Building **employee resilience**

Salary Finance

Financial wellbeing for a post-pandemic generation

The Covid-19 crisis has sent a shockwave through the UK economy. Organisations pivoted quickly to change how they operate, including changing how and where workers could continue to do their jobs safely.

As a result, employees have had to navigate new ways of working and adapt to constantly changing circumstances for over a year.

Salary Finance's Employer's Guide to Financial Wellbeing 2020-21 explored how the pandemic had affected employees and raised some mixed responses. Put simply, some have benefited, and some are worse off; but all need to be able to access support and encouragement to lead happier, healthier lives.

This report takes a closer look at the issue and asks, "how has the pandemic affected UK employees' financial situation and what can employers do to help even after the pandemic has gone?"

COVID-19 and financial wellbeing:
The bigger picture

9 million

people have been on a furlough scheme with their employer.

26%

of employees worry about money on an ongoing basis.

85%

of UK adults have spent less during the lockdowns.

2.6 million

tenants expect to fall behind on their rent because of coronavirus.

36%

of employees aged 18-34 have moved house to secure a better quality of life during the pandemic.

1.9 million

homeowners needed a mortgage payment holiday.

31%

of people with savings accounts have increased their monthly deposits.

57%

of employees feel they are just about getting by financially.

24%

of employees feel they have made bad decisions about debt during the pandemic (this includes 51% of 18-24 year olds.)

Poor financial wellbeing: the facts

An employee's level of financial wellbeing is not always determined by their income, but more so by their attitude, habits and behaviours.

In 2018, we designed a Financial Fitness assessment tool to help identify how good an individual's financial wellbeing is.

A Financial Fitness Score of 1-5 is given based on the responses to a set of questions and behaviours and habits, and the higher the score, the greater their financial wellbeing.

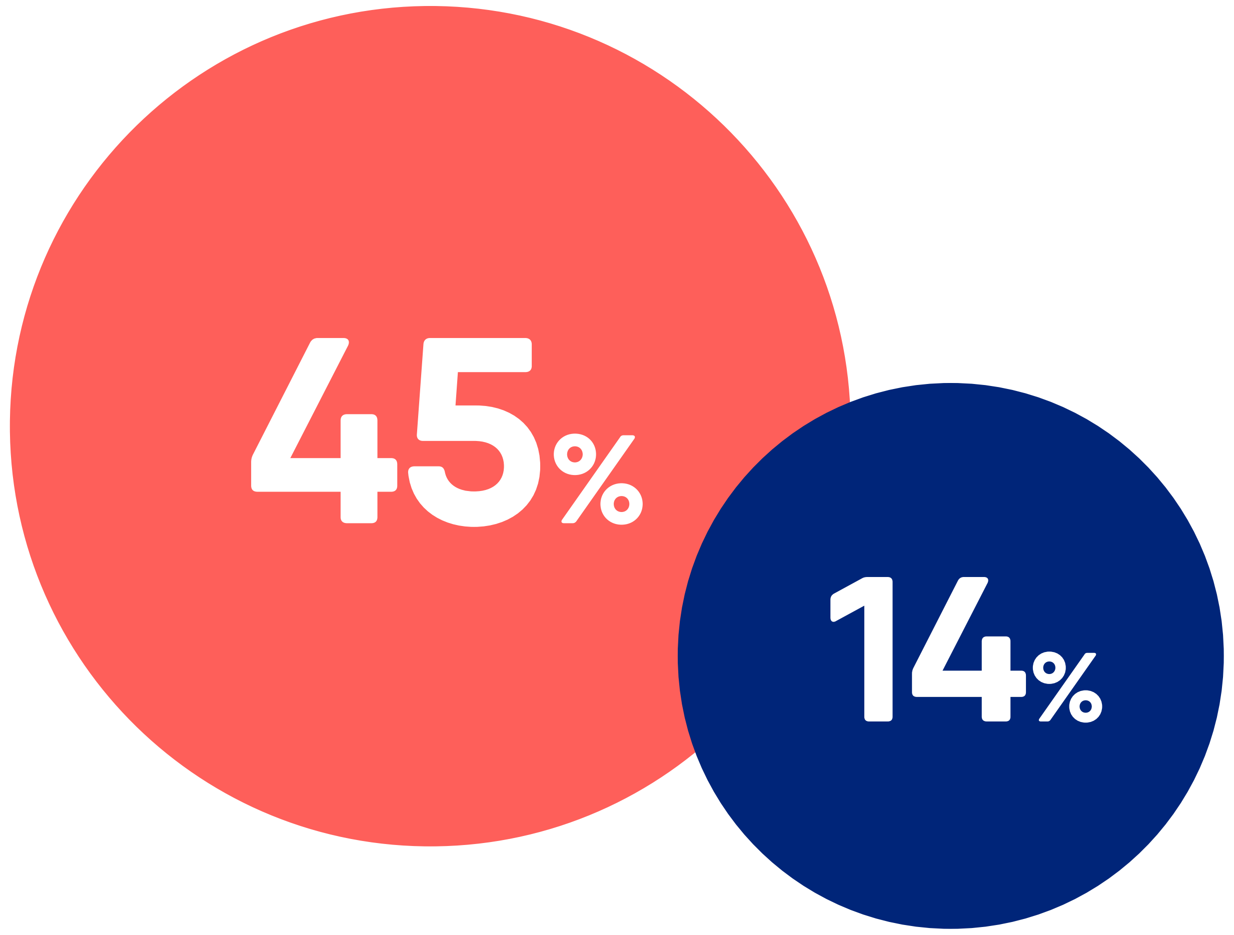
This metric has allowed us to determine that most employees fall into either having low levels of financial fitness (Copers) or having a higher level of financial fitness (Planners) – this means they either have a spend first or a save first attitude towards money.

The world of Copers and Planners

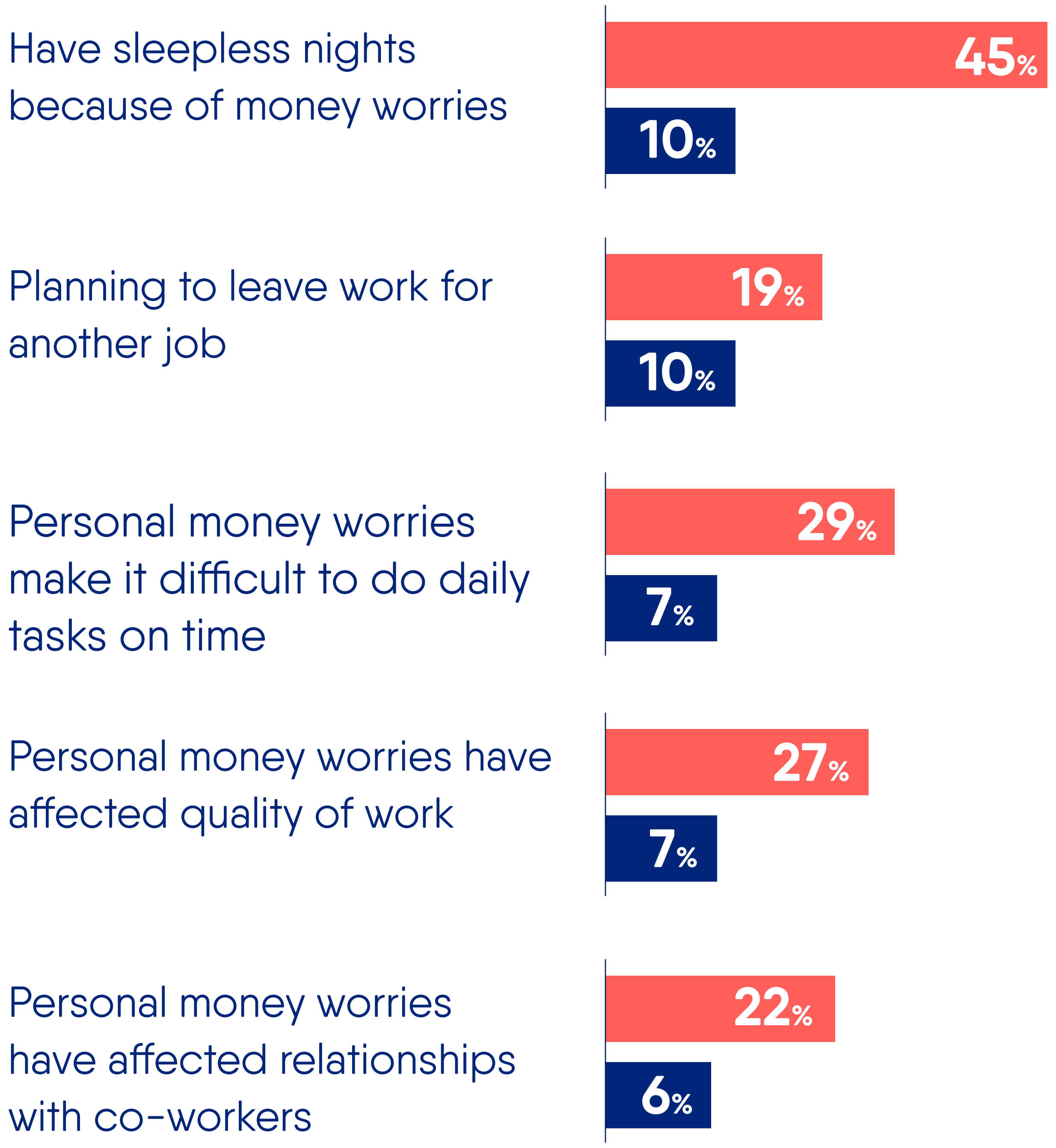
Copers
Spend first. Save later.

Planners
Save first. Spend later.

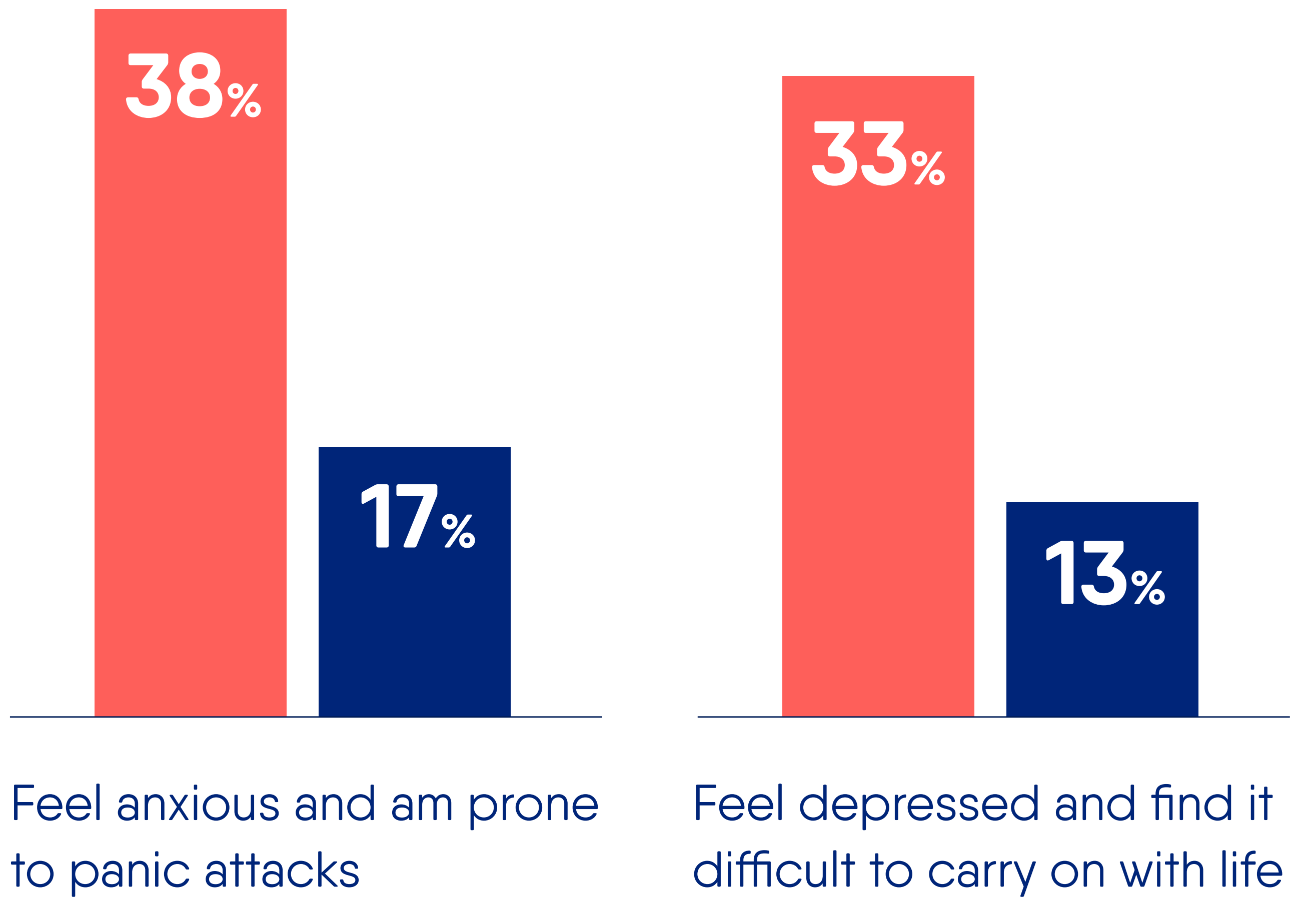
Worried about money (UK average is 26%)



Impact on working life



Mental health & financial worries

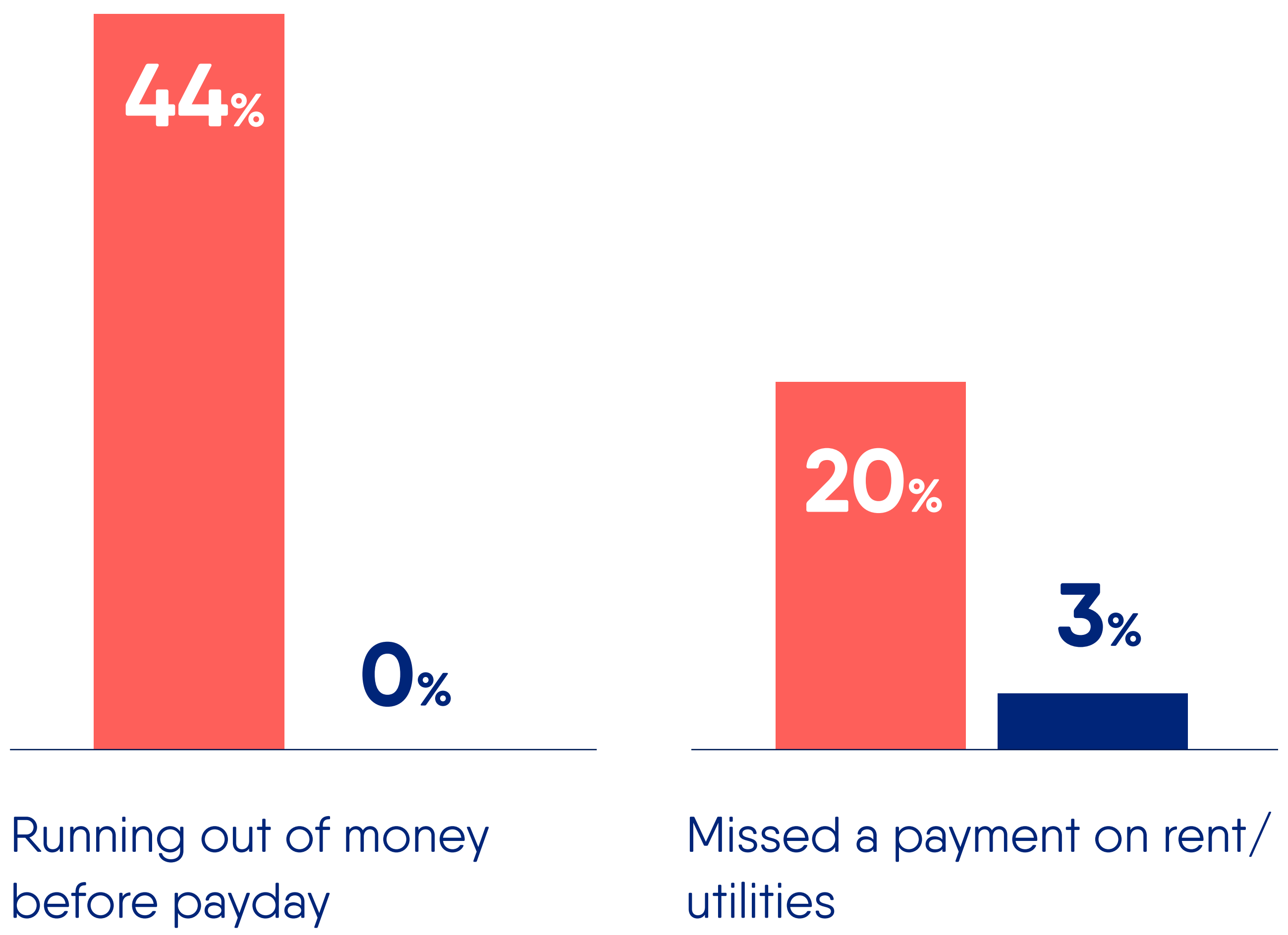


The world of Copers and Planners

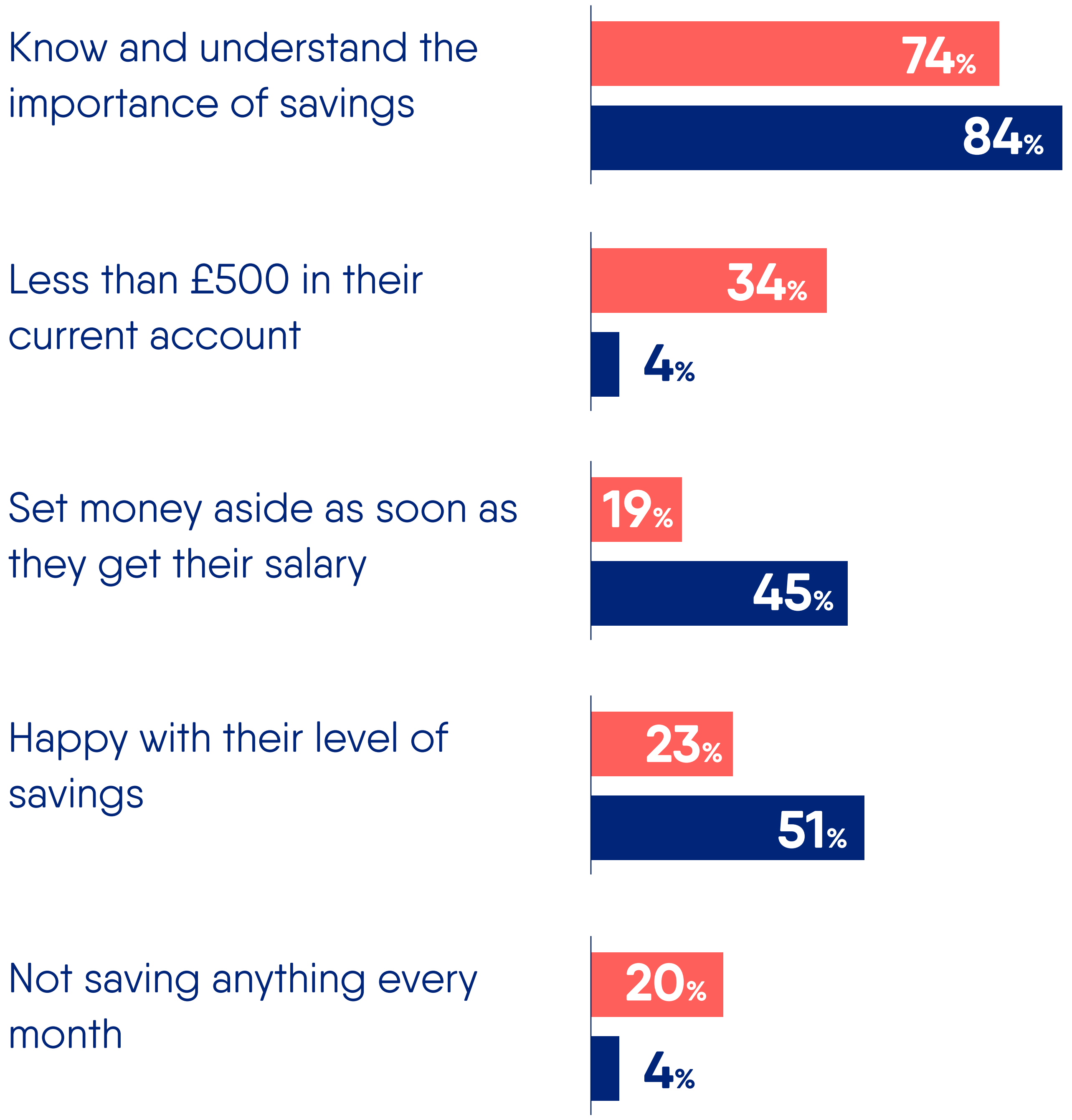
Copers Spend first. Save later.

Planners Save first. Spend later.

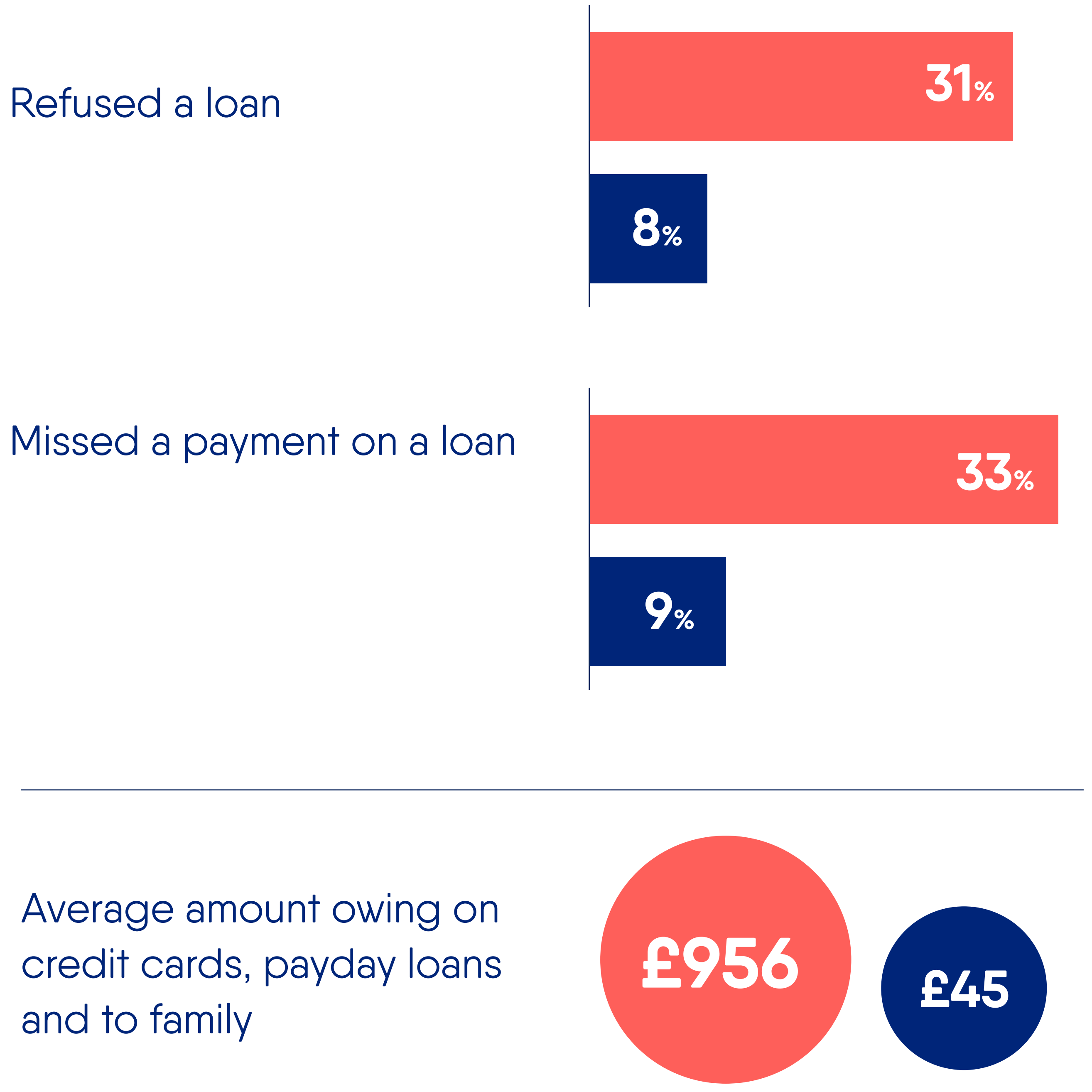
Missed payments/ running out of money



Savings



Lending

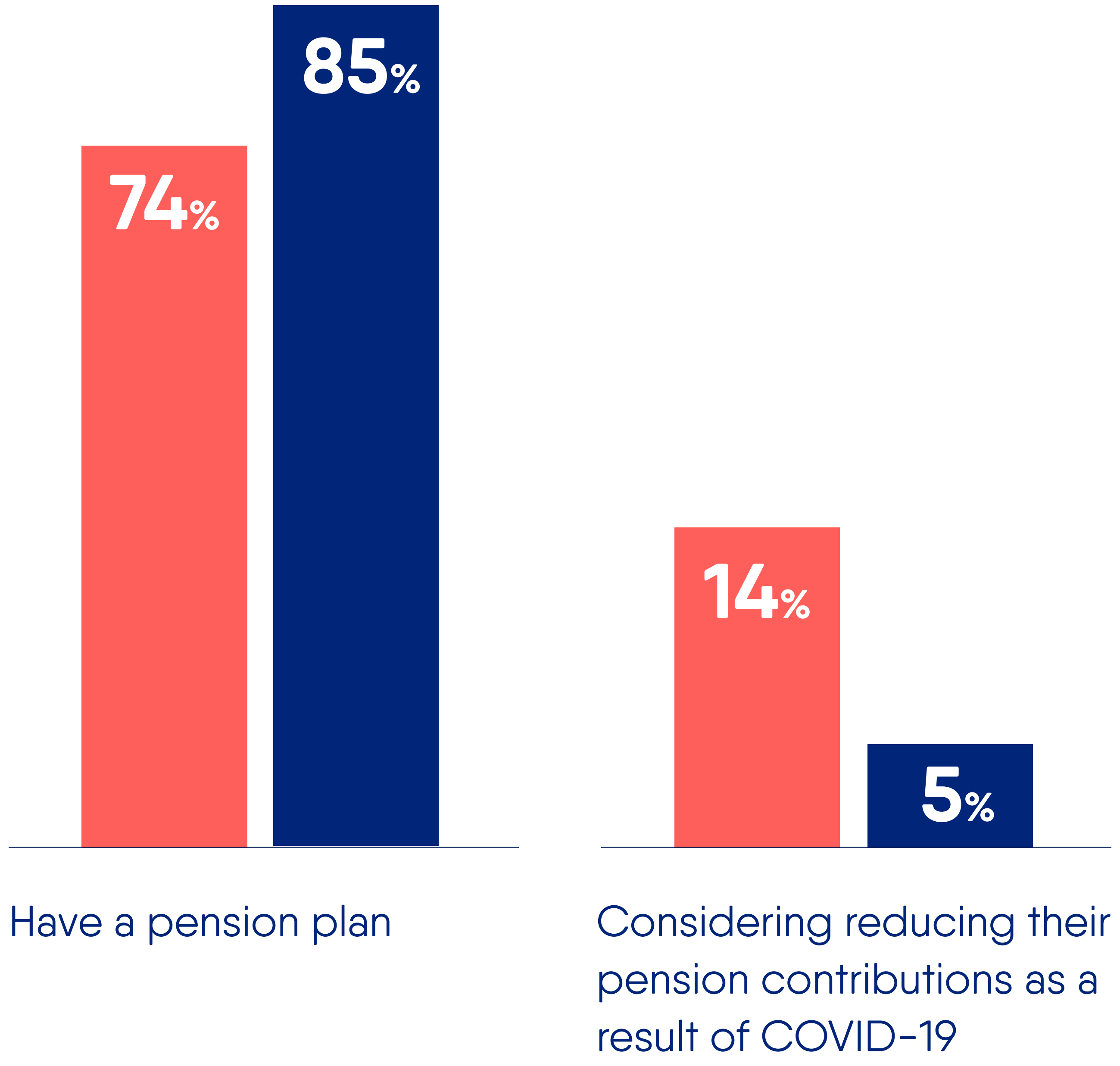


The world of Copers and Planners

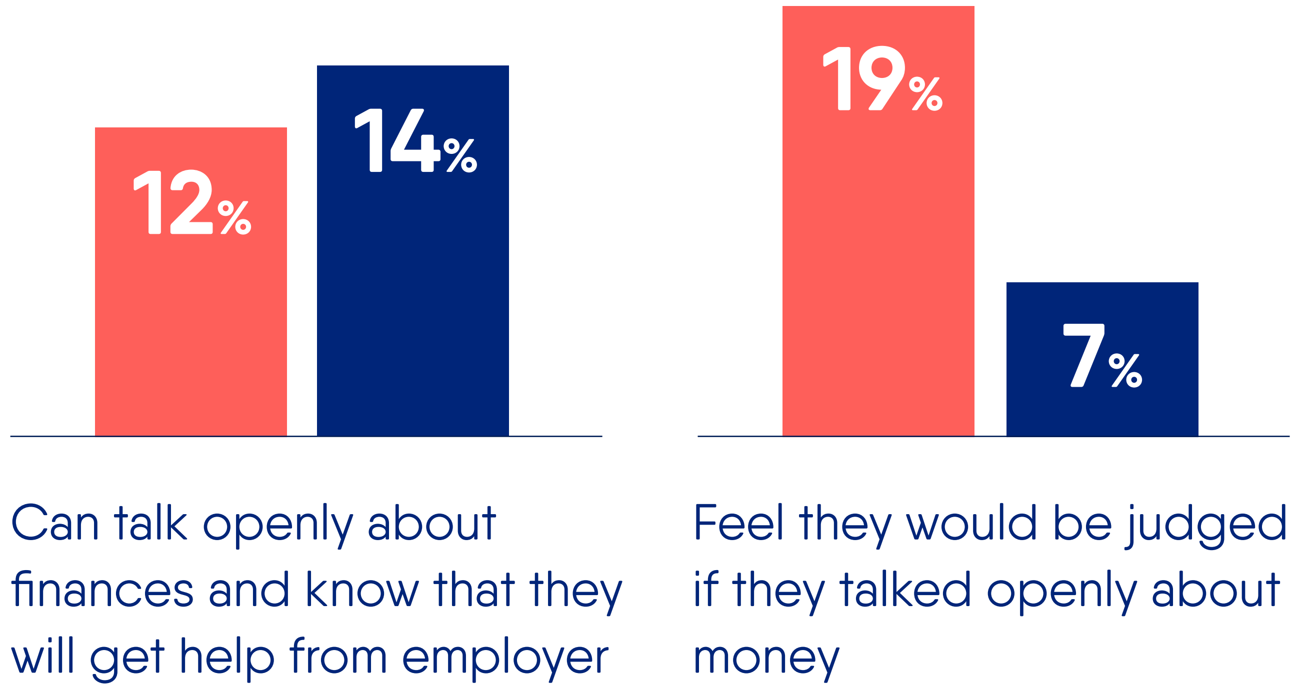
Copers
Spend first. Save later.

Planners
Save first. Spend later.

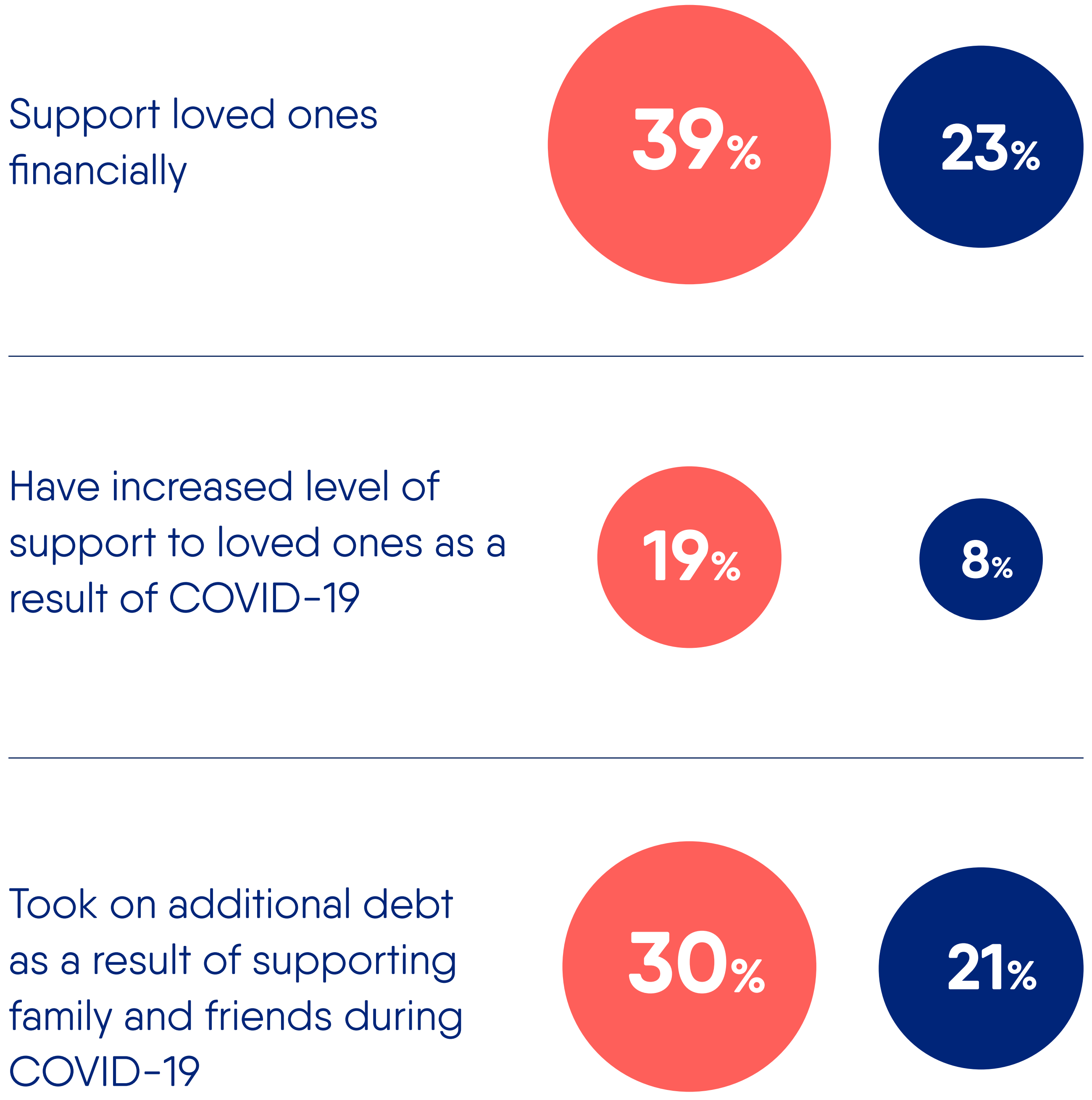
Pensions



Money & shame



Supporting loved ones financially



How has the world changed for employees over the last year?

Covid-19 has changed life for everyone, no matter what their personal circumstances.

It has created more significant divides in society between the young and the old and affected families and single-person households in different but in equally damaging ways.

Our study (The Employers Guide to Wellbeing 2020-21) found that 41% of employees say they've been more stressed since 1st April 2020, while 36% say they feel exactly the same as they did before the pandemic.

So, do employers really know what their employees might have been going through in the last year?

The impact on: **Salaries**

The biggest impact has been caused by the sudden disruption to employees' working lives and, for many, their income. Furlough, redundancies, working patterns and additional costs from home working have caused damage to people's finances that may go on long after the lockdowns have eased.

The Coronavirus Job Retention Scheme (JRS) has been a successful government intervention. Even on reduced pay, being furloughed has supported household incomes in the face of the unprecedented shockwave and (in the main) helped to keep people's jobs secure.

However, most employers only used the scheme temporarily while the country went into economic shutdown (March-June 2020). At the height of the pandemic, the Bank of England recorded 9 million people out of a working population of 33 million were on a furlough scheme with their employer.

With the phased reopening of many businesses, this figure has now reduced, and furloughed employees have since returned to work or are on 'flexible furlough' for part of their working hours, and some, unfortunately, will have been made redundant.

Recent statistics released by the ONS suggest that the groups that were financially impacted at the start of the pandemic were still worse off up to mid-April 2021.

They also reported that those earning £10k or lower continued to be more likely to report adverse impacts to personal wellbeing in comparison with higher earners. This includes issues like the coronavirus pandemic making their mental health worse (18%) and feeling stressed or anxious (32%).

What this means

A reduction in income for any member of a household can put a great strain on financial wellbeing for others.

Even if your employee is still secure and in a fully paid role, their family life may have been impacted by the lockdown measures and their own income could now be stretched.

The impact on: **Mortgages/rent**

Having a lower income is the point at which some people's financial stress starts; but the pandemic has also influenced household outgoings, and that may have enduring impact for many employees.

Mortgage companies responded quickly to the initial panic of the first national lockdown. Treasury figures show that 1.9 million homeowners have taken a mortgage payment holiday since the scheme was announced in March. That equates to nearly one in six of all mortgages in the UK. Mortgage holidays were due to end in October, but are now being extended into July 2021 to continue helping those who have not yet returned to fully paid work.

Coronavirus-related payment holidays taken since March 2020 do not impact an individual's credit score, and the holidays do not get reported as missed payments. However, it may still affect their ability to obtain credit in the future.

This is because lenders consider a range of information when making lending decisions. The gap in payment history may show that a person was struggling financially for a period, which may ultimately affect the decision to lend.

This could mean that homeowners, especially those trapped on higher-than-average loan rates, may now find themselves unable to remortgage to a better deal.

For some homeowners, the pandemic has prompted a time for a change. According to a study by Close Brothers, the pandemic and subsequent UK lockdowns have seen a third (36%) of employees aged 18-34 move house to secure a better quality of life. The report showed that employees in London were most eager to make the change, with 38% moving, which they believe shows employees are taking steps to improve their mental, physical, and financial health.

Renters may also now find themselves stuck. Research by the Resolution Foundation suggests that private renters were more likely to be struggling with payments than those who own their homes.

Despite the government taking steps to support renters through the pandemic, the report (based on a YouGov survey of around 6,000 adults in the UK) shows that one in eight private renters has fallen behind with housing costs since the coronavirus crisis began, compared to one in 12 mortgaged homeowners.

This has been further supported by Citizens Advice, which estimated that around 2.6 million tenants expect to fall behind on their rent because of coronavirus and may now be facing a stressful countdown to the government's end of protection from eviction policy. It is not yet clear what, if any, alternative measures will be put in place after the end date.

What this means

Mortgages and rent payments are an employee's biggest monthly expense, and any changes can cause an immense amount of stress and a feeling of insecurity.

Your employees may be worrying about their ability to keep a stable roof over their heads.

The impact on: **Spending**

The Close Brothers' report also found that the most prominent change employees have made since the pandemic started was keeping a closer eye on day-to-day spending (63%).

Yet some areas of increased spending could not be avoided and homeworkers may have needed to adapt their home environment, with capital outlays to create office spaces (only some of which you can realistically expect an employer to cover) and ongoing costs like better WiFi, greater electricity consumption during the day (on what may possibly have been more expensive tariffs) and even additional grocery shopping.

There is a growing concern for householders who are falling behind on their bills. Recent studies from the citizens advice show that 2.5 million people are behind on their broadband bills, with 700,000 of these falling into the red during Covid, and 2.1million households were behind on their energy bills by the end of 2020.

On the other hand, these expenses have often been balanced out by other benefits of homeworking for certain households.

Some of those highlighted are substantial savings on commuting, lower insurance costs for reduced car usage, less need for smart, often costly clothing, and even lower childcare costs for some who have achieved the 'perfect balance'.

Even outside of work, our lifestyles have changed. According to a study by AA Financial Services, a massive 85% of UK adults have spent less during lockdown, saving on average £49 a month on petrol, £57 by not going to pubs or restaurants, £53 by not going to shops, and significant savings in other areas, totalling £617 a month on average for those still receiving their full income.

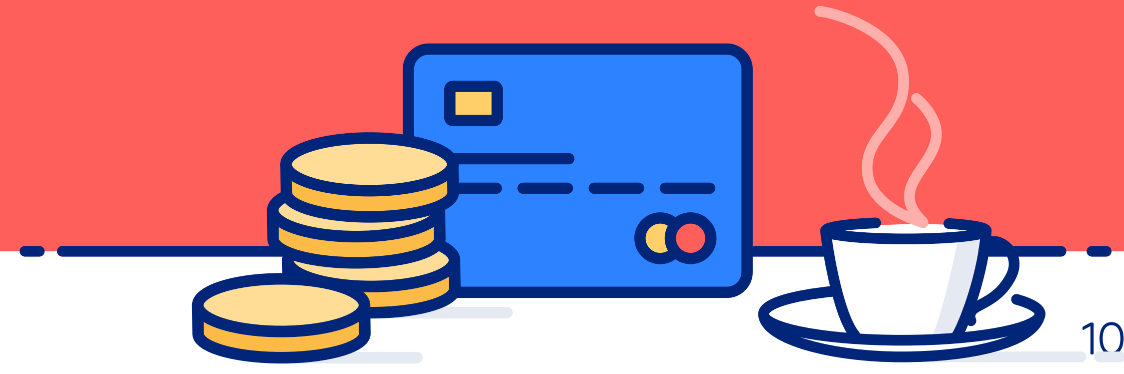
Being in and out of lockdowns has also inevitably affected our ability to socialise, take holidays and spend money frivolously, causing many to start saving. The AA Financial Service report also found that 31% of people with savings accounts had increased their monthly deposits since the start of lockdown.

What this means

People spend money very differently, and even if they are making savings on things like fuel, they may be overspending it in other areas.

For every cautious employee you may have, there will be another who has not got full control of their monthly outgoings.

Saving for short term goals and life events is difficult for some, but encouragement and access to the right savings products can help them to build a healthier saving mentality.



The impact on: **Family**

It's important to remember that financial worries can come from any area of an employee's life. For example, it may be a partner affected by income loss, illness or family crisis that puts an extra strain on their own ability to cope.

Interestingly, our Employers Guide to Wellbeing 2020-21 study also showed that those with poor financial wellbeing are 1.7 times more likely than those with high financial wellbeing to be providing financial assistance to loved ones.

This is despite almost a quarter of them having to borrow money themselves to help others.

Children and the cost of caring and looking after them also provide an added pressure. In single-parent households, this is even more of an issue. A report by Gingerbread and the Institute for Employment Studies highlighted that single parents had been one of the groups most affected by lockdown restrictions.

It said single parents (90% of whom are women) were more likely than couple parents to be furloughed (30 and 21% respectively), and far more likely to be working in sectors that have been hardest hit by lockdown restrictions, including hospitality (46%) and retail (26%).

Not only does this put single parents at greater risk of redundancy when the furlough scheme ends, but the additional challenges thrown up by the restrictions could continue even after we phase out of lockdown, making it harder for single parents to stay in work or retrain.

What this means

How much do you know about your employees' homelife? The hidden lives of employees can vastly influence how they see money and how they manage it.

Encouraging open conversation and providing pertinent support on issues like childcare, caring for relatives or assisting with personal development can all help to ease the pressure.

Financial wellbeing ingredients for a post-pandemic generation

Provide accessible financial education

Meaningful, free to access financial education that will encourage better habits, answer questions, and keep employees up to date on issues that affect them.

Make salaries go further

Whether offering a low-cost credit product, schemes to help with everyday outgoings or access to debt support, employee financial benefits can help ease the stress of managing money.

Encourage saving

Developing a savings habit increases an employee's resilience and their focus on the future. People who struggle to save, may find that a salary-linked saving scheme can help.

Open the conversation

Creating a healthy culture when it comes to talking about money. Use communications to build awareness of support and understanding to break down barriers.

Promote longer term goals

A good pension scheme can help your employees feel secure about their future.

wagamama's COVID-19 journey: A case study interview

wagamama is one of the UK's leading restaurant chains. It employs over 6,000 people and has 150 restaurants across the UK.

We interviewed Christian Sparey, People Operations Manager to find out how COVID had impacted the wellbeing of their people and what the future holds for the brand.

How has COVID-19 impacted employee wellbeing at wagamama?

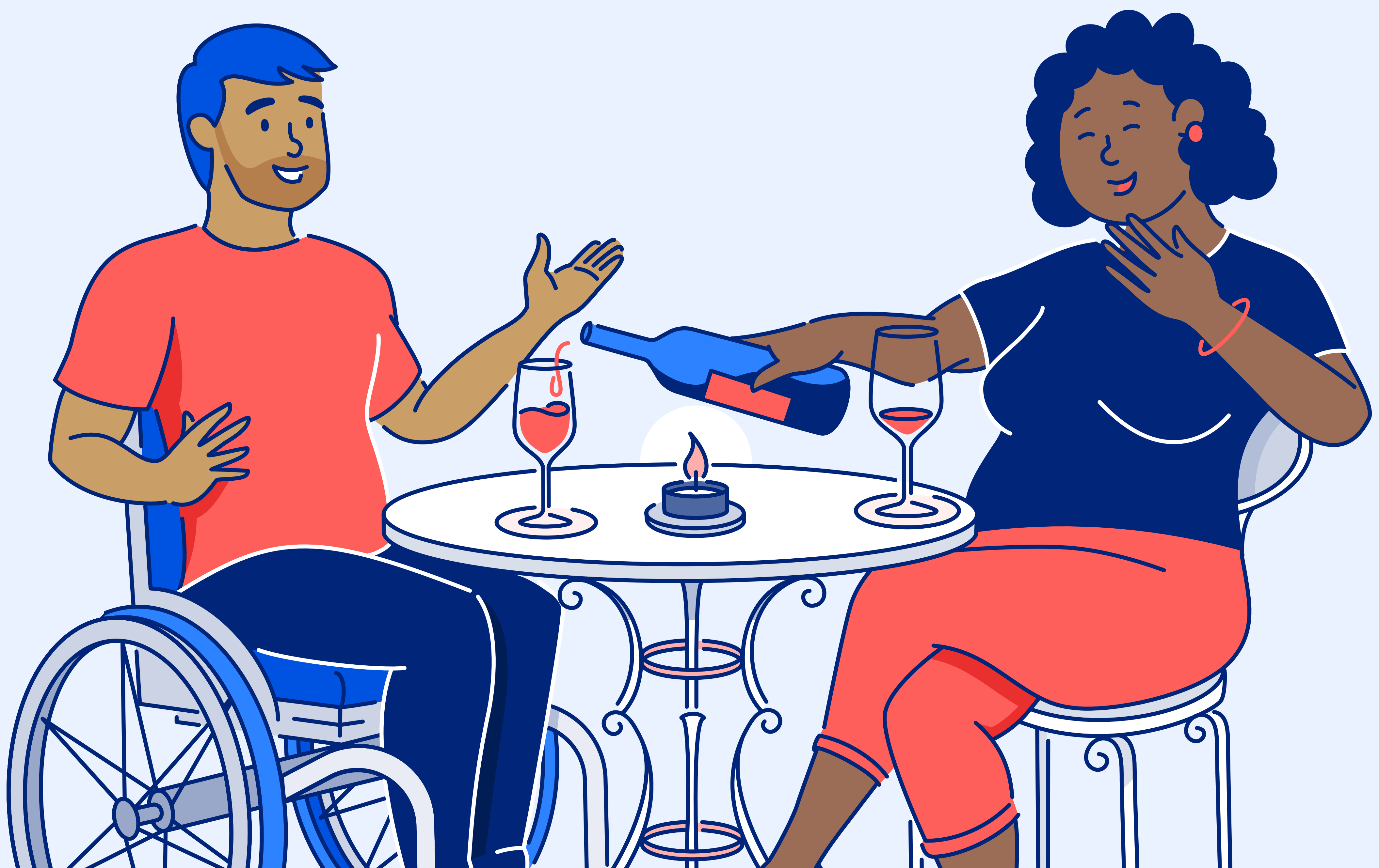
Our number one priority was the safety of our teams - essentially how can we ensure they feel safe and happy at work. It has been a really phased approach to opening back up again to ensure this priority was at the forefront.

After conducting a range of surveys, we found that some of our people were suffering from poor wellbeing, mirroring the feelings of many across the UK due to changing tiers and lockdown restrictions, with the root cause being poor financial wellbeing.

We also found that for some there was a lot of anxiety around managing their health and their financial situation.

Others have really missed social interactions with colleagues and customers which has had a detrimental impact on their wellbeing.

How has wagamama helped employee wellbeing during COVID-19?



A lot of our people went on furlough, but some were not eligible, so we also had to work with them to ensure they were financially supported when lockdown and tier changes were varying across the UK.

As lockdown progressed last year, we knew we also needed to stay connected with our people, many of whom were not working due to their restaurant being closed.

This meant introducing online physical activities like HIT and yoga classes, as well as regular video and email updates from our exec team to keep our teams engaged and updated.
We also sent out regular surveys to understand more about our peoples' wellbeing. The response rate to these was very high and we were able to address people's anxieties about health and finances at a core level.

Even something as simple as putting the daily COVID health check that employees had to do onto our employee app, meant that employees could check-in with our benefits and offerings on a regular basis too.

More recently, we have brought back our recruitment referral scheme to help with finding the right employees and we also want to be able to reward our people for helping us with this.

Looking back, we have learnt so much from the last eighteen months. We were fortunate that we were able to provide job security to our restaurant teams and it's now onto the next chapter....

Do you think that COVID-19 has shone a light on how financially vulnerable some people in the UK really are?

Yes, if we hadn't had Salary Fiance already embedded, I think it would be something we would be rushing to do!

Because our people had already been used to using and familiar with the range of products, they were able to get an education about how the products work before COVID started.

Although some of our people had to pause their savings during COVID, it's really great to see that they are now really starting to save again.

I think this just goes to show that regardless of what role you do, everyone relies on consistency of their finances.

My number one piece of advice for anyone who is thinking of starting a financial wellbeing programme would be to become a 'myth buster'. It's so easy to automatically think that 'loans' and 'advances' are bad for people, but if they have the power to really change people's lives for the better.

What does the future hold for financial wellbeing at wagamama?

As an employer, we believe we have a duty around the education piece which will formulate into our wider wellbeing strategy. We can't ask everyone to set up a savings account, but we can inform people of the benefits of doing so and different ways to support their financial wellbeing.

The next part of our journey will see us ensure that our people truly know and understand what is available to them.

For us, this means keeping everyone informed, giving our people the right tools that can make a real difference to their lives.

Our employee survey will now be launched on a quarterly basis (rather than yearly) and financial wellbeing will form a key part of understanding of the whole wellbeing and benefits offering.

Employee COVID-19 stories

Over the past year, we have been working with employers to ask the right questions and tailor their financial wellbeing packages to help their employees thrive.

The real impact of a comprehensive financial wellbeing programme can be seen in how the right package can change an employee's life. Here are just a few of the extraordinary stories from the past 12 months:

Employee COVID-19 stories
Savings

I chose to take advantage of the Salary Finance scheme as my New Year's resolution is to create a savings pot that will help me in case of unforeseen circumstances.

At the start of lockdown I was about to begin a new job. I was weeks away from starting when the first lockdown was announced and subsequently my new job offer was rescinded!

I found myself with no job and very little savings to fall back on, so when I got that job at Virgin Media one of my first objectives was to create an emergency fund in case I ever find myself in a similar situation.

The Salary Finance scheme seemed the perfect scheme for me to gradually build a lump sum without noticing it leaving my bank account.

I have not long joined the Salary Finance saving scheme, but can already see my savings pot grow and it makes me feel so much more secure knowing I am building a rainy fund I can fall back on if I ever need it! "

Stacey Hawkins, Virgin Media employee

I noticed Salary Finance's Jars Savings product was being offered to BT employees and I followed the link shown on Openreach Workplace.

The idea is, I could save a regular amount each month and have it deposited automatically from my salary straight into a YBS (Yorkshire Building Society) account. Such a great idea!

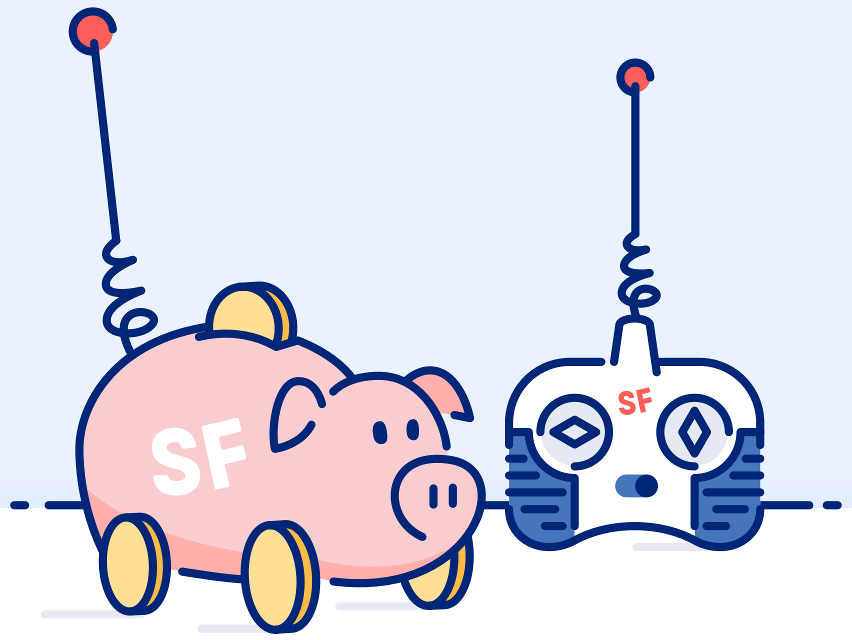
I no longer had to "think" about taking time to save, no need for lots of form filling to open a new account (Salary Finance would do all of the administration for me), no need to pop out in my lunch break and queue at the building society to make a deposit.

The scheme's flexible, so I can amend the amount I want to deposit and YBS have sent me a Chip & Pin card should I need to make an urgent withdrawal from any cash machine, plus I can also log onto the YBS website to manage my savings and see my balance growing!

In the current Covid climate when there is so much uncertainty, this is one thing I haven't got to worry about. I know I'm saving regularly and my money is safe, secure and earning me interest. And it was so easy to set up. Well done Salary Finance!"

Stephen Short, BT employee

Employee COVID-19 stories
Access to affordable lending



I decided to apply for a Salary Finance loan as I had been put on furlough since March and then went on maternity leave meaning I had relied on credit cards and previous loans.

Salary Finance allowed me to consolidate my debt and pay little in interest and it comes out of my pay slip so I don't even see it coming out of the bank. I am saving around £250 from consolidating my debts thanks to Salary Finance!

If Salary Finance wasn't available to me, I would have gone with another lender but not been happy about it, due to the pandemic it seems other lenders have upped the interest which isn't fair for people struggling.

This has impacted me positively as my monthly spending has gone down due to the low interest rates, and I am now in a financially better place than what I was before and it has made me feel more positively about my finances.

It was such an easy process to do and the money went into the bank so quickly, it's great to work somewhere that offers this as it makes you feel they understand the impact this pandemic can have on us."

Holly Hall, WH Smith employee

My wife was making dinner when our cooker decided to go up in flames, luckily she managed to switch it off before it did too much damage.

A Salary Finance loan helped to replace the cooker and redecorate the kitchen.

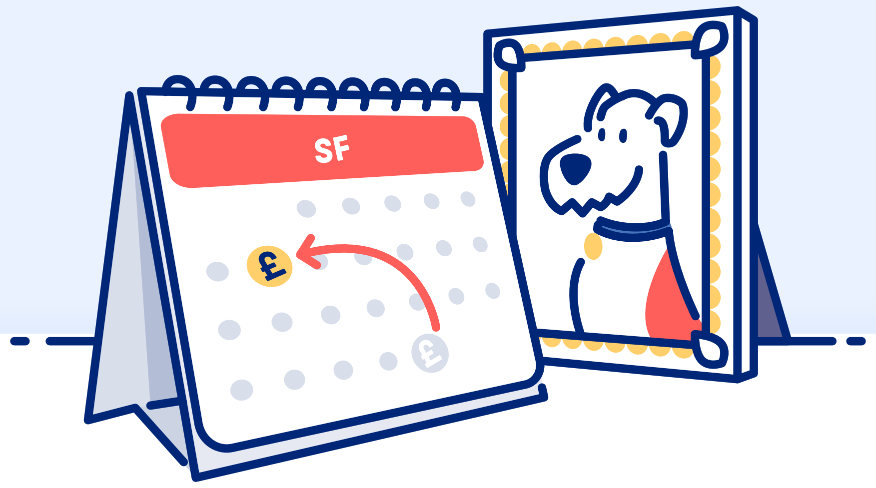
My wife had been on furlough for some time so money was very short for us and my wage was covering the shortfall. We had already contacted our finance company, energy suppliers and landlord to lower our bills. So we could not afford to replace such an expensive item. We were devastated.

We ended up using our 2 burner camping cooker to prepare meals. I saw the Salary Finance advert on the blink app and applied. We didn't think I would get it with my credit history, but we got a loan and the money went into my account within an hour of applying .

It was such a relief to be able to go out and replace the cooker the next day and get the paint to repair the slight damage to the wall and ceiling. Salary Finance helped us in our hour of need and helped to relieve the stress financially in these difficult times ."

Christopher Cliff, Stagecoach Group employee

Employee COVID-19 stories
Advance on salary



I chose to take advantage of Salary Finance because it allowed me to have a safety buffer when I wasn't earning as much during the month before.

During covid I have had bills that I was struggling to pay. Having the ability to have some money from next month allowed me to not stress about my bills.

Having it come straight out of my payslip meant I wasn't worrying about not paying enough or interest like with a credit card-it was fast and easy and stress free. Having less financial stress had a positive impact on my mental health during lockdown where money is tight.

Having an app on my phone that I could access anytime allowed me to freely access Salary Finance on the go and when I needed it."

Jake Wightman, Dunelm Group employee

This has been a life saver in the current climate. My partner was furloughed and subsequently made redundant so being able to take small affordable advances from my salary has meant no expensive borrowing of cards or loans.

It also means repaying couldn't be easier as it's deducted at source from my wages. This is a convenient, easy way to get money instantly into your bank, and it runs 24/7 even on a weekend. There's also an app which you can download making the whole process simple, easy and very quick.

Losing a large part of an income by a partner losing their job is a frightening proposition to be in - you worry how you'll put food on the table. Being able to access my wages at any time during the month, allows me to spread my money and buy the essentials. The ability to take out my wages prevents expensive options, with loans and overdrafts. This has literally saved me using those alternatives.

As things settle down and people return to work I'll rely on this less, but for the time being this has been a lifesaver and it's something I'd recommend to anyone who is thinking of taking out a small loan or credit card to get them through the month. All in all I would rate this 5/5 very handy little benefit for those situations where money is needed at the click of a button."

Peter Feeney, Legal & General employee

References

Salary Finance
The employers guide to financial wellbeing prospect salaryfinance.pdf Sep 2020

Bank of England
How has Covid-19 affected the finances of UK households? Aug 2020

ONS
Personal and economic well-being in Great Britain - Office for National Statistics May 2021

UK Finance
Lenders grant 1.9 million payment deferrals to mortgage holders in three months June 2020

HR News
UK on the move: Pandemic prompts a third of millennials to move house in quest for better quality of life June 2021

Resolution Foundation
Private renters fifty per cent more likely to have fallen behind with housing costs than mortgagors May 2020

The Guardian
Coronavirus: Renters struggle most with pandemic costs, report says - BBC News May 2020

Citizens Advice
2.5 million people are behind on their broadband bills June2021

Citizens Advice
Covid drives over half a million people into the red on energy bills Dec 2020

AA Financial Services
Has lockdown lifted your savings? (unbiased.co.uk) Dec 2020

Aviva
Thriving in the Age of Ambiguity June 2021

Gingerbread and the Institute for Employment Studies
Caring Without Sharing: single parents' journeys through the COVID-19 pandemic May 2021

Willis Towers Watson
The Future of Financial Wellbeing Survey 2021 May 2021