



.Claro

**The workplace today:
Why it pays to support your
staff's financial health**

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Introduction

There are a number of challenges in the workplace today for both employers and employees. The cost of living crisis is putting pressure on every household, creating more stress at home and in the office. And as a result employees say they are less productive, spend more time managing their finances at work, take more sick days and are more likely to leave for a higher-paid job.

According to the data, each employee spends **three-and-a-half days** a year at work, on average, trying to sort out their bills and other money tasks. But the impact of money-related stress goes much further.

Most people have two choices when they are put under financial pressure - to make lifestyle cutbacks where they can or to find a way to increase their income. Taking up additional work, such as a side-hustle or part-time job is one option, but this requires more time and energy on top of existing commitments and already full-time employment.

These activities could also potentially increase the risk of burnout, negatively affect mental health as well as making people less focussed and productive in both roles. Therefore, for many people, finding a higher-paid job is more viable.



Almost one in five (19%) workers say they plan to leave their current job for one offering a higher salary if the cost of living crisis continues or gets worse.

After analysing the responses of more than 1,300 UK working adults, Claro Wellbeing can reveal the impact poor financial wellbeing is having on employees' motivation, productivity and job satisfaction and what it is costing businesses. This is the first in a series of reports based on a survey containing almost 25,000 data points exploring the relationship between employee satisfaction, productivity, and financial health.

Foreword by Professor Sir Cary Cooper

Professor of Organisational Psychology and Health at Manchester Business School, former President of the Chartered Institute of Personnel and Development, and a world-leading expert on wellbeing in the workplace

“Financial wellbeing has never been as important as it is right now. Everyone is being hit by rising costs – from energy to fuel to food – but it is particularly young people who are going to struggle.

“Few of us were taught about money growing up but younger Millennials, who are typically aged between 26 and 41, and Gen Z, who are under 26, do not have as much experience managing their money through a crisis as older generations. They are also paid significantly less.

“Stress, anxiety and depression are also the biggest contributors to long-term sickness absence in the UK economy.

“In addition, most people do not feel comfortable asking for a pay rise if they are struggling – and many businesses may not be able to afford this – so their only option is to leave and find another job.

“The 2008 financial crisis prompted some larger firms to address employee wellbeing for the first time in order to attract and retain employees. But it is only over the past few years that more organisations have started introducing financial wellbeing programmes.

“This report shows that two in three working adults say financial stress affects their performance. This is a real issue; how can anyone concentrate on work when they are anxious about money?”



“These benefits are going to become a significant part of HR strategies because companies know they cannot afford to lose staff. If you help your teams, they are more likely to stay.

“Not only would a financial wellbeing package reduce employee stress, it can also improve company culture and job satisfaction, make staff feel more supported and help retain talent – especially young people. We can see from the data that workers want their employer to support them with their finances.

“And this is crucial right now amidst the threat of a recession, high inflation and rising living costs, which is going to continue for a long time.

“In my view, a good financial wellbeing programme includes one-to-one guidance from an expert, either in person or over a video call. It’s important to build a trusting relationship and work with the individual on a personal level to help them work through their challenges and reach their goals.”

“But this isn’t just about helping staff cope through the current economic challenges; people will always worry about money if they do not have the skills and confidence to manage it. A financial wellbeing programme should be part of every company HR strategy to give staff the support they need and get the best from them – now and in the future.”



Professor Emma Parry

Professor of Human Resource Management and Head of the Changing World of Work Group at Cranfield University

"The importance of financial wellbeing for employees has long been understood, and yet it is often neglected by employers. Over the past couple of years, we have seen an increase in the emphasis on wellbeing in general, as we come out of the Coronavirus pandemic.

"However, the majority of effort within organisations has understandably been on emotional or psychological wellbeing.

"This is likely to change as we see growing concerns about financial hardship due to the energy and cost of living crisis and impending recession in the UK. This presents an enormous challenge for HR professionals as they seek to support their workforce in living happy, healthy and productive working lives.

"The fact that over a third of respondents to this survey struggle to pay their bills, and more than two thirds admit to financial stress affecting their work performance, shows the size and urgency of this issue, particularly given that this is likely to get worse over the next few months."



“Financial wellbeing has long been recognised as important for employees, and the evidence clearly links financial wellbeing with employee wellbeing and performance. It’s also likely that financial problems are a major cause of poor mental health, lower performance and increased attrition within the workforce. Despite this, my own research has shown that less than half of organisations focus on improving the financial wellbeing of their employees, despite recognising its importance. This is a situation that needs to change if employers are going to weather the current period of uncertainty successfully.

“Interestingly, employers do invest heavily in attracting and retaining the talent that they need. This is understandable given the current challenges in relation to employee retention. Moving forward, as the cost of living crisis continues, it is likely that we will see employees making decisions about joining or remaining with an employer based upon the financial support that they receive.

“This is evidenced by the majority of survey respondents here saying that a financial wellbeing programme could keep them in their job longer.

“It seems apparent therefore that financial wellbeing should form a crucial part of a talent strategy in the future. I would expect to see HR departments investing in financial wellbeing programmes to promote the attraction, retention and performance of its employees. However, this must be part of a wider, integrated wellbeing strategy that also considers psychological, emotional and physical wellbeing in order to really make a difference to workforce satisfaction, mental health and productivity.”



Methodology

To get a greater understanding of financial wellbeing in the workplace today we created a survey of a nationally-representative sample of more than 1,300 UK adults. This was carried out online in August 2022 amidst rising inflation and the cost of living crisis gripping the country. The survey questioned the public on their financial resilience, money worries, productivity and their view of their current company benefits to identify contributing factors to job satisfaction, talent retention and recruitment. Specifics of respondents such as age, gender, sexuality, disability status, ethnic group and income were also recorded in order to compare and contrast different demographics' financial wellbeing and how it relates to their attitude towards their work and workplace.



Key findings





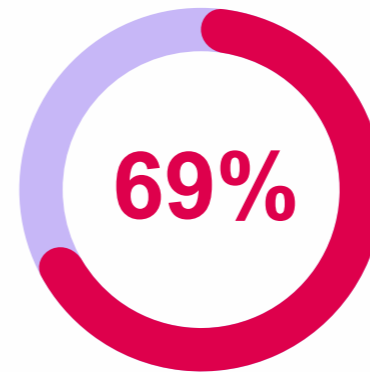
spent by employees
managing their finances



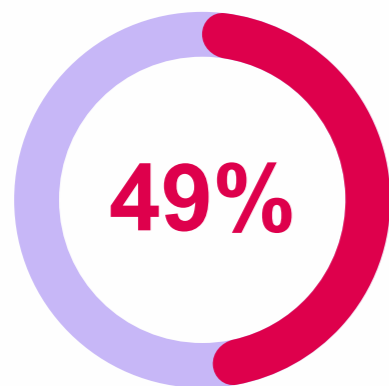
of staff say financial
stress affects their
performance at work



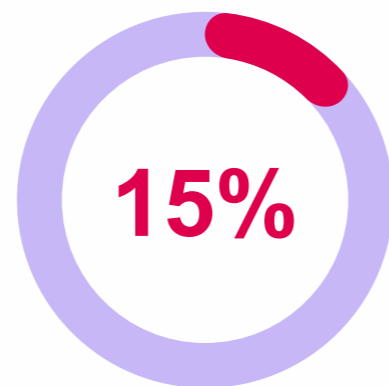
Eight in 10 said a financial
wellbeing programme
would increase their job
satisfaction



of employees feel their
company should do
more to support their
personal finances.



have less than a month's
outgoings saved



would run out of money
within two weeks



struggle, fall behind or cannot keep up with bills



of this group earn more than £150,000 a year

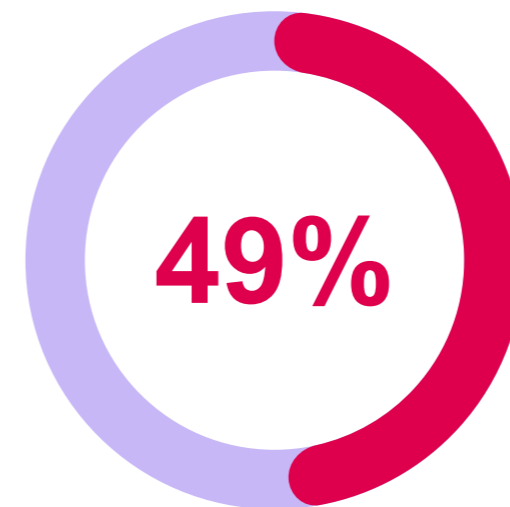
Understanding your workforce's financial situation

Many people do not feel in control of or positive about their money. More than two in five say they are concerned about their finances, while over one in 10 describe themselves as stressed. One in 20 say they feel overwhelmed. And it's no surprise given that most of us did not learn the basics about money growing up.

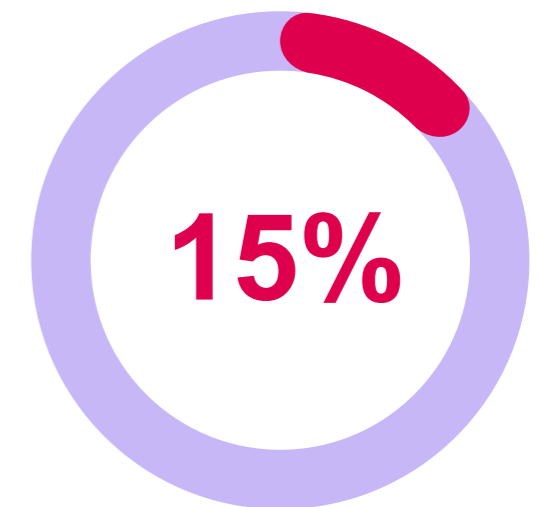
Research from our **Financial Literacy Report** revealed 71% of all UK adults wish they had been taught more about financial matters at school. And as the cost of living soars, workers across all income brackets are being put under significant financial pressure.

Over a third (37%) say they struggle, fall behind or cannot keep up with bills, with almost one in three (30%) earning more than £150,000 a year.

Rising prices are also eating into people's savings and impacting their financial resilience, meaning they may not be able to cope with an unexpected fall in income or costs.



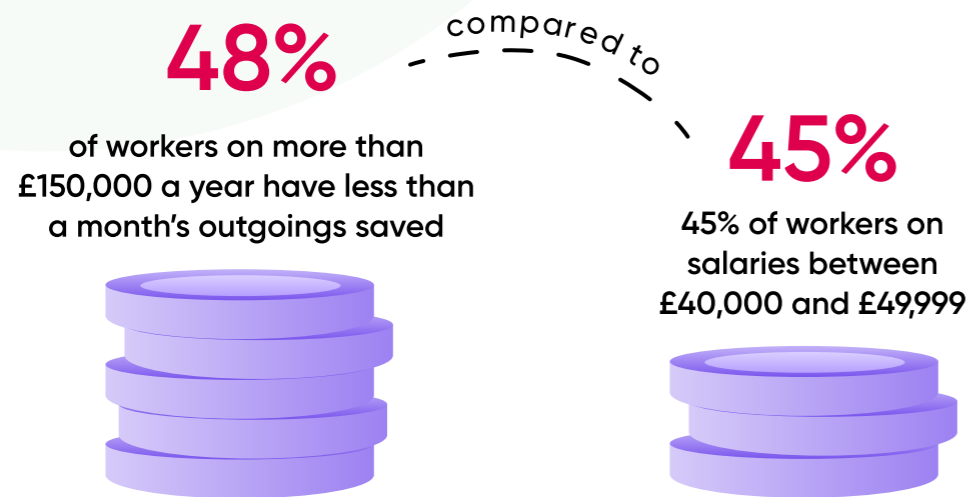
Have less than a month's outgoings saved



Would run out of money within two weeks



It may come as a surprise to hear that those on higher incomes are not much more resilient than some people earning less.



With so many struggling, almost one in five (19%) say they plan to leave their current job for one offering a higher salary if the cost of living crisis continues or gets worse.

Rachel Harte, Head of Financial Planning at Claro, says: "When times get tough, the first thing many employees will do is start looking for a higher-paid job, and employers may be forced to start letting people go. Stability isn't guaranteed for anyone."

"There are many reasons for a lack of financial resilience. This includes not having the confidence to manage your money which can leave many feeling overwhelmed."

"Introducing a financial wellbeing programme which includes access to a financial expert and 24/7 on-demand access to financial education resources is one way of supporting staff with their finances. These packages can also help boost their resilience by giving them the necessary tools to make smarter financial decisions every day."

"With so much uncertainty, and costs rising so rapidly, financial resilience is more important than ever to both employees and the organisations they work for."

Rachel Harte, Head of Financial Planning at Claro



What are workers worrying about?

At a time when many are struggling, 43% say managing their money overall is their biggest cause of financial stress.

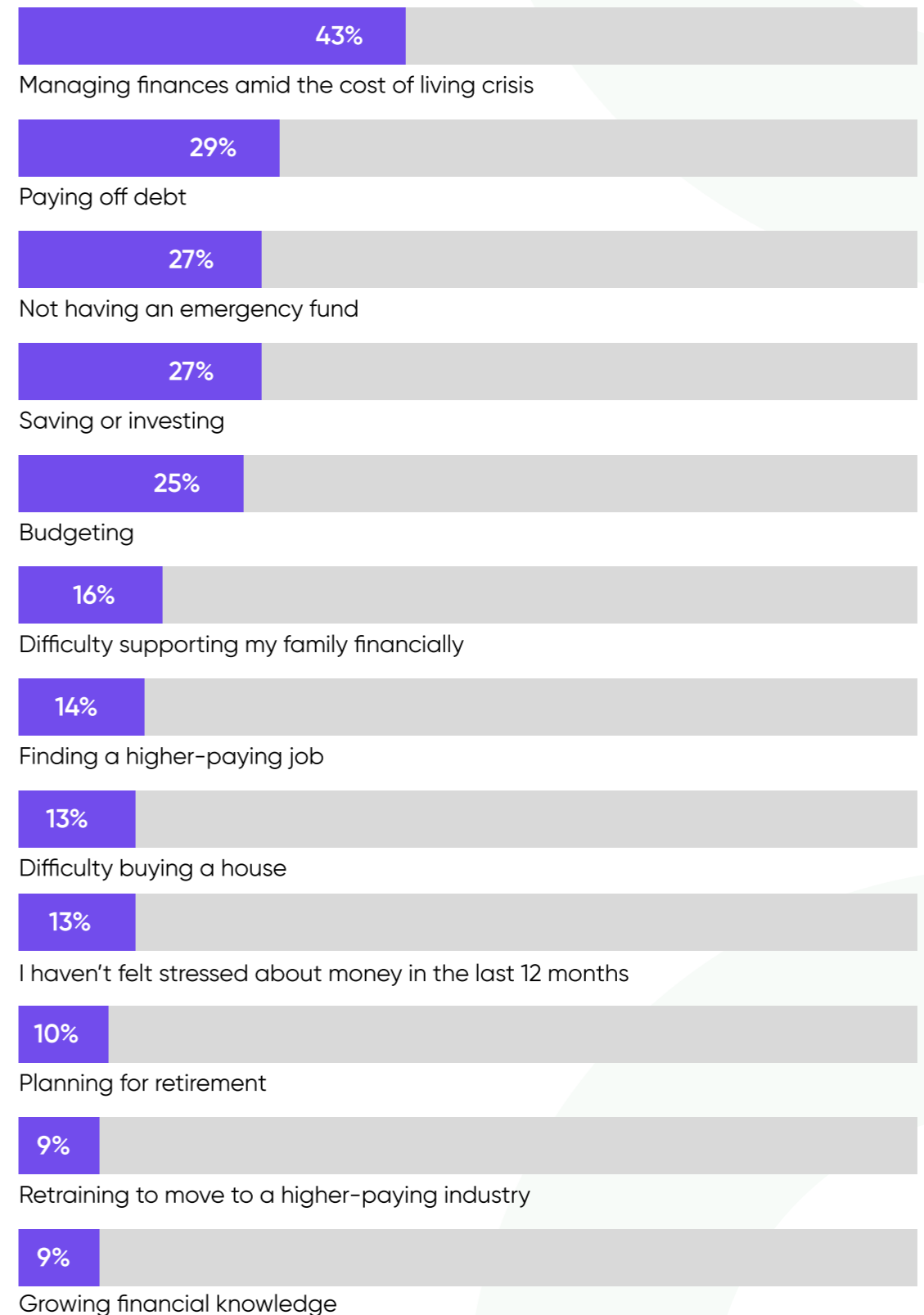
Some 29% of workers say paying off debt is their main cause of anxiety, while 27% say not having an emergency fund has been their number one worry.

As inflation continues to rise, households are under increasing pressure to adjust their budgets to ensure they can cover the increasing cost of food, energy and fuel, as well as having enough saved for a worst-case scenario.

Almost one in five (19%) workers say they're planning to learn more about money management if the cost of living crisis continues or gets worse.

And those on higher salaries are not immune from anxiety caused by soaring costs. Some 41% of those on salaries above £150,000 say managing their money during the cost of living crisis is the most significant cause of financial stress, compared with 42% of those earning between £40,000 and £49,000 a year or less.

What has been your greatest source of financial stress in the last six months?



Financial stress and its impact on productivity

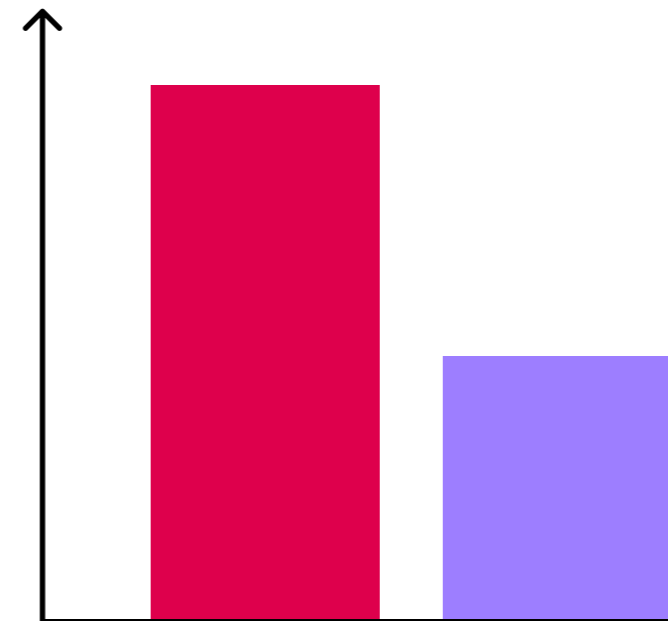
More than two thirds (67%) of staff say stress caused by money affects their work performance. As a result, almost one in five (17%) take more sick days while more than half (59%) say they are less productive.

Claro's research suggests people are struggling at work, with 22% saying they'd experienced **'burnout'** – a state of physical and emotional exhaustion caused by work stress – in the last six months.

Compared to older generations, younger groups are more likely to struggle with choosing between pay over their work values amidst the rising costs of rent, food and other essentials on a typically lower-than-average salary.

Staff of all ages are also being driven to leave their current role because of financial stress; almost a quarter (23%) say it has prompted them to look for a higher paying job while at work.

In addition, employees are still spending a large part of their working day to deal with their personal finances. Almost two in three (63%) staff say they have used time during office hours dealing with bills or other financial tasks.



Gen Z and Millennials are around twice as likely to say money worries affect their work performance than workers aged between 58 and 65, otherwise known as boomers.

Job satisfaction, benefits and staff retention

High job satisfaction is a key driver in keeping people in work motivated and productive. Some 26% of employees said the main reason they would leave their job would be to increase their job satisfaction, coming only second to pay and better benefits (34%), according to the **Chartered Institute of Personnel and Development's (CIPD) Good Work Index**.

However, more than one in 10 respondents say they are unsatisfied or deeply unsatisfied with their company. And given 37% of workers say it took nine months or more to reach peak performance in their current role, improving staff satisfaction is key. While there are many contributing factors to job satisfaction including company culture, salary and meaningful work, our research suggests the more company benefits on offer, the greater the satisfaction.

When surveyed, employees stated that of the typical benefits offered, a financial wellbeing package has the greatest impact.

Of those staff that are extremely satisfied at work, 28% have access to a financial education and wellbeing benefits programme – almost double the number who say they are satisfied.

In comparison, just 14% of those with a subsidised canteen and 11% that are offered a commuting loan say they are extremely satisfied. More than three quarters (78%) said if they were offered these types of benefits it could encourage them to stay in their role longer.

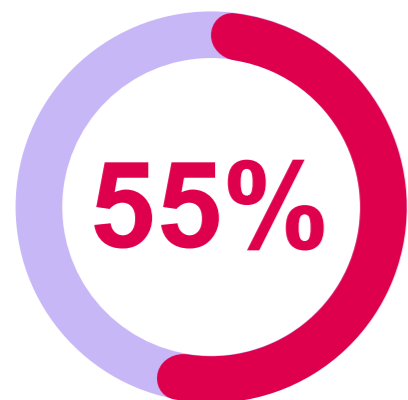


Eight in 10 said a financial wellbeing programme would increase their job satisfaction

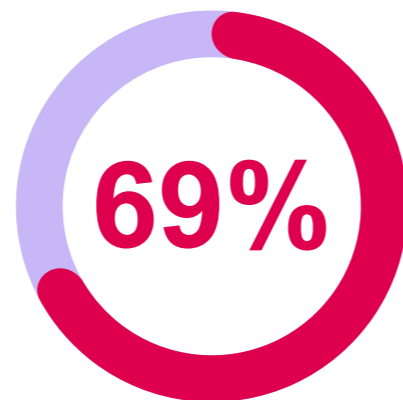
Financial wellbeing in the workplace today

The typical usage rate of an Employee Assisted Programme is 11.4%, according to the UK Employee Assistance Professionals Association. But financial wellbeing programmes have a higher take-up rate.

More than three in four (76%) workers say they would use one if their company offered them, while existing financial wellbeing programmes have a registration rate of around 60%. Despite this, just 17% of respondents say their company provides one.



of workers do not think their employer cares about their financial wellbeing



feel their company should do more to support their personal finances

Stacey Lowman, Head of Employee Wellbeing at Claro, says: "Historically, the definition of work was time and labour in exchange for money. However, following the pandemic we've seen a blending of our personal and professional lives and a focus on finding work that aligns with our values and purpose."

"Businesses have begun addressing the physical and mental health of their employees and now finances are being recognised as a factor that affects both."

"To date, a financial wellbeing programme has only been offered by progressive organisations, but now it is a benchmark for all companies to aim for. Companies that show their commitment to financial wellbeing can boost their teams' motivation, productivity and retention and become more attractive to new recruits especially Gen Z and Millennial workers."

HR Strategy and Toolkit



As the cost of living crisis continues, many companies are questioning whether they need to refocus their HR strategy.

In addition to the current challenges, including retaining staff amidst the 'great resignation' and cost of living crisis, many HR departments are focusing on staff wellbeing whilst dealing with budget cuts and hiring freezes.

Some firms have been able to increase salaries, while others have offered staff a one-off cost of living payment.

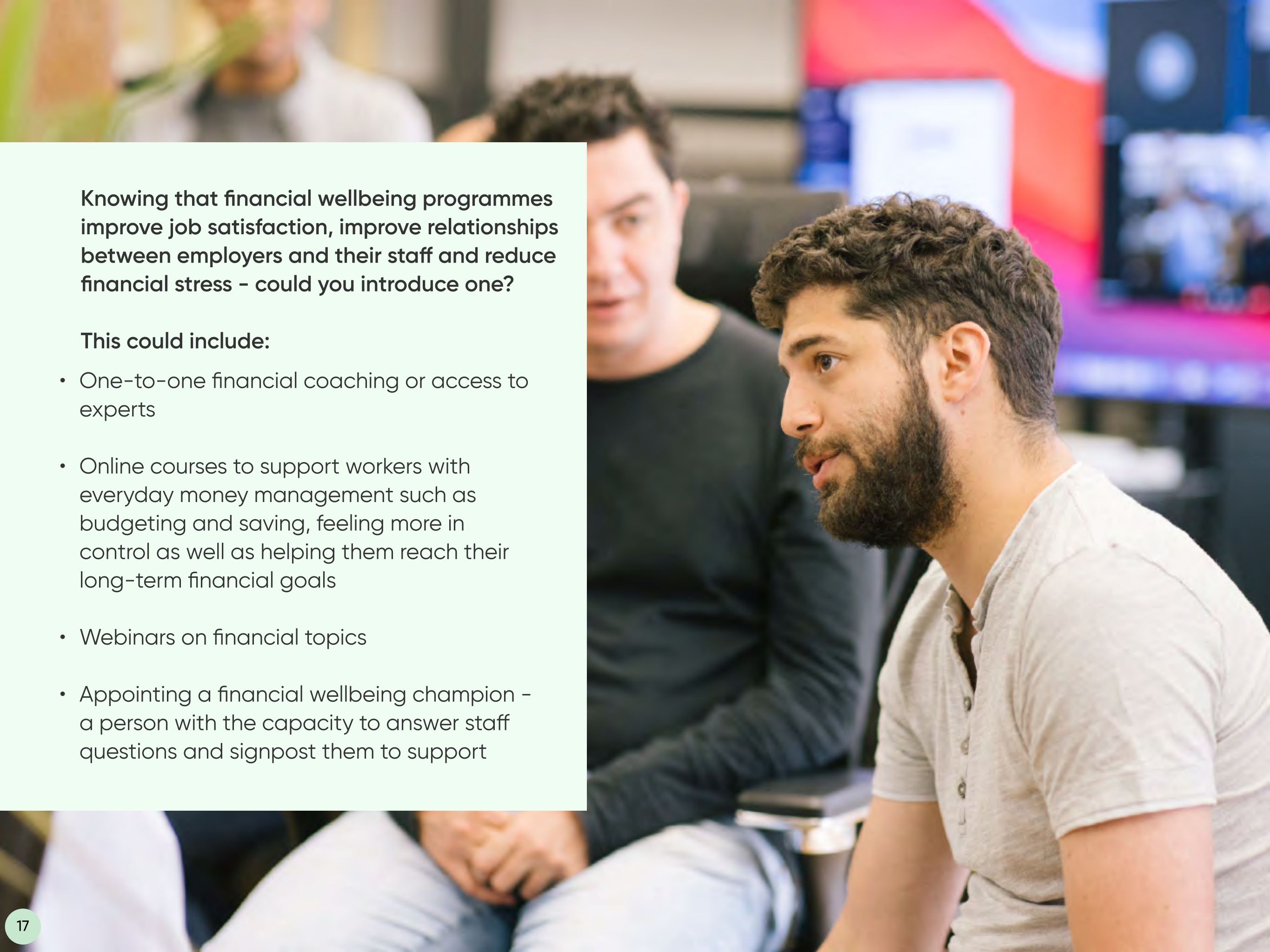
And while both can help in the short term, there is an argument for providing a financial wellbeing programme plus offering extra training for managers to ensure they can offer staff the support they need.

The first step is to review your current benefits and rewards packages and find out if they are hitting the mark.

Then there are a number of questions you should ask:

- Do you know which staff are most impacted by rising costs?
- Are there ways you can help mitigate them? For example, could you reduce the number of office days for those with long commutes to cut their travel costs and offer more flexibility so staff could save on childcare?





Knowing that financial wellbeing programmes improve job satisfaction, improve relationships between employers and their staff and reduce financial stress – could you introduce one?

This could include:

- One-to-one financial coaching or access to experts
- Online courses to support workers with everyday money management such as budgeting and saving, feeling more in control as well as helping them reach their long-term financial goals
- Webinars on financial topics
- Appointing a financial wellbeing champion – a person with the capacity to answer staff questions and signpost them to support

Every company can support their staff's financial wellbeing from today with these simple steps:

- Make sure your people know key financial dates that could affect their income and outgoings. We've included some of the most significant changes, announcements and campaigns in our financial calendar that we update every year.
- Nominate a financial wellbeing champion. This person doesn't need to be an expert, just someone who knows the company and their colleagues well. They will be the go-to for all things financial wellbeing. This could include providing a communication channel for financial support and questions, boosting awareness of the initiative and encouraging participation.
- Introduce 'Finance Fridays'. Set up a 25-minute monthly session for your team to sort out their personal finance tasks either in person or virtually. The idea is to give everyone space and support to make progress on their money goals, with their colleagues doing the same thing at the same time.
- Create a space where staff feel safe to discuss their finances. Listen without judgement. Staff do not expect you to advise them on what to do, but you can signpost them to relevant resources or experts who can help.



Conclusion



"The definition of financial wellbeing in the workplace is changing. Fair salaries, pension contributions and basic benefits are no longer enough. The cost of living crisis is shining a light on the needs of employees to feel understood and supported with their finances in a more holistic and personal way.

"Financial wellbeing is something we all want, but it means something different to each of us. It is an opportune time for employers to listen to the needs of their teams and design a financial wellbeing offering that speaks to each of them. The research shows that doing so will benefit both employers and their staff.

"A good strategy will not only help businesses attract new talent and adapt to a shifting attitude to working life, especially with Gen Z and Millennials, but provides a way of improving culture, job satisfaction and retention for existing staff. Post-pandemic and amidst the cost of living crisis, workers are looking for flexibility as well as stability and support in addition to independence from their employer.

"These may seem like contradictions, but we are seeing more and more demands from workers from their organisations, especially amongst the younger generations.

"While an inflation-beating salary increase or a cash bonus are ways of retaining staff or attracting new talent in the short term, we've seen that relevant wellbeing benefits are what employees really value and help to build loyalty, improve job satisfaction and productivity in the long run.

"Organisations can use the cost of living crisis as an opportunity to reassess their staff's needs and understand what they want to get out of work.

"The next step is building a programme that recognises them as individuals and offers them support with their goals both within and outside of the workplace."

"To date, a financial wellbeing programme has only been offered by progressive organisations but now it is a benchmark for all companies to aim for. Companies that show their commitment to financial wellbeing can boost their teams' motivation, productivity and retention and become more attractive to new recruits especially Gen Z and Millennial workers."

Stacey Lowman, Head of Employee Wellbeing at Claro





If you want to kickstart your journey to providing better support for your team, drop us a message:

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