financial wellbeing strategies that could help progress the concept within the workplace.

Some senior management teams still obviously regard this as a matter just for the individual and worry about the risks of being seen to provide financial support and advice. The fears are misplaced and that support is becoming increasingly essential. HR has to do a better job in addressing these misconceptions and getting the financial wellbeing concept rolling into practice in their organisations.

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## The author

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**For more information on IES' work on financial wellbeing or any of the topics raised by this paper, please email: [iesconsult@employment-studies.co.uk](mailto:iesconsult@employment-studies.co.uk)**

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