EMPLOYEE FINANCIAL WELLBEING

A practical guide

Guide
February 2023

The CIPD is the professional body for HR and people development. The registered charity 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 160,000 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.

Guide

Employee financial wellbeing: A practical guide

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Acknowledgements

The CIPD are grateful to Catherine Rickard and Duncan Brown for putting this guide together, and to the organisations who helped by providing case studies.

Publication information

When citing this report, please use the following citation: Rickard, C. (2022) *Employee financial wellbeing: A practical guide*. London: Chartered Institute of Personnel and Development.

1 Introduction

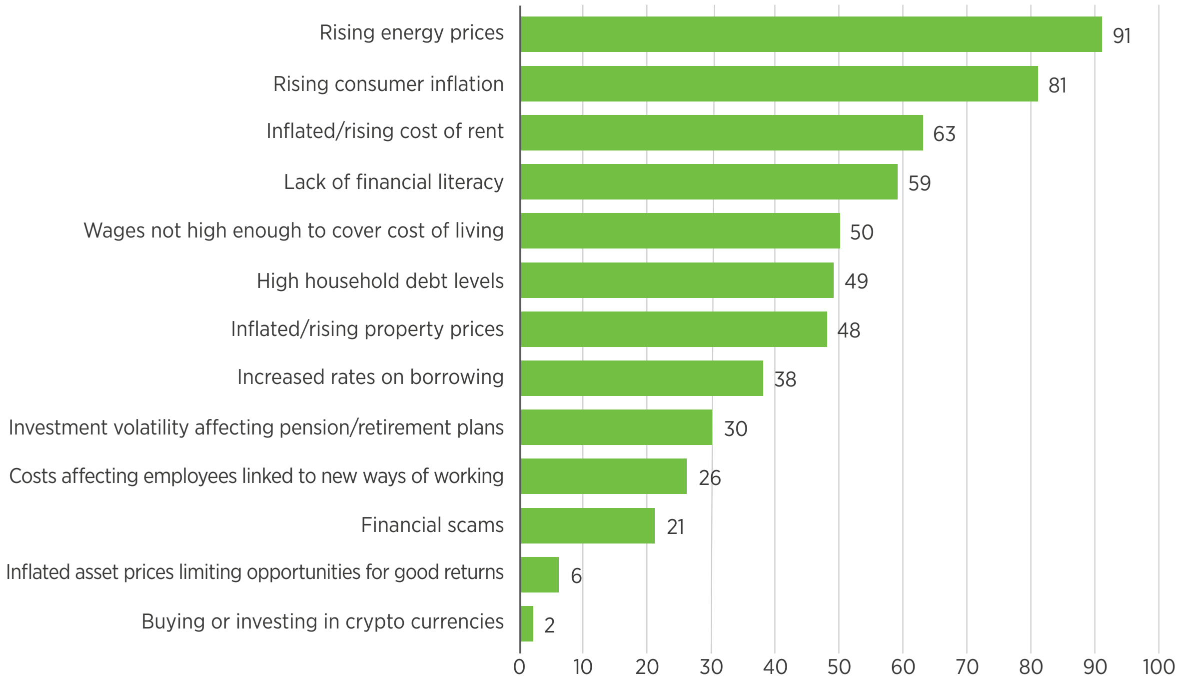
This revised guidance builds on the CIPD's initial *Employee Financial Wellbeing: Practical guidance* from 2017. Since the original guide was published, we have experienced unprecedented global challenges in the form of the COVID-19 pandemic, followed by a 'great resignation' and now a cost-of-living crisis, headlined in the UK by a 40-year-high inflation rate. Sharply rising prices, driven by supply chain problems in the wake of the pandemic and then the war in Ukraine, which sent energy prices soaring, have generated this crisis that is affecting households across the world.

In addition, behind the headlines of continuing falls in unemployment, there is a participation crisis in the UK, with over a million fewer people in the workforce than pre-pandemic, largely because of the higher economic inactivity of older workers and those with ill-health.[1] This is contributing to low growth through labour and skills shortages, alongside vacancy numbers that are almost at a record high.[2]

This economic climate has caused numerous risks to the financial wellbeing of the workforce (see Figure 1). So, as we enter a recession predicted to be the worst in a generation, managing employee financial wellbeing is rapidly being pushed up the social, political and business agendas, as the potential for significant financial distress and the very real risks and growth of in-work poverty – which is already experienced by one in eight workers – means many more employees will almost certainly be struggling to cope.

Many more employers are now recognising that financial wellbeing is more than just about paying employees and providing a few benefits. It's about a shared responsibility between the employee and employer, as well as government. This guide aims to give practical advice to HR practitioners and employers of all sizes and sectors on how to promote and support employee financial wellbeing during these challenging times.

Figure 1: Current risks to the financial wellbeing of the workforce (% of organisations)



Source: REBA/WEALTH at Work. (2022) *Financial wellbeing research 2022: Navigate financial resilience for a sustainable future.* Reward & Employee Benefits Association/WEALTH at Work.

2 What is employee financial wellbeing (EFW)?

While there are multiple strands to the concept of financial wellbeing, which are discussed in detail in the CIPD's *Financial Wellbeing* evidence review, it can be thought of as an employee's ability to make the most of their money and finances on a day-to-day basis, while also being able to deal with the unexpected, like a bill for a car or household appliance breakdown, and being able to plan and save for the future. The Money and Pensions Service (MaPS) refers to financial wellbeing as feeling secure and in control, alongside being financially resilient, confident and empowered.

52% all UK adults do not have a plan for their finances in retirement.

MaPS Adult Financial Wellbeing Survey 2021

45% all UK adults do not feel confident managing their money and almost 9 million people are in serious debt.

MaPS Adult Financial Wellbeing Survey 2021

Five million people approaching retirement age do not have an adequate retirement income and 1 in 6 have no pension savings

Pensions Policy Institute/ Centre for Ageing Better, 2021

A useful framework is produced by MaPS in its UK Strategy for Financial Wellbeing. It suggests financial wellbeing is impacted by an individual's:

- behaviour (for example, managing money, planning ahead, proactively seeking advice)
- mindset (for example, financial confidence, spending control, engagement with money, saving orientation, digital engagement, and so on)
- abilities (for example, financial numeracy, understanding of financial concepts, knowledge of where to access advice)
- connections (for example, access to reputable financial guidance).

Poor financial wellbeing can lead to financial distress – when individuals struggle with their current finances or feel insecure about their financial future.[3] As well as being caused by not having enough income to cover expenses, all of the above elements can underpin financial distress.

Why is employer action needed?

Action needs to be taken as a priority because financial and related mental health issues are affecting a significant and growing proportion of the workforce, negatively impacting employee wellbeing and performance. And employees not only need but now also expect this support from their employer.

Before the pandemic, money worries were already a major cause of stress for many employees.[4] In England alone, over 1.5 million people were experiencing both problem debt and related mental health problems, and over 100,000 people every year attempted to take their own life while struggling with problem debt.[5] But since the start of the

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pandemic, financial wellbeing has worsened for many,[6] with lockdowns negatively affecting many people's financial security as well as physical and mental health. In addition, the consequences of financial distress have grown, such as rises in domestic or financial abuse and growth in the use of food banks.

Rising living costs are now having a similar, for many even worse, financial impact, with a 2022 poll conducted for the World Economic Forum finding a quarter of people in 11 developed countries are struggling financially. Employers are rightly worried about the impact on their employees and their customers. For 35% of boards, rising living costs are their major concern right now, overtaking other concerns linked to loss of competitiveness (25%) and Brexit (17%).[7] Almost three-quarters (73%) of employers expect their employees' financial situation to worsen over the next 12 months[8] as price rises squeeze living standards further. An equal proportion of employees are also more worried about their finances now than they were before the pandemic.[9] Indeed, half of UK adults say they are currently struggling to keep up with bills and credit commitments,[10] with the lowest paid the worst hit – although poor financial wellbeing can affect employees at all levels.

There is also a continuing lack of awareness of in-work poverty.[11] Some 36% of HR professionals think that their senior management is completely unaware of the issue,[12] and in the higher-risk, low-paid and female-dominated sectors, such as retail, hospitality, catering and cleaning, this proportion increases substantially (61%).

Only 6% of organisations have a policy to reduce in-work poverty.

CIPD Reward Management Survey, 2022

CIPD research has shown that when employees experience financial distress, their wellbeing and job performance suffer:

- Over a quarter (28%) of people already say money worries have impacted their work performance, most commonly through lost sleep, health problems such as stress or anxiety, and finding it hard to concentrate or make decisions at work.[13]
- Almost a third (29%) of employees say cost-of-living-related financial worries have negatively impacted their productivity at work.

Mental ill-health is estimated to cost employers £34.9 billion a year and the cost to the UK economy of financial worries is estimated to be £120 billion due to lost productivity.[14]

Only 18% of organisations have an employee financial wellbeing policy in place, yet employees covered by a financial wellbeing policy are seven times more likely to report their employer has a positive impact on their financial wellbeing.

CIPD Reward Management Survey, 2022

Despite this impact, financial wellbeing remains one of the least common areas included in HR strategies and in health and wellbeing activities. And few employers are encouraging their staff to talk about their money worries (22%),[15] the foundation of an effective EFW policy.

Employers, however, are increasingly reporting a rise in demand from employees for workplace financial wellbeing support. All employers, regardless of their size and sector, can step up to meet this demand, by putting a financial wellbeing policy in place that has three core elements:

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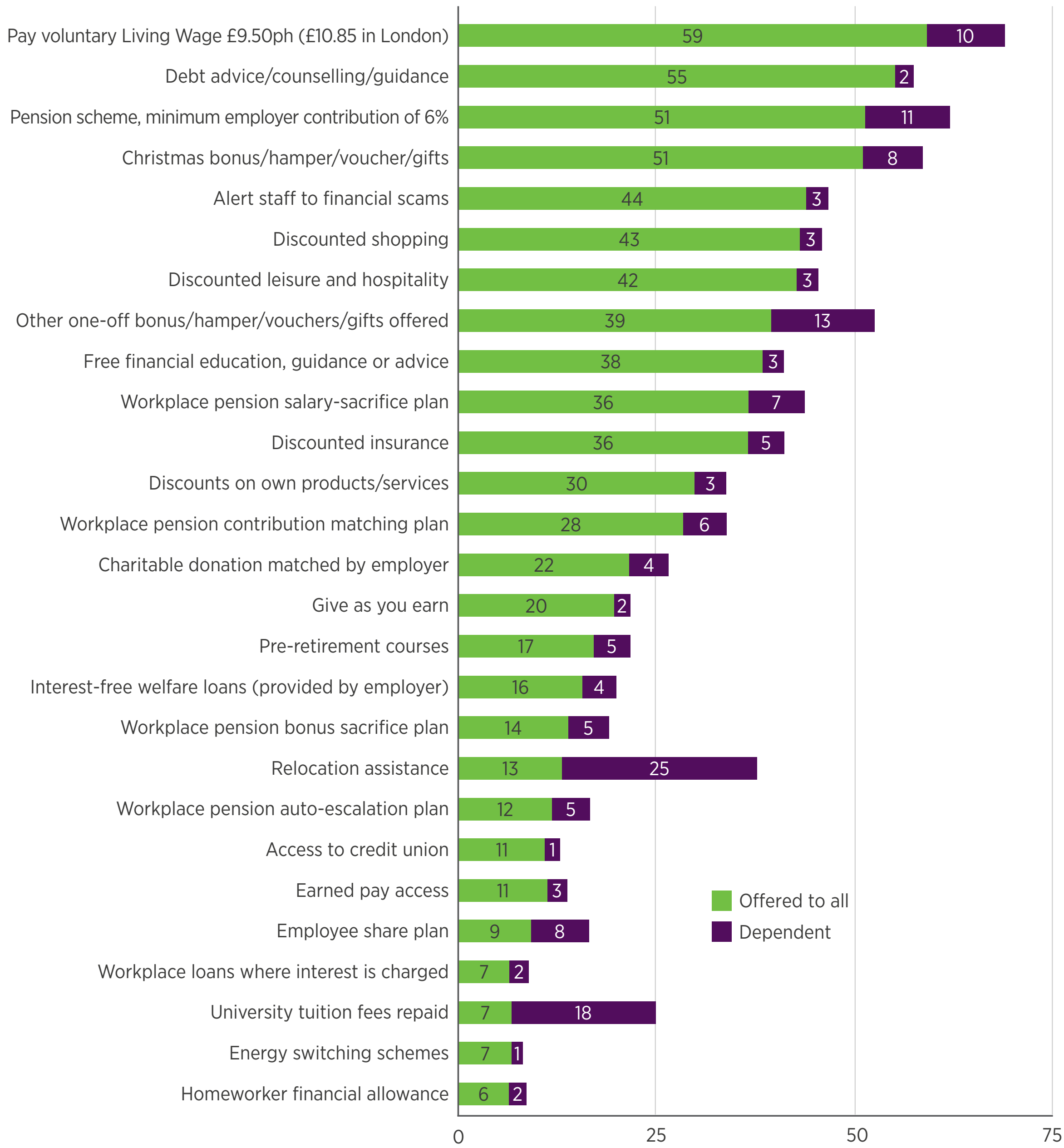
- payment of at least a fair and liveable wage
- support for in-work progression
- financial wellbeing education and support.

> *33% of employers report that there has been a rise in demand from employees for financial wellbeing support.*
>
> **CIPD Reward Management Survey, 2022**

Figure 2 shows some of the most common components of current policies.

Figure 2: Financial wellbeing benefits on offer (% of organisations)



Base: n=236. Benefits offered to all by more than 5% of organisations.
'Dependent' indicates a benefit offered to some staff dependent on grade, seniority, location, job role, and so on.

3 The ‘how’ of developing an effective employee financial wellbeing policy

There are five key steps[16] to developing an effective policy for supporting employee financial wellbeing, illustrated in Figure 3.

Figure 3: Supporting employee financial wellbeing

1 Build support and set strategic direction

Rising living costs may have already started the conversation among your organisation’s key stakeholders – senior managers, leadership, board members – around the need to support the financial wellbeing of employees. Over half of HR professionals (51%) report an increase in recent months in how much employee financial wellbeing is being discussed by senior management in response to rising household energy costs.

While reward/benefits and HR teams are increasingly committed to supporting employee financial wellbeing, greater levels of engagement among the board and senior management level are typically still needed.[17]

You need to achieve a common understanding across the whole organisation of the multiple strands to financial wellbeing.[18] Your leadership team should set the cultural and strategic direction for support – for example, to be open about money issues, visibly support practical actions[19] and, very importantly, back these actions with some investment.

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Creating a strong business case for support will set the strategic direction for your organisation and cement the understanding and value in supporting employee financial wellbeing among your organisation's leaders and other key stakeholder groups.

A persuasive business case for senior management to support their employees' financial wellbeing should:

- provide a definition of financial wellbeing that all stakeholders understand
- link to any broader health and wellbeing strategy and the business strategy[20]
- demonstrate understanding of the current and future priorities of leadership[21]
- state the goals for the EFW strategy – for example, to improve the mental and physical wellbeing of employees, reduce employees' reported financial stress levels, enhance the organisation's brand and reputation, and so on (see Figure 4)
- demonstrate the ethical or corporate social responsibility case for financial wellbeing support and demonstrate how support can reflect organisational values[22]
- benchmark your organisation against what competitors are implementing to support their employees' financial wellbeing
- highlight the associated costs of engagement
- highlight the well-evidenced risks to the organisation that employee financial distress can bring.

> *Some 94% of organisations see financial wellbeing as an integral part of wider employee wellbeing, and link it to HR objectives, such as workforce planning, employee engagement and recruitment and retention.*
>
> **REBA/WEALTH at Work, 2022**

Poor financial wellbeing impacts health in terms of poor psychological wellbeing, higher stress and anxiety levels, and lower levels of good health. There are hefty organisational costs associated with these outcomes in key areas such as productivity, retention, attendance and engagement (see Table 1 for relevant statistics that could be included in your business case). These impacts provide a convincing case for a financial wellbeing strategy, especially in the current climate when financial problems are increasing for many due to rising living costs.

In addition, research also shows that employees now expect their employers to offer support,[23] with over half (59%) of employees believing it is important that their current employer has a policy in place to support and improve their financial wellbeing,[24] and more than four in five employees stating their employer should now focus as much on financial wellbeing as on mental and physical wellbeing.[25]

> *65% of employees think it's important that their future employer has a policy in place to support and improve their financial wellbeing.*
>
> **CIPD Reward Management Survey, 2022**

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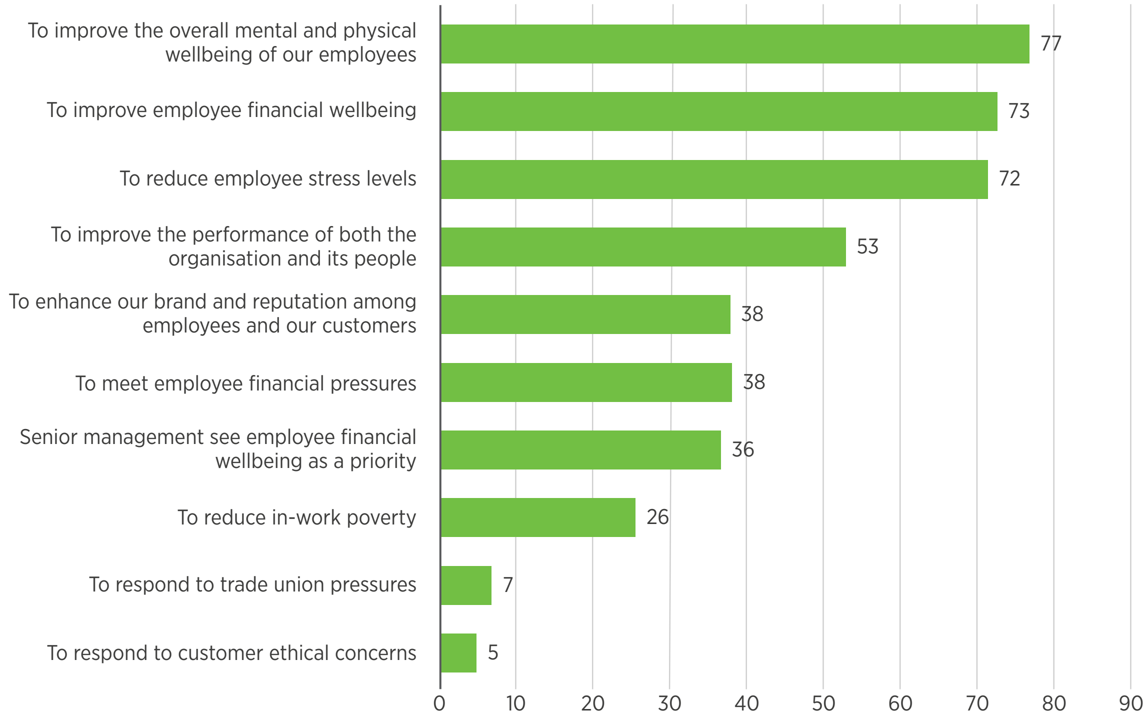
Figure 4: Reasons for a financial wellbeing policy (% of organisations)



Base: n=74. Percentage of those who have, or plan, a policy.
Source: Cotton, C., Marriott, L. and Perkins, S J. (2022) *Reward management survey report: Focus on employee benefits.* London: Chartered Institute of Personnel and Development.

Table 1: Example costs to organisations of poor employee financial wellbeing

Attendance	- 10% of full-time and part-time employees have missed days at work because of financial worries, with an average of 4.9 worker days lost each year.[26] - The average annual cost of absenteeism and presenteeism due to financial worries is estimated to be: small organisations: £4,544; medium organisations: £22,746; large organisations: £323,390.[27]
Productivity	- Financial worries result in the loss of 17.5 million working hours each year.[28] - On average, employees spend 3.5 working days a year at work managing their money.[29]
Mental health	- Some 34% of employees say that financial stress/money worries in the past year have had a severe or major impact on their mental health.[30]
Retention	- Over three-quarters of employees (76%) state they would be attracted to another company that they perceive cares more about their financial wellbeing.[31] - Employees who state money worries have a major impact on their mental health are twice as likely to be looking for a new job.[32] - Almost one in five (19%) employees state they plan to leave their current job for one offering a higher salary if the cost-of-living crisis worsens.[33]
Engagement	- Employees who state money worries have a major impact on their mental health are less likely to feel valued at work.[34]

2 Assess and diagnose employee needs

While progress has been made in recent years in taking action to support EFW, there has been less focus on assessing needs and then evaluating effectiveness. It is important that you also focus on these key stages to ensure your activity in this area meets the needs of your employees and has maximum impact. Assessing employee needs helps to identify which employee groups are experiencing financial distress and are in most need of support or those who are at most risk. Rather than making assumptions about what employees need, it is vital to engage with your employees and proactively identify issues that may affect different employees.

How can I identify an employee who is struggling financially?

Changes in employee behaviours, such as higher absence, lower productivity, presenteeism, lower-quality work, changes in mood, more distraction or less focus and attention to detail,[35] increased overtime working, or delayed retirement plans may all be indicators of financial difficulties. You should ensure HR and managers know how to spot the physical, psychological and behavioural signs of poor mental health. Normalising conversations about money in the workplace may encourage employees to feel more comfortable about raising their concerns – by leaders openly discussing these issues, for example.

Consider the characteristics of your workforce

Poor financial wellbeing can be difficult to identify, and all employees can experience it – it is not only low-paid, junior or lower-skilled employees who are at risk. Many senior employees also face financial challenges.[36] In addition, the risks vary depending on sector, hourly pay and hours worked, geography, age, gender, ethnicity and disability. Some of the most vulnerable to in-work poverty are:

- those not working full-time
- single-parent families
- people living in rented accommodation
- families who have a member with a disability
- families with three or more children or households headed by someone from an ethnic minority group.

Because of this, there can be no one-size-fits-all approach to supporting employee financial wellbeing, as certain employee groups and people at different life stages may benefit from different types of support.

Therefore, before any support interventions are rolled out, you should determine your workforce's specific support needs, based on information and data rather than assumptions.

You may find it helpful to consider the characteristics of your workforce and split your employees into groups to better understand their likely financial challenges, especially in the current economic context. In addition, you should be mindful of any future workforce demographics in any assessment of need, especially if your organisation is embarking on change.[37]

While not all employees in the characteristic groups will face the same challenges, it is a helpful starting point. Useful segmentation could include:

- people starting their first job or apprenticeship, whose challenges could include their ability to understand and effectively use personal finance skills, substantial student loans or credit card debt, limited affordable housing and navigating future financial goals
- people dealing with increasing day-to-day financial pressures while balancing the demands and costs of family life with the need to save more to buy a house or have enough for retirement

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- people needing to maximise their retirement fund, potentially with responsibilities for older people,[38] or developing ill health themselves
- socio-demographic factors: some smaller employers may have knowledge of the circumstances of their employees that may place them in higher-risk categories for poor financial wellbeing – for example, lone parents, carers and social housing tenants.[39]

> *More than half (59%) of employers identified poor financial literacy as a major financial wellbeing risk across all generations.*
>
> **REBA, 2022**

Collate relevant information

A significant challenge to effectively supporting EFW is having enough information about employees' financial circumstances to understand their needs. More than a third (35%) of organisations do not currently measure any aspect of employee financial wellbeing,[40] and two-thirds of organisations state they do not have the data to understand their employees' financial challenges,[41] increasing the risk that any interventions will have little or no impact.

This lack of data may be partly due to the stigma that remains surrounding money issues and reluctance to disclose information about personal finances (although these reservations appear to be lessening in the current crisis). However, research by the CIPD found that only 20% of organisations actually ask their employees about their financial wellbeing at least once a year.[42] In addition, only 10% of employees state that their employer has asked them if they would like support with their financial wellbeing.[43]

A bespoke anonymised employee survey is generally the best tool to determine employees' financial wellbeing needs and help to identify particular issues that are causing financial distress. See an example of this approach in our NHS West London case study.

If not enough data is available and a survey isn't an option, you may be able to use existing sources of employee information to gain insights (ensuring GDPR requirements are met), for example:

- A simple analysis of your workforce demographic (for example, age, gender, income levels, culture and location) may help to inform the potential nature of any financial worries.[44]
- Publicly available sectoral research may provide relevant industry data.[45]
- Looking at data in your HR system (data on age, salary level, employment status, bonus payouts, use of maternity/paternity/adoption leave) may provide clues for offering timely support to employees.
- The outcomes of equal pay audits, gender or pensions gap analyses[46] may highlight any disadvantaged groups.
- Absence (related to stress or anxiety) data and/or disciplinary case data (related to performance issues, lateness, or even theft/fraud) may indicate poor financial wellbeing or in-work poverty.[47]
- Your payroll department may be able to share information about the nature of employee queries they receive.[48]
- Your employee assistance programme provider and existing providers of any financial benefits may be able to provide insights linked to the take-up of relevant support;[49] for example, a low take-up of benefits such as pensions and saving schemes may indicate low levels of financial understanding or inadequate pay levels, and any increase in the take-up of pay advances or hardship loans may indicate financial distress.

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- Line managers may be able to offer anonymised insights into their experiences with employees related to money issues; however, to preserve the environment of trust, ensure no personal information is shared.
- Similarly, trade unions may have data on the financial wellbeing of their members.[50]
- Existing employee attitude or engagement surveys may also provide some clues about the current state of employee financial wellbeing in areas such as current levels of satisfaction, work-related stress, views on pay and benefits, and quality of management.

In terms of sources of new information on EFW, you could also set up focus groups to identify useful services and engage with employee representatives/networks.

Bespoke employee surveys

The CIPD report *Financial Wellbeing: An evidence review* provides some validated and reliable measures of financial wellbeing to include in staff surveys. In addition, we include some sample questions in the Appendix 2 that may help to gain insights into your employees' current financial wellbeing.

It is important to ensure employees understand why an employee survey is being conducted and to reiterate that responses will be anonymous and treated confidentially. Collaborating with your internal communications team could help to simplify the messaging. Having a champion at a senior level within the organisation may encourage participation. A summary of the findings should be shared with employees, alongside a commitment to help address any needs identified. These actions will help to foster trust and engagement in the process and may help to open dialogue between managers and employees on EFW, opening up the culture to these types of discussions.

Collecting baseline data before implementing any interventions also enables their impact to be evaluated (Stage 5 of this guide) and will help determine the return on investment of initiatives.

Map existing EFW support

In addition to the assessment of employee need, you should assess what is already in place within your workplace to support financial wellbeing. As well as helping to evaluate the effectiveness of any existing actions, this analysis will help to identify gaps in support, for which there may be employee demand, and areas for improvement. Beyond any existing financial wellbeing initiatives, you may want to include your current rewards and benefits policies in the analysis.

Key considerations to help you assess your need for EFW support

Current provision

What initiatives do we currently offer linked to employees' financial wellbeing; for example, pre-retirement and financial literacy classes, discount and savings schemes, debt support, mental health support, and so on.

How well do we communicate these so that the benefits are understood by our different employee groups?

What elements of the reward package offer the best value for money and which elements are delivering less value?

Is there enough choice and flexibility for staff to tailor their reward package to suit their own personal circumstances and financial goals?

Do we have open communication channels with employees at every level of the organisation to support our wellbeing message?

Where would employees typically turn internally to look for help if they are in financial difficulty?

Existing data

How many requests are we receiving for emergency loans, or earned wage access?

What feedback do we have from our employee assistance programme (EAP) provider regarding frequency/volume of money queries and problems?

What are our levels of absenteeism/presenteeism and how do these vary across the main employee groups and levels?

Potential gaps

Do we know what our employees think about the current reward package?

Do our employees think that we are supporting their financial wellbeing? And how well? How does this vary between different categories of employees; for example, younger compared with older workers?

What do our external stakeholders – investors, customers – expect us to deliver in this area?

What level of financial knowledge do our employees have?

How committed are our employees at present and how do engagement levels vary across the main employee groups and levels?

3 Actions and design

The actions you can take to improve your employees' financial wellbeing are highly varied and will depend on numerous factors, including:

- your organisation's size and sector
- the profile and needs of your workforce
- the level of priority and resources available
- your organisation's existing approach to health and wellbeing.

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It is possible that the scale of the challenge identified by your assessment of need will be significant, but it is important to note that, if necessary, rather than implementing whole-workforce interventions, action can be taken to address the specific needs of a particular employee group, identified through your analysis and data collation conducted in Stage 2. For example, your lowest-paid employees may be a key area for focus in the current cost-of-living crisis. It may not be possible to implement the most obvious solutions to help lowest-paid workers, such as pay rises or one-off cost-of-living bonuses. However, provision of a fair and liveable wage should be a key ambition. You should help employees determine if they are eligible for any additional government support and should ensure that any additional financial benefits offered do not negatively impact anyone claiming such support, for example Universal Credit.

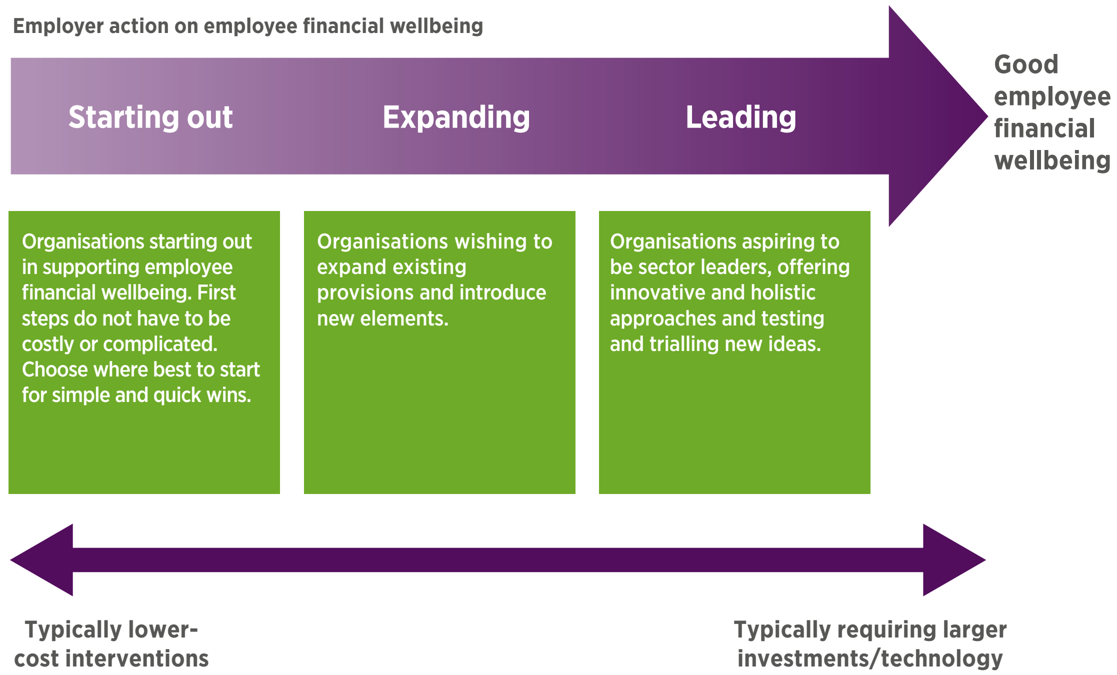
Other things you can do are:

- signpost employees to financial education sources and alert them to online financial scams
- consider offering benefits that help to stretch pay packets, such as travel season ticket loans, discount shopping vouchers, flexible working opportunities that could reduce commuting costs or help with childcare
- occupational sick pay
- crisis loans to help cope with unexpected financial shocks
- help with rental deposits.

Employees should also understand how they can progress within the organisation to increase their earnings potential. See the CIPD Tackling in-work poverty hub for further resources.

Organisations will be at different stages on their journey, and Figure 5 illustrates a typical spectrum of action on employee financial wellbeing. You should assess where you currently sit on this spectrum so you know where you need to focus.

Figure 5: Spectrum of action on employee financial wellbeing



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Although not all support needs to cost money, you should confirm the available budget and resources for your financial wellbeing offering ahead of designing your approach, and give consideration to what can be effectively delivered internally and where external providers could be used. You could also trial some interventions ahead of a full rollout and almost certainly model and cost their operation; for example, how many people are likely to use a new service you introduce, how much will that cost, and what will be the value of the resulting benefits?

> *Currently only 32% of employers that have a workplace financial wellbeing policy back it with a budget; however, more employers have plans to do so.*
>
> **CIPD Reward Management Survey 2022**

For those just 'starting out' on their journey, Table 2 provides some suggestions for actions. These are typically lower-cost and less resource-intensive interventions. For organisations further along in their journey, we include some suggested actions for the 'expanding' and 'leading' organisations in Appendix 3.

Whatever your ambitions, be realistic and targeted, using your data to ensure you are creating a financial wellbeing strategy that accurately reflects the needs of your workforce in order to maximise its impact.

> *81% of organisations hope to better retain employees with the financial wellbeing products and services they offer.*
>
> **REBA, 2022**

Table 2: Suggested actions to support employee financial wellbeing for organisations just starting out on the journey

Type of action	Examples of actions
Creation of a financial wellbeing policy	• Begin to build a cohesive financial wellbeing policy that brings together all your practices in this area. • Consider how your efforts on EFW align with your wider health and wellbeing, and business strategies.
Paying a fair wage	• Review basic compliance with pay policy; for example, changes to the National Minimum Wage and National Living Wage. • Consider becoming an accredited Living Wage employer, which research shows has business benefits despite increased payroll; for example, improved business reputation, employee motivation and retention. • Ensure pay policies and decisions are fair and do not disadvantage any particular groups. • Provide secure working hours to all staff. • Review your reward strategy – depending on affordability, consider offering a cost-of-living bonus, ensuring it would not adversely impact those who claim Universal Credit or Tax Credits. • Ensure payroll is accurate[51] and promptly pay any expenses.[52] • Review payslips to ensure they are accessible, clearly presented and simple to understand, and ensure that employees feel comfortable about raising any issues or mistakes.[53]

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Table 2 (continued)

Type of action	Examples of actions
Support in-work progression	• Be open and transparent about how wages are set and how pay rises can be achieved by having a clear pay structure in place. • Review opportunities for staff to develop and progress in their careers. Invest in training.[54]
Benefit policies	• Review your pension plan – does it enable employees to save adequately for their retirement? Does it take full advantage of tax-efficient savings opportunities such as AVCs and salary sacrifice? • Consider offering flexible or hybrid working to help workers save money on food and commuting.[55] • If an employee has COVID-19, offer financial support to staff who must self-isolate. • Include information about benefits and the importance of making long-term financial provisions in induction or mandatory training.
Provision of financial information, guidance, advice and signposting	• Signpost employees to internal sources of help; for example, payroll for questions or issues with pay; EAP; mental health first-aiders; trade union representatives; line managers and HR. • Signpost employees to external sources of free, confidential and independent money and debt advice; for example, from debt charities and the MaPS, Citizens Advice, and so on. (See Appendix 1 for sources of help.) • Signpost employees to online budgeting/saving/retirement modellers or calculators. • Provide links to information that gets 'back to basics' on financial topics; for example, how to budget, the link between pay and state benefits, credit scores, interest rates, and so on. An employee survey would highlight the demand for particular topics to improve personal finance management skills. • Alert staff to the huge rise in investment scams,[56] brand cloning[57] and pensions scams activity since COVID-19.

Case study: Getting low-paid student workers into the savings habit at University of Lincoln

Context

The University of Lincoln was an early adopter and enthusiastic practitioner of a total rewards approach, offering a wide range of fully funded and additional voluntary employee benefits, including an excellent pension plan and product discounts. This leading position has been maintained and enhanced since COVID, with a recent initiative to better address the savings needs of their younger, lowest-earning student employees, which was awarded the overall top prize at the *Employee Benefits* magazine annual awards in 2022.

Factors prompting action

The university has been offering over 80 different jobs to more than 1,000 students each year through its in-house employment agency, 'Campus Jobs'. This helps to build their employability and financial skills while earning to help fund their studies.

These student employees are eligible, like all university staff, for a pension that the university contributes to. However, the vast majority earn less than the £10,000 lower-earnings limit set by the government for automatic enrolment into an employer pension plan, and/or are under the minimum qualifying age of eligibility of 22 years.

Rather than just accept these employees missing out on their pension contribution and pocketing the savings, the university considered alternative means of helping them to save for the future.

Actions taken

The university introduced an alternative individual savings account targeting these employees. This is operated on the same 'opt-out' basis as the university's pension plan.

When an employee starts a role with 'Campus Jobs', they are automatically enrolled into this workplace savings scheme, contributing 3% of pay into it automatically. The university contributes an additional 6% of their pay on top.

Employees have a choice of ISAs and savings accounts to invest in. They can also increase their contribution, which the university will also match. And, as with a pension, they can choose to opt out at any time and not save.

Outcomes

In the first year, 1,105 students were automatically enrolled into the scheme. Just 7% of these opted out and took the cash immediately.

This opt-out rate is similar to the rates for pension plans nationally, but totally unlike the national pattern of savings, with an estimated 50% of employees of all ages having no savings whatsoever outside of their pension or home.[59]

Surveyed at the end of the year:

- Almost half of the student employees (46%) said they were saving for the first time; one student saved over £5,000.
- Two-fifths (42%) reported feeling more positive about their financial situation and wellbeing.
- 60% said that it made them feel more positive about their job and their employer.

Lessons learned

Traditional stereotypes, in this case of young people never wanting or being unable to save, were inaccurate in this particular situation and need to be challenged.

Making saving easy and encouraging employees to save through an 'opt-in' approach can have major benefits in terms of participation rates.

Communication is vital to building employees' financial understanding and support. The scheme is accessible through a phone app and 40% of students reported using this to check on their savings regularly.

Whatever the regulatory restrictions and rules, innovative employers can still address their reward aims and the needs of their different employee groups, in this case to help ensure fair rewards for all employees and to support their future financial wellbeing.

Case study: The Children's Society

Background and context

The Children's Society is a 140-year-old national charity working to transform the hopes and happiness of young people facing abuse, exploitation and neglect. In 2021 they supported more than 50,000 children with over 70 different services. The Society employs just over 700 people, mostly in direct support, fundraising and retail activities; and staff costs of £25 million represent around half of their annual income.

Pay was last restructured in 2016, with a general cost-of-living-style award and discretionary supplements made each year until COVID hit. Some staff were furloughed as the Society pivoted its services online, and the Society topped up the 80% of government support to ensure their pay levels were maintained. The pandemic, however, forced a financial and structural reorganisation, with the Society taking the opportunity to reimagine and create an operating model, strategy and goal that would work hard to overturn the damaging decline in children's wellbeing over the next 10 years.
Executive director of diversity and talent Michelle Clark joined the Society in 2020. She has been building a more modern, human-centred, integrated HR function and set of services. External market pressures on the competitiveness of pay in the sector have been evident and the Society lost one of its executive directors to a larger, well-known charity in early 2022. 2022 also saw the pressures of the cost of living emerging, and after negotiation with the trade union, a higher-than-usual 3% annual pay award and a further 2% uplift application to grades was made. It was also determined that a deeper review of pay and grading would need to be instigated in the latter half of 2022.

Fair pay is a key objective of the Society's reward policy, and the Society tracks and maintains as a minimum the Living Wage Foundation's real Living Wage level.

Actions

The Society's benefits package has historically been a good if fairly traditional one, with generous annual leave and good pension and sick pay schemes. COVID provided the opportunity to update the package and the Society invested in a wellbeing centre platform provided by Reward Gateway. This is filled with hundreds of videos, articles, courses, tips and other resources from wellness experts to support employees' health in four key pillars: physical, mental, emotional and financial wellbeing.

The platform was well received and used by staff, and the Society continues to enhance and improve its content and accessibility, particularly in regard to financial wellbeing as the cost-of-living pressures on staff have intensified. Recent additions include access to a salary financing/early payment scheme, as well as setting up a staff savings scheme.

COVID highlighted the health and wellbeing of staff as a vitally important issue, and the Society ran 'soundbites' – online discussions and advice on financial, emotional, mental and physical wellbeing – during the pandemic. But, as with many employers, this also drove the recognition that the Society wasn't clear about what exactly those employee financial wellbeing needs were.

So the Society carried out an independent financial wellness survey in 2022, which around a third of employees completed, provided by an independent company 'Secondsight'. As well as providing the HR function with much better data about employees' health and wellbeing, and initiatives that might best support them, this also gave each employee a financial wellbeing rating and tailored advice to help improve it. In addition, HR asked their managers what they thought the key needs of their staff were and how they might be better addressed.

The findings pointed, perhaps not surprisingly, to the Society's lower earners particularly struggling in the current difficult, highly inflationary climate. More broadly employees wanted support to budget and manage their monthly income and expenditure more effectively – hence the widening of the financial wellbeing information and provisions on the Reward Gateway platform. Secondsight also recently ran a well-attended 'Make Money Count' webinar.

The Society had an existing EAP that is now being transferred to Reward Gateway and the range of its services expanded, including financial support helplines and counselling. The Society is considering opening up access to it to its volunteer supporters as well as employees.

And to address the financial pressures especially being felt by its lower-paid staff, the Society is in the process of agreeing a one-off cash lump-sum payment to be made at the beginning of 2023. The board of trustees has been keen that the Society responds fairly to all employees, and while a consideration was made to make this payment to all employees earning below the basic rate of income tax earnings limit of £50,270, which is the vast majority of them, it was decided that this should be made available for all.

Change to outcomes and learning

Michelle Clark describes the Children's Society as being on a reward and financial wellbeing journey, based on its original core values and caring approach to its employees, which is now being modernised and extended to recognise the current requirements of a more diverse workforce and, particularly, the impact of COVID and the UK's current high inflation and cost-of-living crisis. Despite the financial pressures evident across the charity sector, her chief executive and board have been wholly supportive of work in this area throughout this period.

Their initiatives have evolved from initially focusing on advice and information to more tangible forms of support, and while the competitiveness of pay levels remains a concern, staff reaction to these services and provisions has been overwhelmingly positive. The employee financial wellbeing survey has provided excellent information to help target and tailor these benefits. The Society plans to run it again after two years, hopefully to show improvements in people's perceived wellbeing as a result.

Michelle Clark's advice is that while money and pay are obviously vital to staff, especially in a cost-of-living crisis, the importance of lower-cost information and advice, for example in helping staff to budget effectively, should not be underestimated. It's also important to seek voice and input, responding carefully to what people are saying rather than taking a broad-brush, albeit well-intentioned, approach. The needs of staff will be different and continue to be in an ever-changing landscape.

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4 Implement and embed

Implementation

Ensure you have a robust implementation plan developed at the outset of this stage as you embed EFW initiatives. You could, for example, use the questions in Table 3 to develop your plan.

Table 3: Example implementation plan development questions

Consideration	Comments
What interventions are being rolled out?	
Have we piloted the intervention and adjusted our approach based on feedback?	
What is the timeline for interventions? Are we taking a staged approach or launching in full?	
Who is being targeted and when?	
What are our key objectives for the intervention/s?	
What administration/governance responsibilities are there? Who has ownership of these?	
For multinational organisations, do approaches need to be adapted for the different countries in which we are located?	
What communication channels will we use?	
When and how will we seek feedback from employees?	
Have we established a baseline so that we can monitor change?	
Is there enough flexibility in our design to ensure we can meet any changing needs of employees?	
Are the interventions equally accessible to different employee groups, eg homeworkers, employees less confident with technology, etc?[60]	

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Avoid offering isolated and disjointed products that serve short-term needs as the solution, and instead create a cohesive strategy that aligns with HR and corporate strategy.

REBA, 2022

You don't need to roll out your financial wellbeing strategy in one polished block. Adopting an agile approach will enable you to make improvements or change direction with minimal impact to your upcoming plans (and budget). Rolling out your programme in stages increases focus on each component.

AON *Financial Wellbeing Steps*

Communication

It is necessary to communicate to all stakeholders your financial wellbeing strategy, why it exists and how it is being embedded in the organisation.

- Use multiple communication channels to ensure it reaches the widest audience – for example, printed literature, intranet, social technology, line managers, and so on, and ensure the language used is inclusive.[61] You could integrate your financial wellbeing communications with those for other initiatives, such as the wider health and wellbeing strategy or employee benefits. [62]
- Refresh communications on benefits already in place and alert employees to policy changes that will affect their financial wellbeing – for example, changes to income tax.
- Use employee events, company-wide meetings, training and induction sessions,[63] alongside national campaign days and calendar events, to promote your offering[64] – for example, the Money and Pension Service's 'Talk Money Week' or 'Pensions' Awareness Week'. Make it fun and relatable – it will boost engagement and may influence positive behaviour change.[65]
- Consider also communicating your financial wellbeing offer in your organisation's recruitment literature and annual report.[66]
- If possible, target key messages in your communications to reflect different groups in your organisation with different needs – lower-paid employees, young people, female employees, and so on.
- Encourage dialogue with employees about the financial crisis and the challenges facing them and the business. This may help to break down the stigma associated with financial problems and encourage employees to raise concerns.

See our CIPD factsheet on employee communications for further information.

How should I communicate with employees who might be struggling financially?

Informally check in with employees on an individual basis to discuss how they are doing and discuss how you might be able to help. Reiterate that any discussions are confidential. Ask open questions, offer understanding and be empathetic. Listen while remaining in control of the discussion. Explore the issues and refer to sources of internal and external help or relevant support. Aim to have a follow-up conversation with the employee after a period of time to check in. See the CIPD guide to having conversations about stress with employees.

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Engagement

Ensure senior leadership, line managers and employee representatives are actively engaged, capable and confident in supporting the strategy. Consider how they can also help to communicate the financial wellbeing offer.

5 Evaluate and evolve

The aims of this final stage are to measure effectiveness and set out how your EFW plan can and should evolve in the future, given that this journey will likely involve a multi-year set of initiatives, requiring a strategic and integrated approach. Evaluation is very important as research shows that only 12% of employees feel that their employer is very effective at supporting their financial wellbeing,[67] so employee feedback alone is a good measure for evaluating and improving your approach.

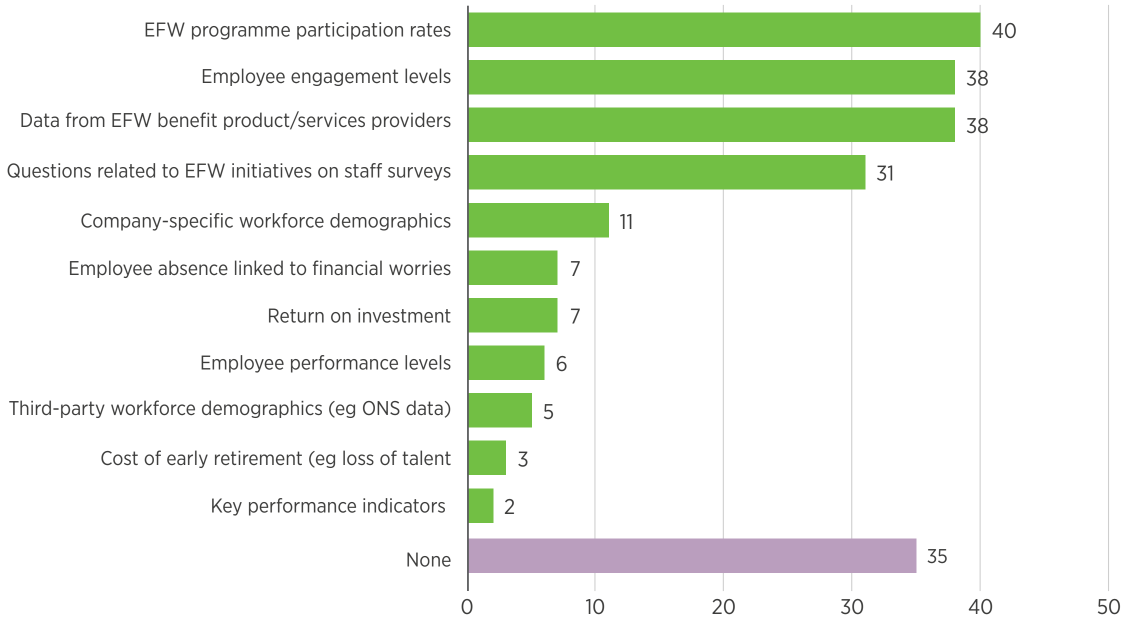
It is essential to evaluate the effectiveness of financial wellbeing activities to understand what's working, what's not and why, ensure any investment is generating value and impact, ensure staff want and value the support in place, and build a robust case for continuing and extending the support. Yet over a third of organisations (35%) are still not doing so,[68] and many of the rest rate their evaluation activities as inadequate.

The effectiveness of financial wellbeing initiatives can be measured through a variety of metrics. The most common measures include:

- participation rates in EFW programmes – for example, financial literacy or retirement workshops
- take-up of existing or new benefits – for example, pension plan and use of product discounts
- employee engagement levels
- data sourced from external financial wellbeing and EAP providers and staff surveys[69] (see Figure 6).

Obtaining this data allows you to respond to feedback and realign or adjust any initiatives that are not hitting the mark. Even the most successful employers on EFW regularly 'tweak' their approach, to introduce new industry products and enhancements and respond to the take-up and effectiveness of their existing provisions.

Figure 6: Data/metrics used to measure the effectiveness of financial wellbeing initiatives



Source: REBA/WEALTH at Work. (2022) *Financial wellbeing research 2022: Navigate financial resilience for a sustainable future.* Reward & Employee Benefits Association/WEALTH at Work.

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Analysing wellbeing data, for example absenteeism, stress levels, and so on, to determine any change since the introduction of the financial wellbeing support can also help provide an indication of impact. However, it can be difficult to attribute change directly to financial wellbeing support if external factors or organisational changes occur at the same time, so it's important to interpret results carefully. Ideally, you should run trials and pilots of new schemes at the design stage, so impact can be assessed earlier and more directly, but time and resourcing pressures may make this difficult. However, whatever the pressures, some form of evaluation is essential.

Staff surveys can be a useful tool for determining how employees feel about financial wellbeing initiatives, while protecting employee privacy and confidentiality. Using an external provider to conduct such a survey may also generate more honest responses and provide reassurance around confidentiality. You could repeat the employee survey suggested in Stage 2 using the initial survey data as a baseline, which would indicate any improvements achieved.[70] Or you could add relevant questions to an existing engagement survey or pulse survey.

Below are some example evaluation measures. Your measures should relate to the goals you set for your EFW strategy in Stage 1, from which you can pull together a dashboard of EFW that you should report to key stakeholders at least annually.

Examples of some possible measures

- profile of employees engaging with support (grade, age, gender, and so on) against targets
- employee reasons for participation in the support initiative/intervention
- relevance of financial wellbeing support to personal circumstance/need
- improvement in skills and knowledge related to support provided
- change in attitudes, mindset or behaviours arising from support received
- individual actions taken by employees as a result of receiving support
- change in any existing problems linked to poor financial wellbeing – for example, stress/anxiety, sleeplessness, and so on
- ease of participation – for example, is support easy to access/understand?
- repeat use of support and willingness to use again if applicable
- desired future direction of support.

Key evaluation considerations

- Anticipate there may be an initial increase in employees reporting financial problems once your organisation has embedded a financial wellbeing strategy as employees may feel more willing to discuss money issues.[71]
- Consider if you have allowed adequate time for your initiatives to have an effect and for new or changed behaviours, such as saving, to embed and become habitual before conducting the evaluation.
- Ensure you have identified all the costs and benefits associated with providing support, including the intangible ones.
- Consider how the cost of the invention/s has aligned with the impact on employee financial wellbeing.[72]
- Explore whether there are differences in the impact of interventions by different protected characteristic groups.[73]
- How have different interventions interacted to create an overall impact on financial wellbeing?

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Your EFW journey

In summary, the pandemic and escalating living costs have made the need to support employee financial wellbeing critical. Provision has increased, as too have the available products and tools. However, delivery needs to be better aligned with the variations in employee needs and with wider employer and HR objectives. A structured and budgeted approach that aligns with a broader and longer-term wellbeing strategy is generally required. Action can be progressive, as impacts are proven through evaluation and to align with your budget and available resources.

By following the stages highlighted in this guide, employers can effectively meet the growing demand and need from their employees for financial wellbeing support.

4 Appendices

Appendix 1: Resources

Downloadable resources

The following are all available from cipd.co.uk:

Employee financial wellbeing
Financial wellbeing: An evidence review
Cost-of-living crisis: How to help your employees
Tackling in-work poverty
Reward management survey
Health and wellbeing at work

Sources of help

There are a number of information sources also available to employers and employees.

For employers:

Financial Conduct Authority
GOV.UK – Workplace pensions
Pensions Regulator – information for employers
HM Revenue & Customs – pension scheme
The Money and Pensions Service:
- Building financial wellbeing
- UK Strategy for Financial Wellbeing
- Financial Capability Strategy for the UK

Pensions Management Institute (PMI)

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For employees:
The Money and Pensions Service (MaPS)
  MaPS MoneyHelper
Department for Work and Pensions
Citizens Advice
Debt Advice Foundation
National Debtline
StepChange Debt Charity
Financial Conduct Authority: ScamSmart
TaxAid
Low Incomes Tax Reform Group

Appendix 2: Example questions for an employee survey on financial wellbeing

These example questions can be used to gain an insight into your employees' current financial wellbeing and provide some baseline data before implementing any financial wellbeing support.

The survey should ensure it collects the demographic characteristics of your workforce to analyse if there are any particular and consistent differences in responses.

Suggested demographic characteristics: [Ensure your demographic questions do not jeopardise the anonymity of the respondent.]

- Age bracket, eg 18–24/25–34/35–44/45–54/55+
- Gender
- Marital status
- Work grade/level
- Region [if multi-site employer]
- Work status – full-time or part-time

1 As a reminder, financial wellbeing is about feeling secure and in control. It is about being able to make the most of your money day-to-day, while dealing with the unexpected and planning for the future. How does your financial wellbeing compare now with how it was in [Insert date, for example, January 2020]?

My financial wellbeing is a lot worse
My financial wellbeing is a little worse
My financial wellbeing is unchanged
My financial wellbeing is a little better
My financial wellbeing is a lot better
Don't know

2 How do you predict your financial wellbeing will be in the next 12 months?

My financial wellbeing will be a lot worse
My financial wellbeing will be a little worse
My financial wellbeing will not change
My financial wellbeing will be a little better
My financial wellbeing will be a lot better
Don't know

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3 To what extent do you agree with the following statements? [1=Strongly agree, 5=Strongly disagree]:

I feel secure and in control of my finances
Nothing I do will make much difference to my financial situation
My health is suffering as a result of financial worries

4 Have money worries ever affected your ability to do your job?

No, never
Yes, a little bit
Yes, a lot
Prefer not to say

5 Which one of the following statements BEST describes how well you are keeping up with your bills and credit commitments at the moment?

I am keeping up with all bills and credit commitments without any difficulties
I am keeping up with all bills and credit commitments, but it is a struggle from time to time
I am keeping up with all bills and credit commitments, but it is a constant struggle
I am falling behind with some bills or credit commitments
I am having real financial problems and have fallen behind with many bills or credit commitments
I don't have any bills or credit commitments
Don't know/prefer not to say

6 On a scale from 1 to 5 (where 1 is not important and 5 is very important), how important are the following aspects of financial wellbeing to you?

Being able to develop and progress my career and increase my future pay
Being able to understand money better, so I know how best to borrow, spend, save, and invest it
Having access to employee benefits that increase my spending power or protect me and my family should I fall ill
Being able to save for the future (for example for retirement, a first home)
Feeling fairly rewarded for my efforts through pay rises, bonuses, promotions, and so on
Being able to comfortably pay off existing debts, such as credit card or mortgage

7 To what extent, if at all, do you agree or disagree with the following statements about your employer?

- I would like support with my financial wellbeing from my employer
- My employer is doing enough to support my financial wellbeing
- The benefit package on offer supports me at different stages of my life
- It's quick and easy for me to access the benefits offered
- I understand the benefits package on offer
- My pay is enough to help me save for my retirement
- If I were facing financial problems, I would feel comfortable asking for help from my employer

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8 Apart from increasing your pay, which of the following things would you like from your employer in order to improve your financial wellbeing? (Please select up to 5 options.)

Improve annual leave/paid time off
Introduce/improve staff benefits that protect me and my family (for example occupational sick pay, private medical insurance, dental insurance, life assurance)
Introduce/improve benefits that allow me to save for the future
Introduce/improve flexible working opportunities
Invest more in my training and development
Introduce/improve the benefits package to help me cut my fuel and energy costs
Introduce/improve the benefits package to help me buy retail items at a discount (for example, food, clothes, housewares, and so on)
Introduce/improve benefits to help me buy travel items at a discount (for example, public transport season ticket loans, train ticket discount, or cycling schemes)
Introduce/improve financial education/guidance
Other
Don’t know
Not applicable – I do not want my employer to do anything to improve my financial wellbeing

9 You previously said you would like your employer to introduce/improve financial education/guidance in the workplace. On what particular topics would you like support?

Pensions and retirement	Savings and investments	Financial planning
Debt management	Wills	Insurance and protection
Avoiding financial fraud	Estate planning	Tax
Budgeting	Getting married/divorced	Mortgages
Childcare issues	Flexible benefits	Being a carer

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Appendix 3: Suggested actions to support employee financial wellbeing

Table 4: Expanding and leading organisations

Position on employer action spectrum	Type of action	Examples of actions

Expanding	**Current benefit policies**	- Expand the concept of the reward package and total rewards (offer negotiated discounts on insurance, technology, etc); consider if the package offers sufficient help to reduce the living costs of low-income staff, such as in the area of housing and utilities, or with caring responsibilities, etc.
		- Provide (greater) access to flexible and voluntary benefits following consultation with staff. Consider provision of:
		  - an employee assistance programme
		  - access to debt counselling
		  - occupational sick pay to enable low-paid staff to take time off when ill without detriment
		  - interest-free crisis/hardship loans to help deal with unexpected financial shocks
		  - the option for employees to choose how often they're paid, to help them better manage their money
		  - alerting people to financial scams to help them protect their finances
		  - mental-health days – use national campaign days such as that spearheaded by Mind/Rethink Mental Illness 'Time to Talk day' to engage with employees on mental health
		- Offer incentives to employees for financial wellbeing programme participation, eg earning wellness points towards cash incentives or discounted health insurance premiums.[74]

	Financial wellbeing policy	- Explain what you're doing on financial wellbeing, how, when, and why, and communicate this to employees and external stakeholders, such as investors. - Package financial wellbeing guidance/information within the overall health and wellbeing strategy.
	Engage key stakeholders	- Business leaders can role-model their support and help normalise conversations about financial issues by talking openly with employees about money, including the organisation's financial situation. - Improve line managers' abilities and confidence in addressing financial issues to ensure they can offer the right support to staff through the cost-of-living crisis and can signpost to appropriate sources of support.[75] - Consider who else can offer staff support, eg trade union representatives, employee networks, mental health champions.[76] - Harness ideas from the workforce within communications. - Run money-related challenges for employees – it's a fun way to keep employees engaged with their goals.[77]
	Provision of/ signposting to financial information, guidance, advice	- Target information based on the income level and age profile of the workforce. - Train and support people managers (and mental health first-aiders) in providing/signposting to financial guidance, especially at times of significant employee life events; for example, promotion, birth of child, buying a home. - Include a financial awareness programme within learning and development options. - Agree an employee champion to promote financial wellbeing messages, information and guidance sources to their peers. - Involve union/staff reps in information dissemination. - Promote an equal balance between short-term (budgeting, debt repayment) and long-term (pensions, life insurance, etc) financial information/guidance. - Trial different forms of financial wellness support; for example, one-to-one financial coaching, or online financial management tools, etc. - Organise provision of independent financial advice on employee request.

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Position on employer action spectrum	Type of action	Examples of actions
Leading	**Pay and benefits package**	- Provide a comprehensive package of pay and wellbeing benefits to staff offering a high degree of personal flexibility and choice. - Explore the suitability of benefits that give employees more control of their finances, such as earned salary access, set your own pay date or set your own pay.
	Communications	- Consider branding your organisation's financial wellbeing approach and launch the concept organisation-wide. - Deliver targeted webinars run by external providers. - Run regular financial education days, during which employees are exposed to information or can attend presentations or workshops on particular financial topics or offered access to independent financial advisers. People managers should ensure staff are able to ringfence time in their schedule to attend these. - Link financial wellbeing messages to HR systems in order to harness significant life events in employee lifecycles; for example, maternity returners, bonus payouts, promotion, and so on. - Enable and promote private employee forums for knowledge-sharing linked to financial topics/products/services. - Consider communicating financial 'app of the week' initiatives for financial planning, with 'user ratings'. - Use insights from behavioural science.[78] - Consider on-demand delivery (just-in-time learning) so that knowledge is more likely to be used in making financial decisions.[79] - Help to reduce the stigma of money issues by sharing success stories or outcomes of those using employer-provided resources.[80]
	Provision of/ signposting to financial information, guidance, advice	Invest in an external provider to deliver a holistic financial education platform to staff to build knowledge across all areas of financial wellbeing.
	Use of technology	- Explore fintech products that may suit your employees' needs (financial tech products, mostly mobile compatible, from a range of industries, including banking, asset and wealth management, financial aggregators[81], debt management providers, salary advancement tech and money management systems).[82] - Health risk assessment technology providers can provide assessments of money concerns among employees, helping to identify key areas of concern.[83] - Provide access to customisable apps that provide a comprehensive approach to money management.[84] - Utilise technology to deliver communications at significant moments for the user.[85]

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[54] Some 57% of CIPD survey respondents said being able to develop and progress their career and increase their future pay is an important aspect of their financial wellbeing (cited in Cotton, C., Marriott, L. and Perkins, S.J. (2022) *Reward management survey report: Focus on employee benefits*. London: Chartered Institute of Personnel and Development.)

[55] Zellis. (2022) *Financial wellbeing 2022: Your employees are counting on you: Exploring the relationship between numeracy, financial wellbeing and mental health*, June.

[56] One in four investment scam victims are aged over 55, losing nearly £26,000 on average (cited by Financial Services Compensation Scheme (2021)).

[57] More than £78 million was lost to brand cloning scams in 2020, equal to an average loss of £45,242 per victim. The FCA issued more than 1,000 scam warnings in 2020 and 40% of these involved clones or impersonations of legitimate financial services brands (cited in Financial Services Compensation Scheme (2021)).

[58] £30m was lost to pension scammers between 2017 and August 2020 (cited in Financial Services Compensation Scheme (2021)).

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Issued: February 2023 Reference: 8326