

MAYOR OF LONDON

FINANCIAL WELLBEING IN THE WORKPLACE



CONTENTS

1. WHAT IS FINANCIAL WELLBEING?

2. FINANCIAL WELLBEING IN THE UK

3. THE LINK BETWEEN FINANCIAL WELLBEING AND HEALTH

4. WHY IS FINANCIAL WELLBEING IMPORTANT IN THE WORKPLACE?

5. THE IMPACT OF COVID-19 ON FINANCIAL WELLBEING

6. HOW CAN ORGANISATIONS SUPPORT FINANCIAL WELLBEING AT WORK?

7. BEST PRACTICE CHECKLIST

8. A FOCUS ON VULNERABLE GROUPS

9. WHAT ARE LEADING ORGANISATIONS DOING?

10. LHWA FRAMEWORK

11. FURTHER RESOURCES

1. WHAT IS FINANCIAL WELLBEING?

Most organisational and health experts agree that financial wellbeing plays an increasingly important role in determining workers' overall wellbeing, and that it should sit alongside physical and mental health to create an integrated wellbeing strategy in the workplace.

The term 'Financial Wellbeing' can be understood across two dimensions (Cox, 2009):

- objective – the income we have and the financial behaviours we display.
- subjective – the feelings we experience about our finances e.g. satisfaction or anxiety.

Four key elements have been proposed to measure people's level of financial wellbeing (Aegon and C.E.B.R., 2017):

1. their level of control over their day-to-day finances e.g. paying bills on time
2. their capacity to absorb a financial shock e.g. broken washing machine
3. their ability to meet financial goals e.g. saving for retirement; and
4. their capacity to make spending choices that allow them to enjoy life.

These elements align fairly closely to a survey by the Chartered Institute of Personnel and Development (C.I.P.D, 2017) which found that, according to workers, the top 4 most important aspects financial wellbeing were:

- Earning a sufficient wage to enjoy a reasonable lifestyle
- Being able to save for the future
- Being rewarded for efforts in a fair and consistent manner
- Being able to comfortably pay off debts

Legal obligations for employers

There is no specific legislation which requires employers to provide support around financial wellbeing for their workers.

However, organisations do have an implied contractual duty of care to all workers – a legal and ethical duty to prevent physical and psychological harm to employees in the course of their work (Management of Health and Safety Regulations at Work, 1999). Employers should perform risk assessments, and be aware of and mitigate the sources of stress for their people. As we will see, financial matters have been found to be a major source of stress for many people at work, and employers are deemed to be well positioned to provide valuable support in this area.

Additionally, the Pensions Act (2008) brought in a legal requirement for all employers to provide an auto-enrolment pension savings arrangement for their people. This means that workers (as long as they meet certain criteria) should have a pension savings fund set up automatically when their employment starts, and should also receive a basic contribution each month from their employer. One of the reasons that this law was brought in was to help people save for retirement.



2. FINANCIAL WELLBEING IN THE UK

Research tells us that personal debt has been steadily rising year on year and many spend beyond their means, relying on credit to survive. This is attributed to the ease of getting consumer credit, payday loans and overdraft facilities, coupled with sluggish wage growth and a rise in insecure employment e.g. zero hours contracts and freelance work in the 'gig' economy (Money and Mental Health Policy Institute, 2017). A poor understanding of how to manage money; complex benefit claims processes; and social pressure on lifestyle choices are further contributing factors (Aegon and C.E.B.R., 2017).

Altogether, this means an increasingly large number of British workers are experiencing financial difficulty. Recent research by the Money and Mental Health Policy Institute shows that up to **a quarter of the UK workforce** are, to some extent, experiencing financial insecurity, and nearly 17 million people in the UK have less than £100 savings (Money and Mental Health Policy Institute, 2017).

It is important to note here that poor financial wellbeing is not only experienced by low-income households. Subjective financial wellbeing – i.e. how comfortable and secure you feel in your financial position – has a much greater impact on wellbeing than actual income (Arber, Fenn and Meadows, 2014). The 2017 C.I.P.D. study found that 20% of workers on a salary of £45,000 – 59,999 reported that financial worries impacted their ability to do their job.



3. THE LINK BETWEEN FINANCIAL WELLBEING AND HEALTH

Financial difficulty can be both a cause and a consequence of health problems. Worries and stress that stem from job insecurity, irregular hours and not being able to pay bills can lead to a wide range of health outcomes.

In terms of physical health, financial anxieties have been associated with headaches, back pain, ulcers, and an increased risk of heart conditions (Financial Advice Working Group for HM Treasury and Financial Conduct Authority, 2017).

With regards to psychological health, two thirds (67%) of employees who are finding things financially difficult report at least one sign of poor mental health, compared to 41% of those who are financially comfortable (Money and Mental Health Policy Institute, 2017) and people with problem debts are twice as likely to develop major depression as those not in financial difficulty (Skapinakis et al, 2006).

Furthermore, there is a deep-rooted stigma around financial insecurity. Feelings like guilt and shame are commonly experienced in association with debt and many people do not feel comfortable speaking to others about their problems. A large research study conducted in 2020 found that 48% of the workforce experience stress in relation to their financial situation, but only 3% have ever shared their worries with their employer (Schroders Personal Wealth Money and Mind Report, 2020).

In addition, people that live with mental health conditions can experience cognitive and emotional issues that make it harder for them to manage their money, for example, they may find it harder to remember to pay their bills and keep track of their spending (Holkar, 2017). A vicious cycle can therefore develop for those in financial difficulty, making it particularly challenging to break free.

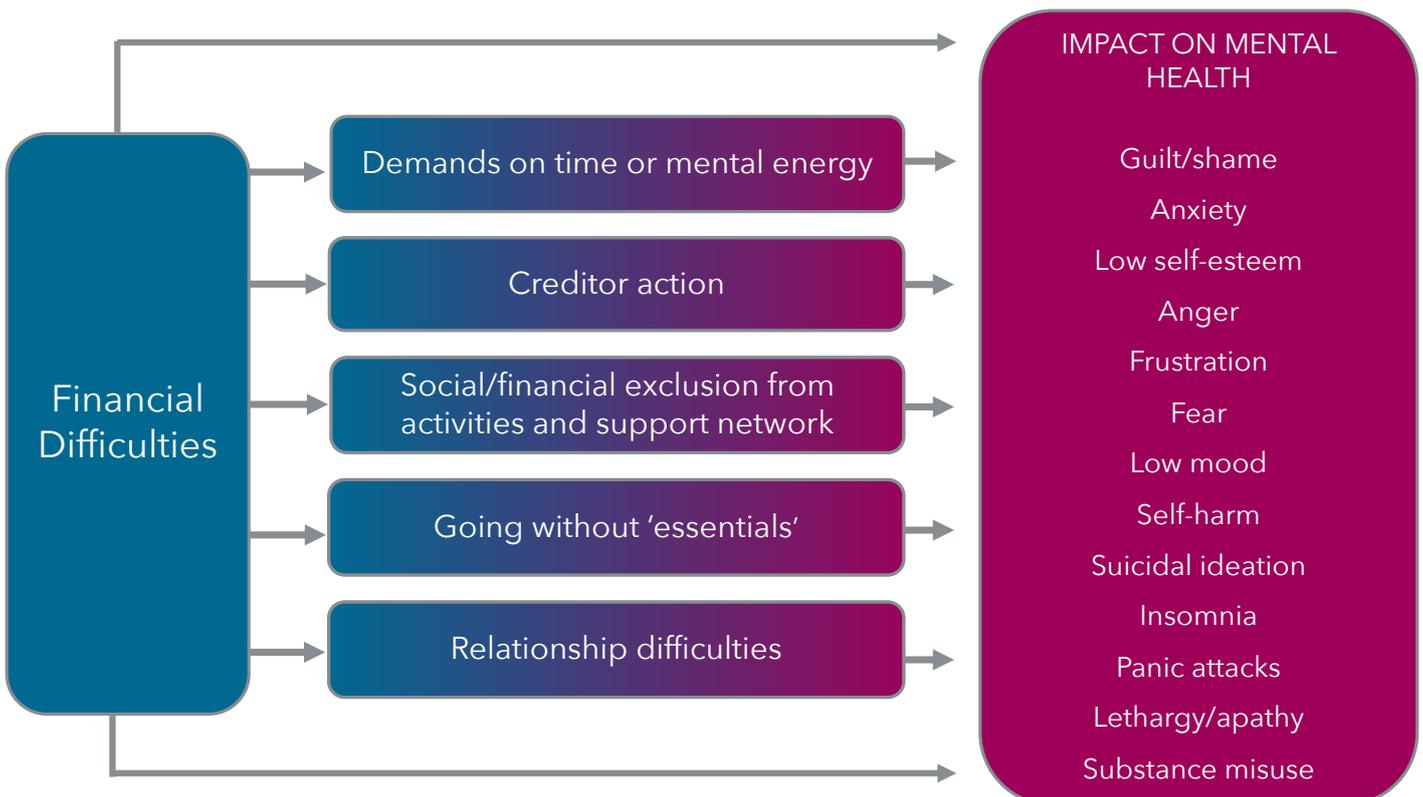


Figure 1. How Financial Difficulties affect our Mental Health (reproduced from Money and Mental Health Policy Institute, 2017)

4. WHY IS FINANCIAL WELLBEING IMPORTANT IN THE WORKPLACE?

The impact that poor financial wellbeing can have on physical and mental health is clear and significant. Consequently, given that we spend on average, one third of our lives at work, low levels of wellbeing can be highly disruptive in our working lives.

The 2017 survey by the Chartered Institute of Personnel and Development found that 32% of Londoners said that financial worries affected their ability to do their job. The impact of such issues was substantial - 19% of respondents said they had lost sleep due to money worries; 10% found it hard to concentrate and/or make decisions at work; and 8% had used working time to address personal financial issues.

Similar findings have been reported by the Money and Mental Health Policy Institute. People who are experiencing financial difficulties report significantly lower levels of

- motivation,
- concentration,
- conscientiousness, and
- accomplishment at work

than those who are financially comfortable (Money and Mental Health Policy Institute, 2017).

Furthermore, organisations appear to understand the weight of the issues. Research by the Financial Conduct Authority showed that 90% of employers agreed that having financial worries could have an impact on workplace performance (Financial Advice Working Group for HM Treasury and Financial Conduct Authority, 2017).

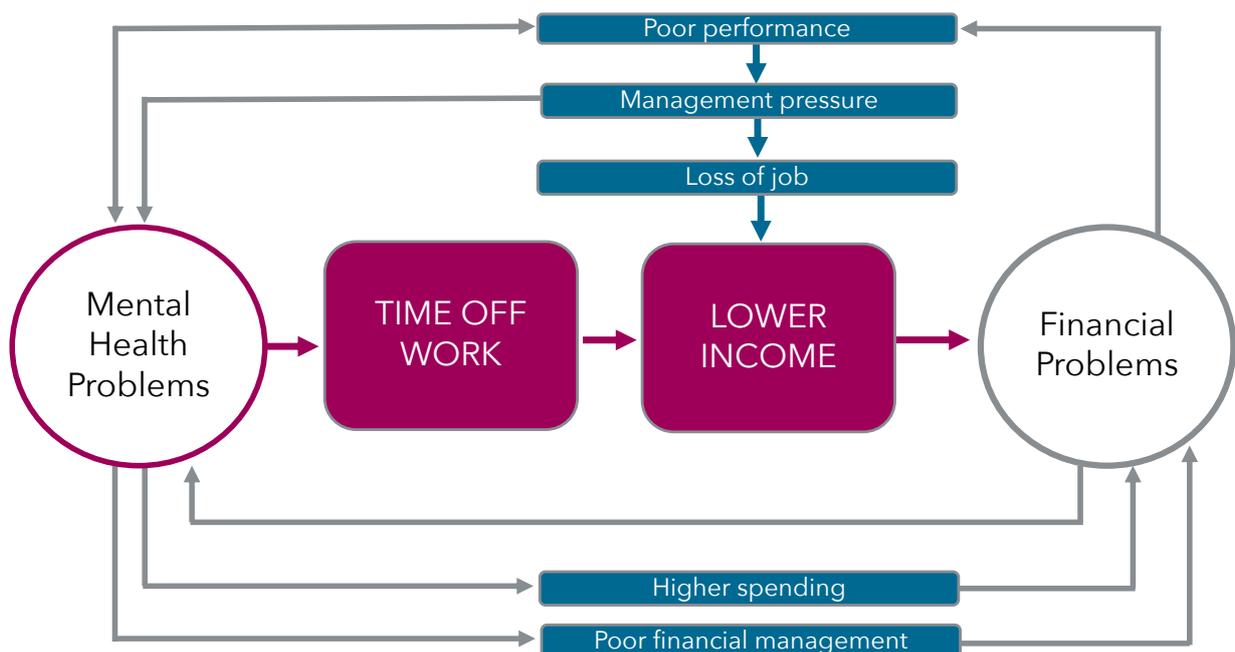


Figure 2. The relationships between financial difficulties, mental health problems and workplace productivity (reproduced from Money and Mental Health Policy Institute, 2017)

5. THE IMPACT OF COVID-19 ON FINANCIAL WELLBEING

The pandemic has had a huge impact on the economic landscape of the UK with many workers feeling uncertainty with their financial situation. Research from YouGov reported that nearly one in five UK adults (19%) said that their financial situation has worsened since the onset of the pandemic. Of that group, 74% stated that they've felt an increase in anxiety over their finances (Mental Health UK, 2021).

Concerns around job insecurity also increased. Survey data from the C.I.P.D. showed that 23% of workers surveyed in May 2020 thought it was likely they would lose their job in the coming 12 months, compared to only 13% in January 2020 (C.I.P.D, 2020).

Generational differences also exist, with the over 55s in the most stable position. In a research study, 84% said that they have not needed to change anything related to their money matters during the pandemic. This differs greatly to the 35-54 age group (67%) and 18-34-year-olds (59%). Interestingly, 19% of the study respondents said that financial security had become a higher priority for them since the onset Covid-19, and 13% were making plans for their financial future (Schroders Personal Wealth Money and Mind Report, 2020).



6. HOW CAN ORGANISATIONS SUPPORT FINANCIAL WELLBEING AT WORK?

There is clear evidence that financial difficulties can have a major impact on worker wellbeing, motivation, absence levels and productivity.

Organisations can play a critical role in tackling financial stress and promoting good financial wellbeing, by ensuring that it becomes a key component in a holistic workplace health strategy, alongside physical and mental wellbeing.

This approach is recommended by the Financial Conduct Authority report (2017) which states that employers are well positioned to develop workers' financial resilience. Employers also have a vested interest because reducing financial worries can benefit both the individual and the organisation in terms of increasing morale, trust, staff retention and productivity (Financial Advice Working Group for HM Treasury and Financial Conduct Authority, 2017).

Some employers are wary of offering any kind of inhouse financial education to their employees because of liability concerns, and a lack of understanding around differences between general forms of support and regulated advice. However, there is lots of help that employers can provide without any kind of legal exposure, and in broad terms, simply giving education and guidance does not result in legal liability for employee choices (C.I.P.D, 2017). Furthermore, people are open to this support. Employees often feel overwhelmed by the various resources available and are likely to trust their employers more than external sources to provide guidance and signpost valuable materials.

For more information, visit: <https://www.moneyandmentalhealth.org/best-practice-employers/>

The C.I.P.D. also offers sound practical guidance for employers:

https://www.cipd.co.uk/Images/financial-well-being-practical-guidance-report_tcm18-17440.pdf



7. BEST PRACTICE CHECKLIST

The following checklist provides a comprehensive range of practical steps an employer can take to promote and support financial wellbeing for their people. It's based broadly on the best practice toolkit published in February 2021 by Money and Mental Health Policy Institute, the leading centre of expertise on financial and mental health problems.

1. BUILDING FINANCIAL RESILIENCE:

- Equip people with the mindset and skills to manage their money successfully by offering **money management tools** and support as an easily accessible staff benefit e.g. budgeting tools, apps for 'smoothing out' income for those who have irregular hours.
- Offer people access to **affordable credit arrangements** through payroll, helping them avoid high fees /charges. e.g. via low- or no-interest loans; season ticket loans and bike loans.
- Help people build **short-term savings** to meet unexpected expenses and prevent debt accumulation e.g. via partnering with financial services providers to offer a payroll savings scheme.
- Clearly and regularly communicate a **comprehensive employee benefits** package which integrates with financial wellbeing promotions, including discount schemes, salary sacrifice schemes, childcare vouchers etc.
- Consider paying all staff the voluntary [London Living Wage](#), currently set at £10.85 per hour for 2020/21.

2. CREATING A CULTURE OF SUPPORT:

- **Tackle the stigma** around talking about financial problems and seeking help. Raise awareness through regular communications and educational materials. Check in with high street banks, your Employee Assistance Programme (if you have one) and/or pension provider who may offer free inhouse sessions and /or support.
- Harness **significant life events** (e.g. marriage, birth of a child, retirement) as opportunities to target financial information to different employee groups, reminding them to examine their changing needs and priorities.
- Provide **mandatory training** for HR teams and all those who manage people in understanding the causes and consequences of poor financial wellbeing and mental health.
- Reduce **the cost of employment** by considering work-related expenses / staff social activities and ensuring employers pay up front to avoid any colleagues being excluded.

3. HELPING WHEN PROBLEMS HAVE SET IN:

- Provide people with easy **access to advice and support** by being an authoritative source of information for workers e.g. signposting debt consolidation services; charities such as [Step Change](#) and [Money Advice Service](#) and mental health crisis services e.g. [Samaritans](#)
- Proactively **signpost welfare benefits** for those on reduced pay/hours due to absence and offer support in application process where possible.
- Offer a transparent and generous **sick pay policy** which allows people experiencing any sort of illness the time and space to prioritise recovery, and prevents anxieties around reduction of income as far as possible.

8. A FOCUS ON VULNERABLE GROUPS

Prior to the pandemic, a growing number of people in the UK were facing insecurity at work. In the private sector, the rise of the gig economy and the growth of zero hours contracts meant that one in ten workers no longer had guaranteed hours, or earnings (Trade Unions Congress, 2016). This has made financial planning very difficult for some. Additionally, those working under such arrangements do not benefit from the supportive infrastructure generally offered by an employer.

Recent research by Mental Health UK found that 80% of small business owners experience common symptoms of poor mental health, but just under half have never accessed support (Mental Health UK, 2020). The pandemic has exacerbated this issue, with many reporting panic attacks and symptoms of depression. Unsurprisingly, the most significant concern reported was worries around cash flow during the pandemic (78% of respondents).

It has been well-documented in the press that a significant proportion of workers (c3 million) were unable to access the financial support packages that the government introduced in March 2020, in response to the pandemic. This group includes some categories of the self-employed, PAYE freelancers, some Limited Company Directors and those on maternity/paternity/adoption leave.

There are a number of suggested courses of action for those in these excluded groups:

- Double-check your entitlement to state benefits.
- Ask for help e.g. on covering rent, debt issues and mental health problems.
- Access free 121 counselling offered by Excluded UK.
- Connect with others facing similar issues, collaborate, share skills and network.
- Write to your MP to raise awareness and influence change.
- Speak to your local authority regarding discretionary grants (funding closed in October 2020, but may reopen).

For more information and details of targeted support available, visit <https://www.excludeduk.org/excluded-uk-an-inclusive-alliance-for-the-excluded>



9. WHAT ARE LEADING ORGANISATIONS DOING?

Dorchester

Dorchester Hotel

The Dorchester Hotel in London is one of nine hotels, part of Dorchester Collection. It is one of the world's most iconic hotels, with 250 suites and 49 rooms, all looked after by 650 passionate team members. The organisation gained the LHWA Foundation award in 2019 and are currently working towards Achievement level.

The Dorchester Hotel provides employees with a rewards and recognition digital platform called 'Dor45', which includes access to a Wellbeing Centre. The Wellbeing Centre is divided into 4 different sections: Move, Munch, Money and Mind.

In the 'Money' section, employees can access a wealth of financial advice and tools to help them manage their finances and get support and guidance when they need it. In addition, employees can shop at over 400 retailers at discounted prices, allowing them to get better value for their money, and to save money overall.

The organisation also takes care to benchmark their staff salaries against the West One salary survey, which provides them with important insight, and ensures that they are rewarding the workforce in line with the rest of the industry. A team member bonus is also paid out each year, linked to business KPIs such as profitability and guest engagement.



London Legacy Development Corporation

The London Legacy Development Corporation's (LLDC) purpose and mission is to "use the opportunity of the London 2012 Games and the creation of Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK." LLDC has around 150 employees. The organisation gained the LHWA Excellence award in June 2018.

LLDC run a focused communications programme for their employees to highlight the support available for financial issues. They have also partnered with a leading high street bank to support staff in their financial wellbeing, offering advice on how to save more, and including the opportunity to have a one-to-one private consultation.

In addition, the organisation hosted a Benefits Fair for all colleagues to provide information and guidance on staff benefits. The London Pensions Fund Authority took part, running retirement planning seminars and offering one-to-one sessions for employees to discuss their pensions.

LLDC also supports employees through interest free season ticket loans, tenancy deposit loans, childcare payment loans, childcare vouchers and an employee discount platform which allows them allowing them to make savings on shopping, holidays and other purchases

In addition, an Employee Assistance Programme (EAP) offers a 24-hour counselling line, which can provide confidential help and support around financial wellbeing and mental health when needed.

10. LHWA FRAMEWORK

The London Healthy Workplace Award (LHWA) is an accreditation scheme led by the Mayor of London and supported by Public Health England. It acts as a template for good practice and recognises London employers who invest in their employee's health and wellbeing. There are three main awards for SMEs and larger organisations: Foundation, Achievement and Excellence. There is also a Micro Award (for business with < 10 employees) and a Communal Workspace Award.



At the **Micro** and **Foundation** level, all applicant organisations must ensure they are aware of the risk factors for work-related stress, and that action is taken to prevent or minimise the risks. Employees need to be proactively made aware of the mental health support on offer, including when and how to access it. Organisations at this level also need to ensure workers are fairly rewarded through appropriate pay, rewards and recognition.



At **Achievement** level, organisations must show that the programmes in place particularly support the health and wellbeing of low-paid employees, on all types of employment contract. They must also demonstrate that they have protocols in place for the use of risk assessments to prevent stress.

Additionally, line managers should have access to training on mental health to help them identify and support employees with potential issues.



At **Excellence** level, a comprehensive stress prevention strategy must be in place and followed, highlighting the promotion of mental wellbeing within the organisation. Information must be sought (via consultations or surveys) on staff mental wellbeing including cost of living wage. At this level, organisations also need to provide a confidential support service (such as an Employee Assistance Programme) so workers can seek advice and support on health and wellbeing issues. This kind of service would typically include financial wellbeing support.

Any organisational change should also be accompanied by information or targeted support programmes e.g. retirement or redundancy, which would link closely with financial wellbeing.

Furthermore, at Excellence level, greater occupational sick/health leave ought to be made available for people managing health-related matters or difficult domestic circumstances and discretionary paid time off should be available for dealing with issues concerning family and dependants.

To find out more about the LHWA, email the Greater London Authority Health Team at: LondonHealthyWorkplace@london.gov.uk

To sign-up to the award – and say “yes, I’m interested” – [click here](#)

11. FURTHER RESOURCES



C.I.P.D Practical Guidance: A report outlining research, resources and practical steps organisations can use to take action.

Web: https://www.cipd.co.uk/Images/financial-well-being-practical-guidance-report_tcm18-17440.pdf



Money and Mental Health toolkit: A resource for individuals to help them understand, manage and improve their mental and financial health.

Web: <https://www.mentalhealthandmoneyadvice.org/toolkit/>



Money and Mental Health best practice checklist: A resource for organisations to help them take steps to support their workers with mental and financial health. Follows recent guidance from the [Mental Health and Income Commission](#).

Web: <https://www.moneyandmentalhealth.org/best-practice-employers/>



StepChange: A charity that focuses on problem debt issues – the major financial difficulty experienced by UK workers. Provides 121 support for people to understand their debt issues, create a budget and build an action plan to address and solve them.

Web: www.stepchange.org



MoneyA&E: An award-winning social enterprise that transform lives through providing money education and advice to disadvantaged groups and Diverse Ethnic Communities. Excellent resource for employers to signpost to their workers.

Web: <https://www.moneyaande.co.uk>



Good Thinking Guide to dealing with Job and Financial Uncertainty: a guide created to help people cope with their new financial situation and get the facts around the financial support available.

Web: <https://www.good-thinking.uk/coronavirus/how-to/handle-job-and-financial-uncertainty/>

11. FURTHER RESOURCES



Money Advice Service: This portal was designed following the 2017 research by the Financial Advice Working Group for HM Treasury and the FCA. It provides employers with a comprehensive hub of resources to promote and support financial wellbeing for their people, and lots of useful information to help employees manage their money.

Web: www.moneyadviceservice.org.uk

entitledto

independent | accurate | reliable

Entitledto.co.uk: An independent website which offers free tools for both individuals and organisations, designed to help people easily work out their benefit entitlements. Also has up-to-date advice and guidance for those impacted by Coronavirus.

Web: <https://www.entitledto.co.uk>

11. FURTHER RESOURCES

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