

The Employer's Guide to

# Financial Wellbeing 2020-21

Become an expert in workplace financial wellbeing

*Salary Finance*



# Welcome to The Employer's Guide to Financial Wellbeing 2020-21

## Dear reader,

Thank you for taking the time to have a look through this year's iteration of The Employer's Guide to Financial Wellbeing.

We hope you can take tips to inform your wellbeing strategy and better serve your employees.

Now in its third year, it has become the go-to handbook for employers who want to get to grips with why so many people across the UK are suffering from low financial wellbeing.

This year, we have highlighted the impact that COVID-19 is having on employees' wellbeing and also given some key insights and practical tips to

create a successful financial wellbeing programme whilst we continue to live and work in uncertain times.

We passionately believe in the vital role financial wellbeing can play in enabling people to live happier, healthier and more productive lives.

This isn't wishful thinking.

We have spent years (powered by limitless cups of coffee!) researching and reflecting upon financial wellbeing in the UK today.

In 2018 we came up with the concept of the Financial Fitness Score, based on a set of behavioural questions related to spending, saving and borrowing habits.

From these questions, we derived five Financial Fitness Scores ranging from 1 (a "Struggler") to 5 (a "Prosperer").

In this guide, we will be examining the differences between these five groups, and in particular how COVID-19 has impacted them.

Our hope is that after reading about financial wellbeing in the UK in 2020, you will feel invigorated to be part of the change that is needed across organisations over the coming years.

We wish you and your people all the best for the coming year.

Zarina Sahni  
Head of Insight

## Our impact so far

1 in 10 of the UK working population



550

Clients



3.5m

Employees  
have access



16%

FTSE 100


## Get in touch with us

We have a dedicated team of financial fitness experts that are around to answer any of your questions about building a financial wellbeing programme.

[salaryfinance.com/uk/contact-us/](https://salaryfinance.com/uk/contact-us/)


# How can we measure financial health?

## Spend or save first?



### Copers

Copers have a ‘spend first, save what’s left over’ attitude. Usually this isn’t very much.



### Planners

Planners are naturally inclined to save first and spend what’s left over. They have built up a nest egg.

A Financial Fitness Score can be given to any employee to determine how financially healthy they are.

The score is based on responses to a set of questions about behaviours and habits in relation to spending, saving and borrowing.

From these questions, we derive a Financial Fitness Score from 1 to 5 for any individual. The higher someone’s Financial Fitness Score, the greater their financial wellbeing.

We know that the majority of employees fall into either having low levels of financial fitness (Copers) or having a higher level of financial fitness (Planners).

Someone’s level of financial wellbeing is highly determined by their attitude, habits and behaviours. The majority of employees either have a spend first or a save first attitude towards money.

It’s our goal to revolutionise employees financial lives, by helping them transition through the fitness score levels until they are financially resilient, healthier and happier.

## The five levels of financial fitness



### Strugglers

Often run out of money before payday.



### Copers

Have virtually no savings and don’t have enough to spend on things without feeling guilty.



### Builders

Have some savings but less than three months, so don’t have sufficient resilience to deal with life’s unexpected expenses (e.g. a new boiler, vet bill, car breakdown).



### Planners

Have more than three months of savings to cope with an unexpected expense and a plan in place to achieve long-term financial goals.



### Prosperers

Finances are not a constraint to living the life they want.

# Financial wellbeing in the UK in 2020

Financial wellbeing continues to be poor in the UK in 2020, with **26% of employees worrying about money on an ongoing basis**

The number of employees suffering from poor financial wellbeing is almost the same as the amount suffering from general stress ( 27%).

Clearly there are many factors that influence our wellbeing, but it's evident that someone's financial wellbeing cannot be disassociated from their overall wellbeing.

Even though many employers are starting to embrace the concept of financial wellbeing and some have started the process of implementing financial wellbeing programmes, it's clear that without focusing on a truly holistic wellbeing approach, many employers are losing out on the hard work they have achieved in other areas of wellbeing.

# The impact of COVID-19 on employee wellbeing

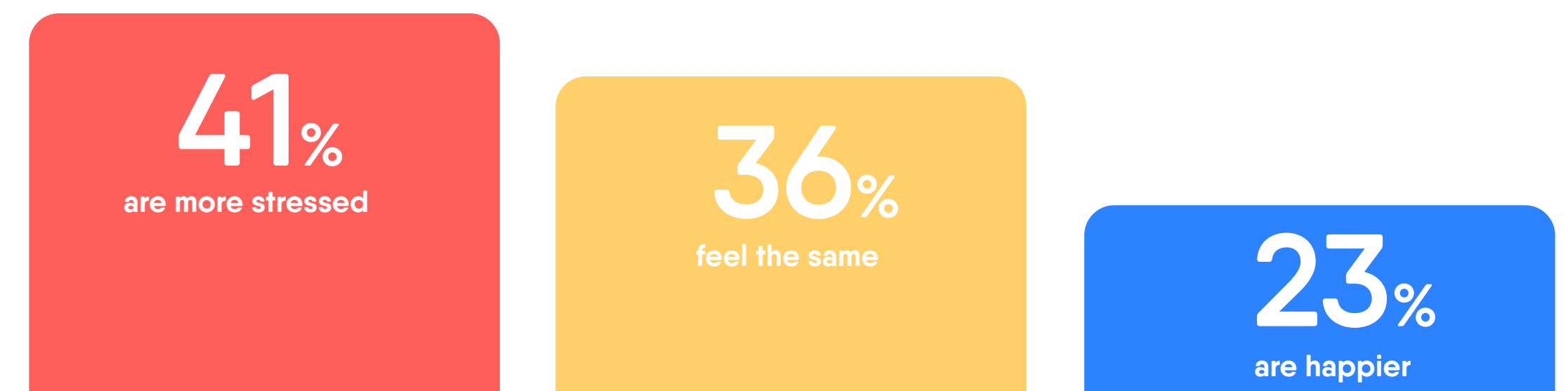
41% of employees say they've been more stressed since the 1st of April, which is shortly after the lockdown caused by COVID-19, while 36% say they feel exactly the same as they did before the pandemic.

However, 44% of employees say that COVID-19 has had a negative impact on their money situation in either the short or long term.

However, **Strugglers are 1.8x more likely to have increased levels of stress than Prosperers.**

The impact is greater on those with lower financial fitness scores, as they have less resilience to deal with sudden changes.

It's important for employers to consider all the factors that could influence someone to suffer from increased anxiety during a time of crisis and factor them into a wellbeing programme.

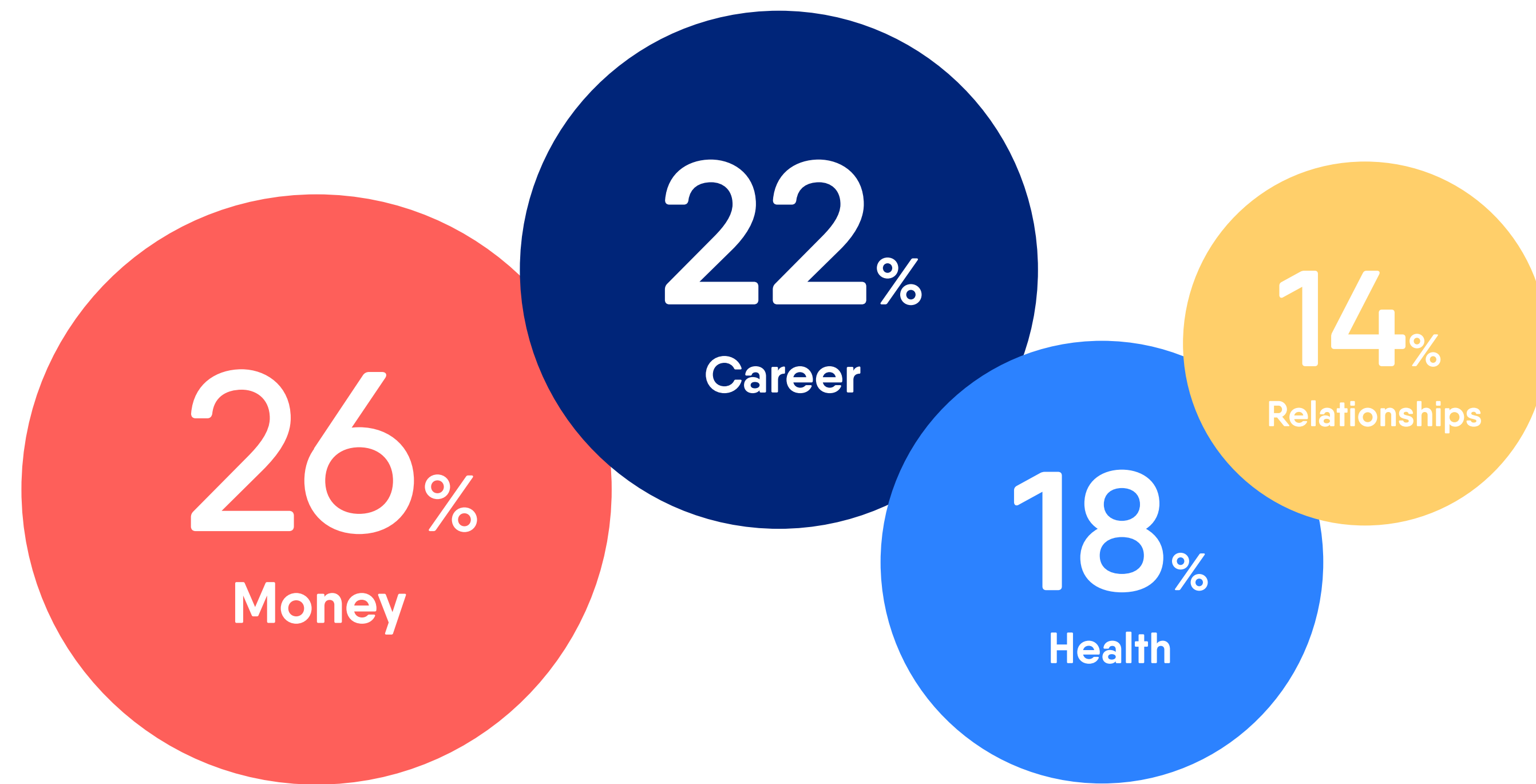




# How do money worries compare to other life worries?

**26% of UK employees** are worrying about money on an ongoing basis. This far outweighs worries about **career (22%)**, **health (18%)** and **relationships (14%)**.

Even during a global health pandemic, money continues to be the largest source of stress in the majority of employees' lives.



# Money worries and income: the surprising relationship

It's easy to assume that someone's level of financial wellbeing would be directly related to their income and job title. Higher incomes and more senior job roles should equate to higher levels of financial wellbeing.

It is true that the lowest earners do have high levels of financial worries. As income goes up, money worries do go down. The income group with the lowest level of financial worries are those that earn between £50-70,000 per annum. But even in this group, almost a quarter still have money worries.

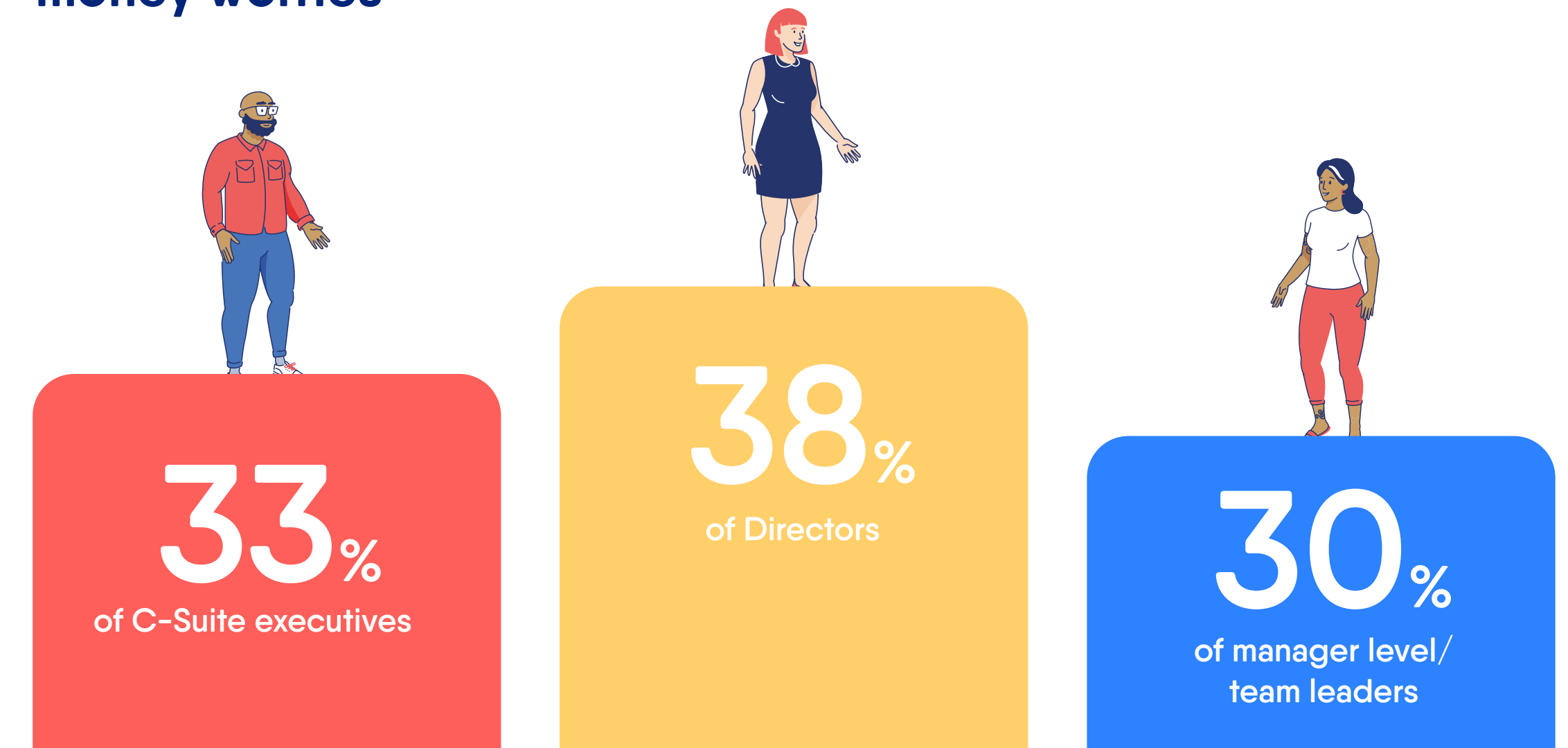
Surprisingly, those that earn between £10-30k per annum have almost the same level of financial worries as those earning over £90k per annum (27% vs 24%).

Shockingly, 33% of C-suite executives and 30% of managers are either a Struggler or a Coper, which means that they run out of money before payday at least once a year!

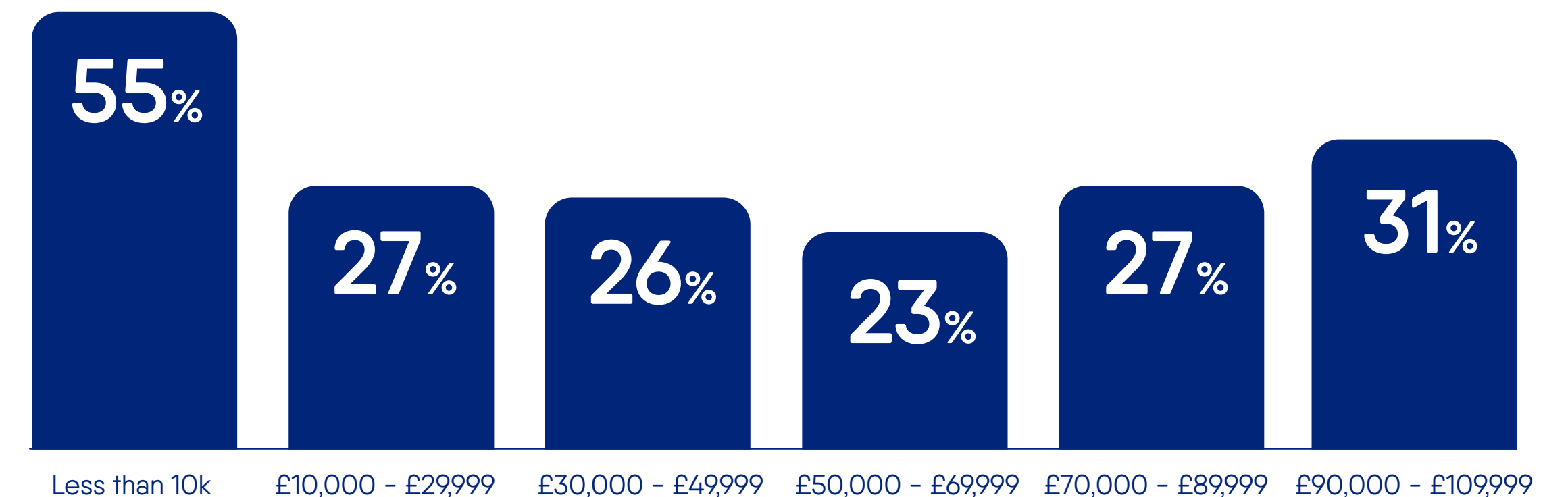
As income and seniority increase, so too does access to generous credit and borrowing options, as well as increased pressure on lifestyle requirements.

So for many who have naturally low levels of financial wellbeing, a high income and a senior job title do not help if they are spending beyond their means.

## Senior job roles have money worries



## High income doesn't mean less money worries



# Mental & financial wellbeing: the growing link

Our research has once again confirmed the strong link between mental and financial health.

Organisations have achieved so much over the last few years with regard to mental health in the workplace.

However, it's become evident that many of the worries and stresses that were traditionally considered to be a mental health problem, actually have their origins in financial health.

Many employers are now starting to prioritize their employees financial health.

Rather than viewing financial wellbeing as a whole new strategy, consider how it can complement your existing wellbeing programme.

The decoupling of a mental and financial wellbeing strategy will not serve the entirety of the employee base.

A holistic approach will create a richer employee experience and make it much simpler and more cost-effective for you to get going.

## Those with poor financial wellbeing are

5.3x

more likely to be **feeling depressed** and finding it hard to carry on with daily life

3.7x

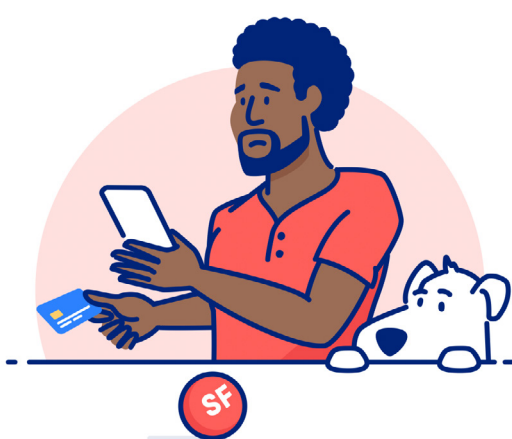
more likely to be **suffering from anxiety** and prone to panic attacks



# The cost of poor financial wellbeing to organisations

Poor financial wellbeing is costing UK organisations.

Over a quarter of UK employees are worrying about money on an ongoing basis. This constant worrying is having a detrimental impact on their working lives.



**26%**

of employees are worried about money



**13.4x**

more likely to have sleepless nights



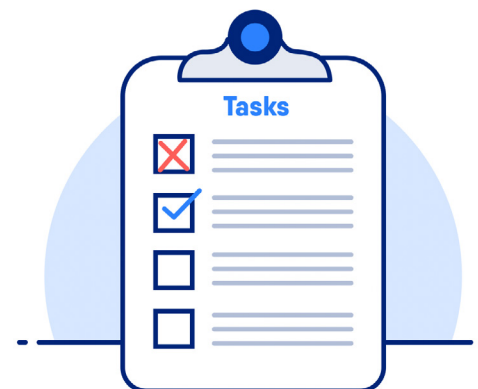
**2.8**

hours a week lost on money worries



**7.5x**

more likely to impact quality of work



**8.7x**

more likely not to be able to finish daily tasks



**6.5x**

more likely to have troubled relationships with colleagues



**3x**

more likely to be looking for a new job

## The consequence

**20-29** productive days lost annually

additional recruitment costs

additional training costs



## The impact

**13-17%** of salary cost



# Who is running out of money and why?

18% of employees are running out of money on an ongoing basis.

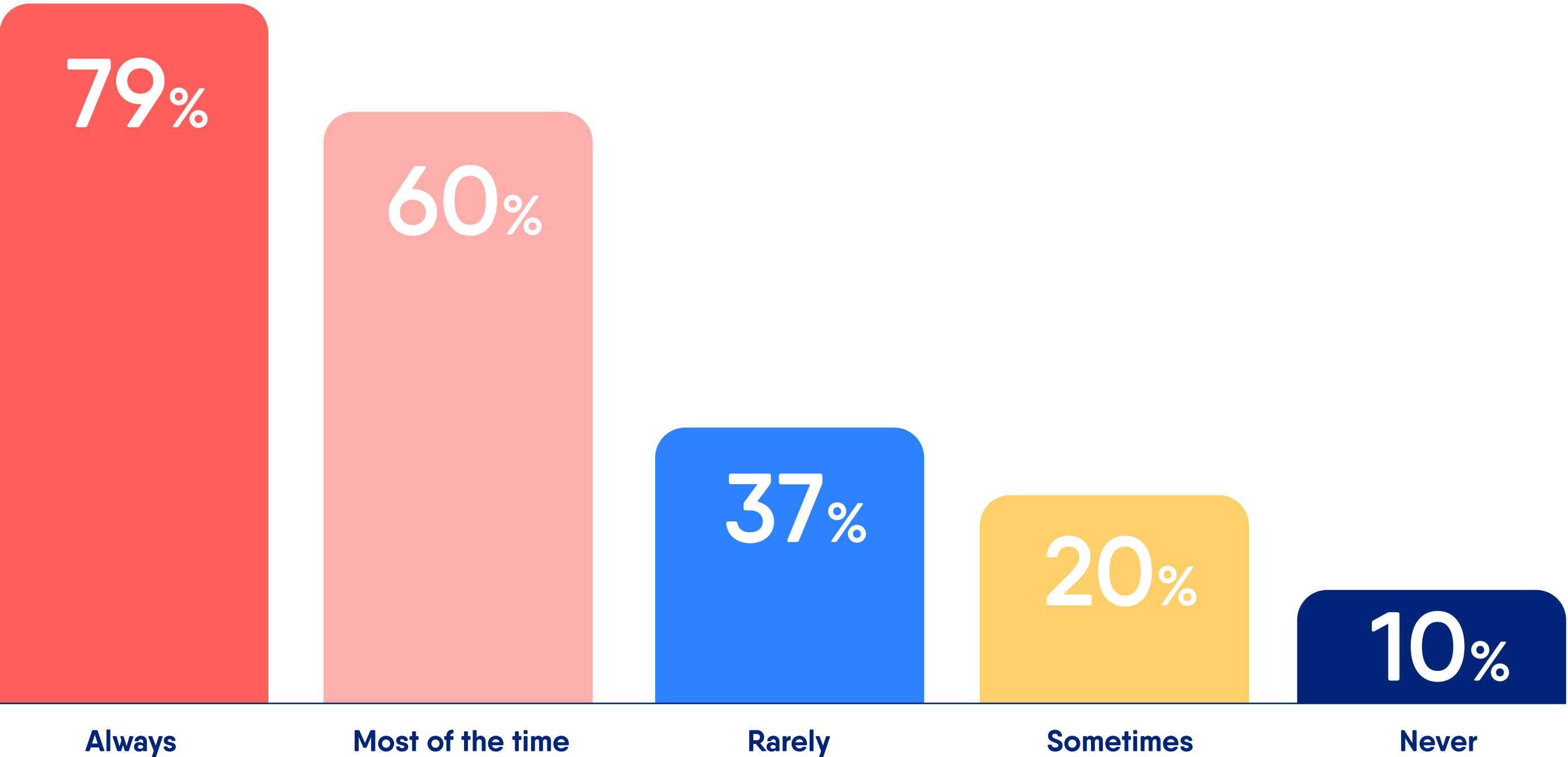
This percentage mirrors the stark figure published by Money and Pensions Service showing that 9 million adults

are regularly borrowing to buy food or pay their bills.

There is a strong correlation between employees who run out of money and the level of worry they have about money.

Essentially, it is knowing you're running out of money that causes stress and anxiety.

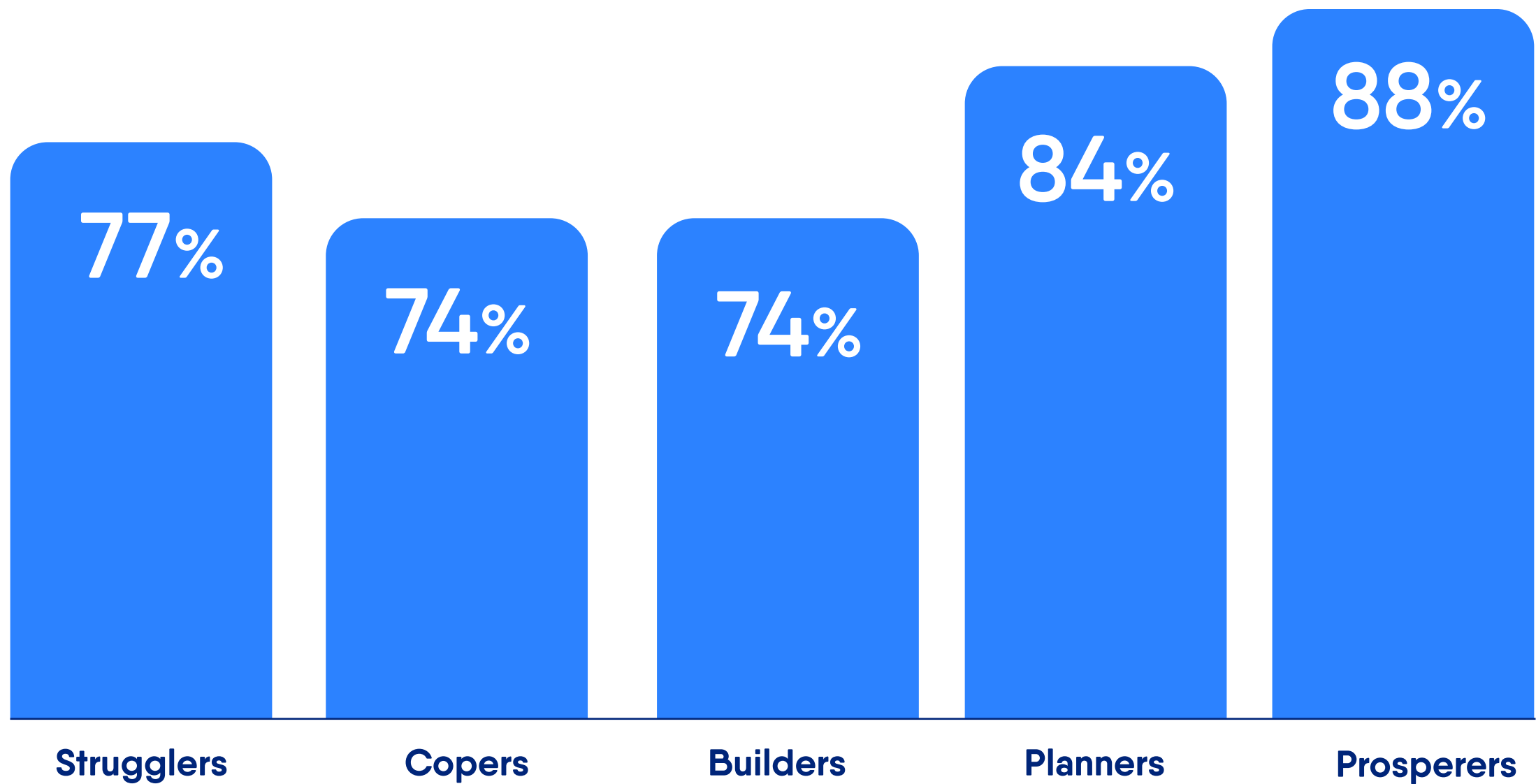
Running out of money and money worries



# Everyone understands the importance of savings

It would be easy to assume that the reason employees with low financial wellbeing aren't saving is because they don't think saving is important. This isn't the case.

The majority of employees actually do understand the importance of savings, regardless of their financial health.

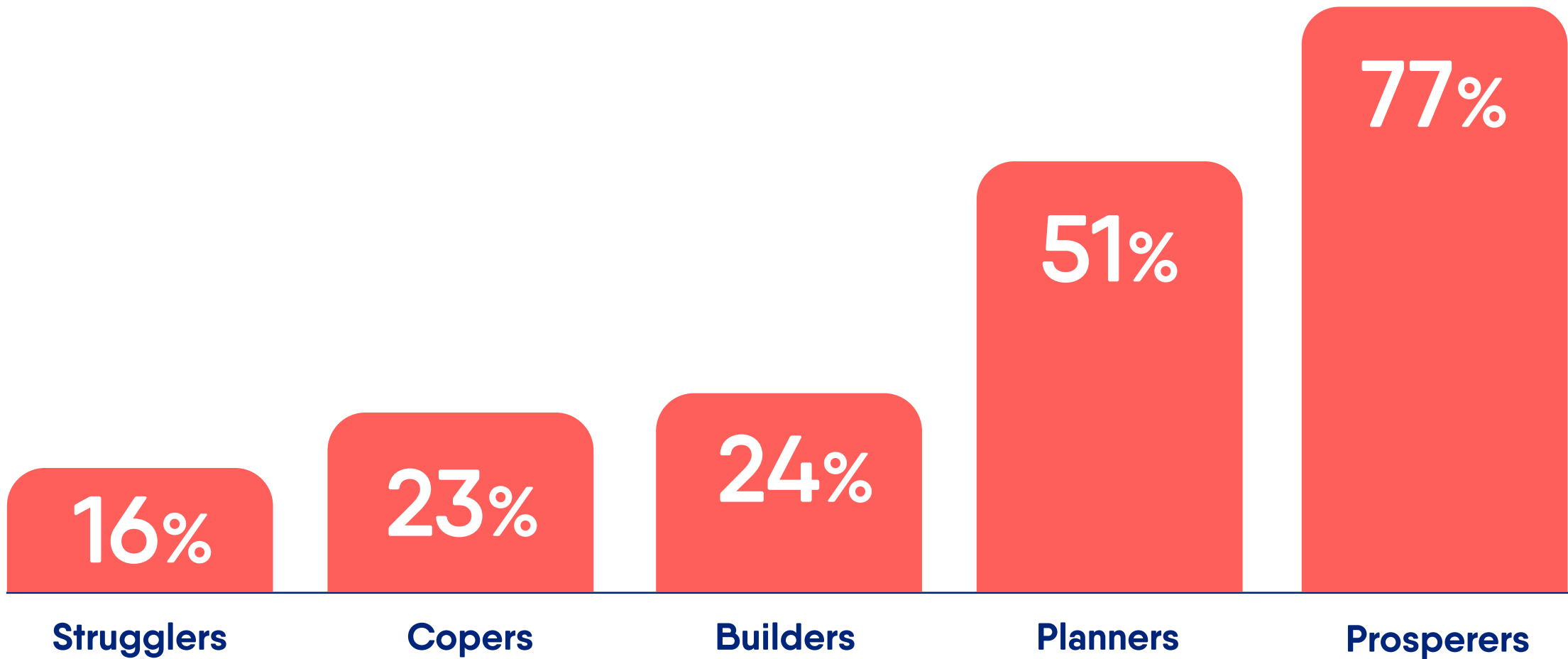


# Not everyone is comfortable with their current levels of savings

However, it's a different story when it comes to how comfortable employees are with their current levels of savings.

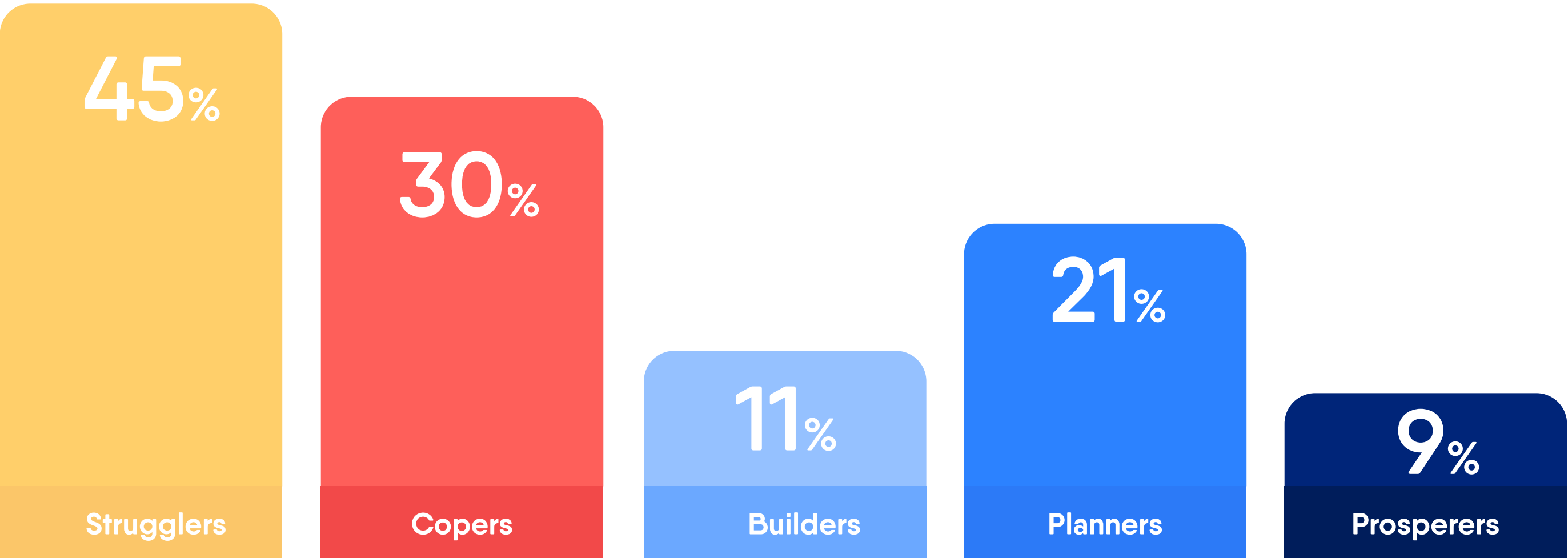
Those with low financial wellbeing want to have more savings.

When it comes to financial wellbeing, it's less about how much knowledge someone has, and much more about their habits and actions.



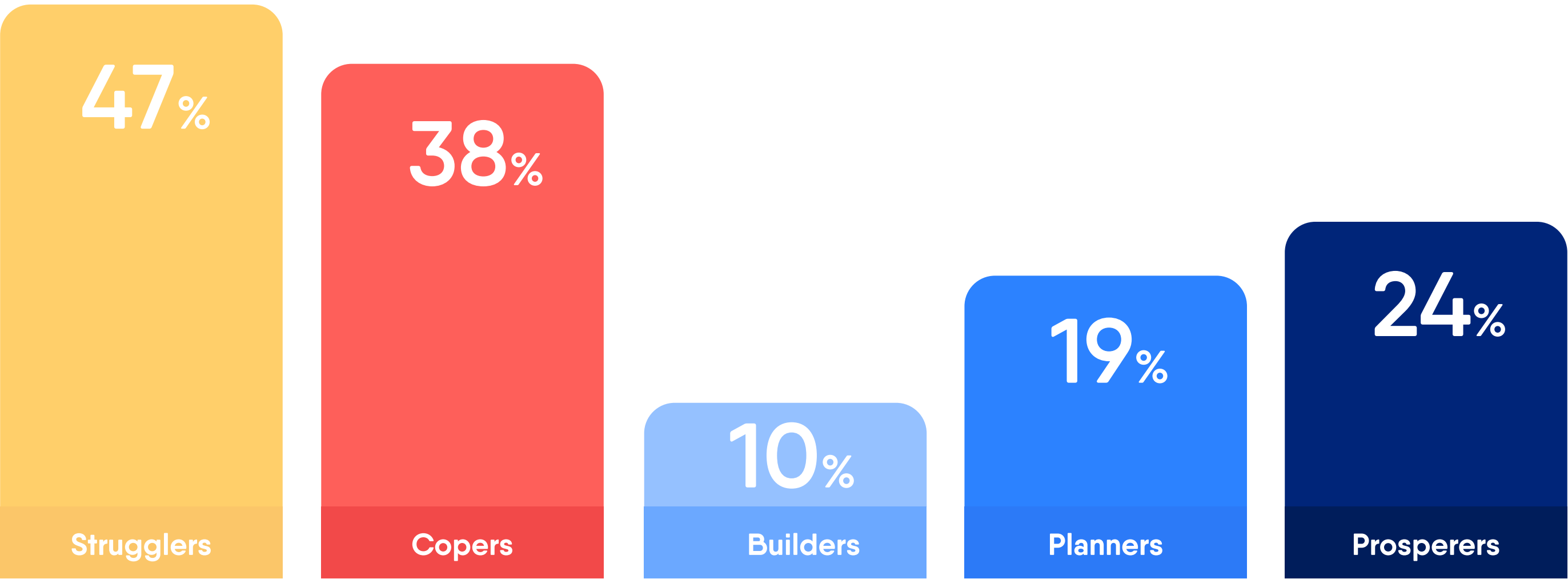
# Borrowing money to support loved ones

On average 24% of employees have really struggled financially and have had to borrow money themselves in order to support loved ones. These figures are much higher for those with low financial wellbeing.



# Stress and providing financial support

28% of employees are worried because they are providing financial assistance to loved ones and 27% feel their relationships have suffered as a result of them having to provide financial support.



# Talking about employee wellbeing at work

When it comes to talking about employee wellbeing at work, it's clear that there needs to be continued effort to help employees feel comfortable talking openly about all areas of their wellbeing.

There has been so much effort put into alleviating the stigma associated with mental health over the last five years, and this shows in the numbers – 44% of employees would feel comfortable talking to their line manager about their mental health.

This is in sharp contrast with 29% who would feel okay talking about their financial wellbeing with their line manager.

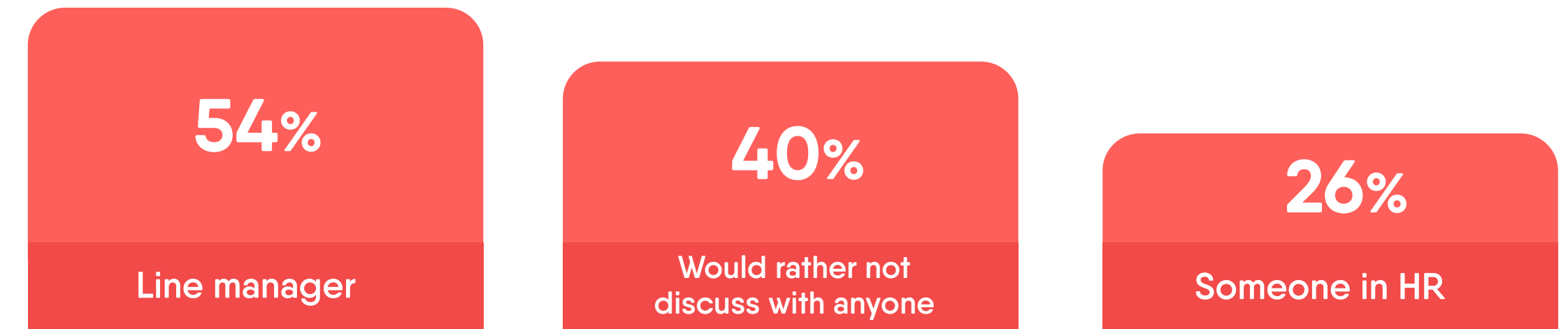
Nonetheless, there is a large amount of employees who still don't feel comfortable talking to anyone about any area of their wellbeing. Employers' focus could now be on creating an integrated approach to employee wellbeing.

Line managers are crucial in this process. If an employee is going to talk, it's most likely to be with a line manager whom they trust.

This emphasizes the responsibility employers have in taking measures to improve the financial wellbeing of their employees.

Employees trust that employers will take care of them, have their best interests at heart and will take care of them versus the predatory solutions available to them on the open market.

## Physical health



## Mental health



## Financial health



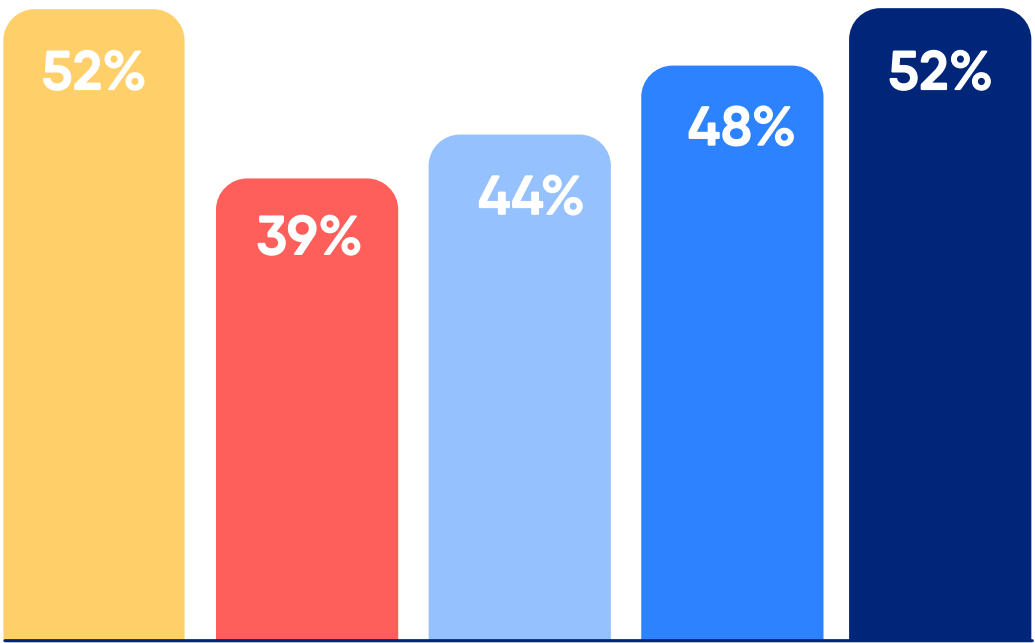


# Money is the last great taboo

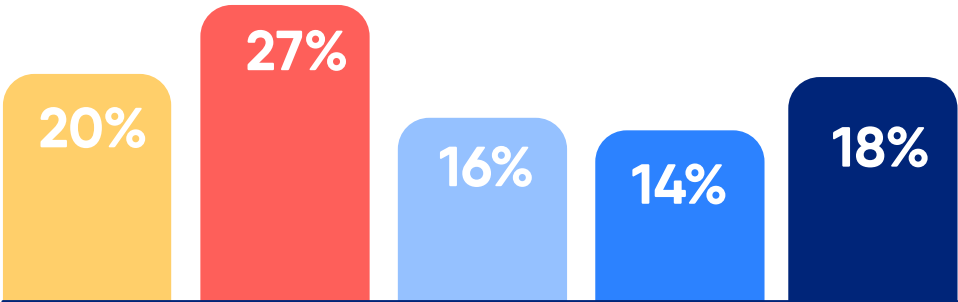
81% of employees don't feel comfortable talking about money regardless of how financially healthy they are, and only 11% of employees feel that if they talked openly, they would get help.

For those with low financial wellbeing there is an added layer of shame and a feeling that their employer doesn't care as much about their wellbeing.

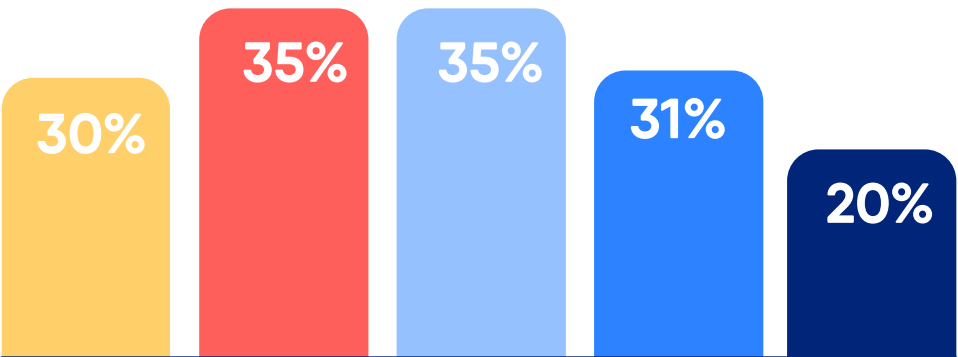
44% of employees feel they would be judged by their employer and 50% believe their employer doesn't care about their wellbeing.



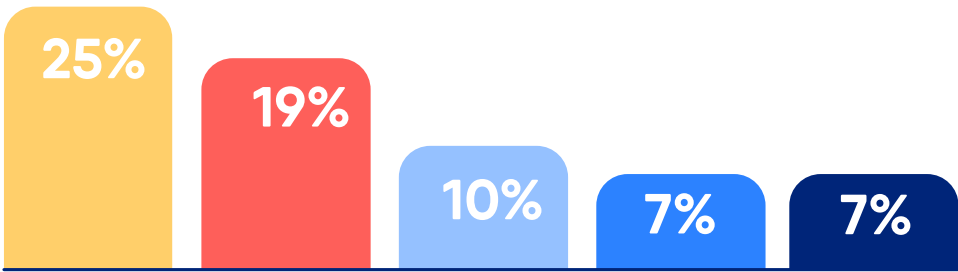
My personal finances are private



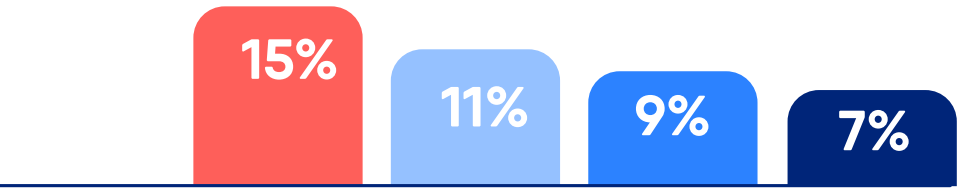
I would feel comfortable talking to my employer about my finances



I don't feel my employer cares about my wellbeing, so no point discussing with them



I feel I would be judged if I talked openly



I feel I could talk but they wouldn't be able to help me



I can talk openly and know I will get help

- Strugglers
- Copers
- Builders
- Planners
- Prosperers

# About Salary Finance

Money is a scary topic for many people. Salary Finance exists to make money simple.

We partner with employers to help their people take control of their money, rather than have it control them.

In doing so we aim to help people across the globe live happier and healthier financial lives.

We provide savings, loans, salary advances, protection insurance and financial education.

Founded in 2015, we combined our passion for social purpose with an incredible knowledge of disruptive fintech. In five years we have grown from three founders with a compelling idea and lots of drive to a team of nearly two hundred, operating in the UK, the US and India.

The problem we're tackling is real. Financial stress has a negative impact on mental health, relationships and performance at work.

For employers, the effects are felt through increased absenteeism and presenteeism, reduced productivity and lower retention.

We feel privileged to have won Business in the Community's 2018 'Responsible Small Business of the Year Award' and will always continue to put social purpose at the heart of our business strategy.

We care deeply about our reputation and will always put your employees first.

Being responsible is not only the right thing to do but it's also a strategic necessity.



Responsible Small  
Business of the Year  
2018

# Our holistic approach to financial wellbeing

## Learn

Learn better money habits

## Borrow

Borrow responsibly

## Save

Save regularly

## Advance

Advance earned pay

## Help to Save

Get rewarded for saving

## Protect

Protect your future



Get organised

Manage debt

build savings  
buffer

Set new goals

Protect your  
money

Grow your  
money

Be ready for  
retirement

Secure your present

Improve your future



# Learn

We help employees take small, simple steps to financial health and happiness.

Our financial education content comes in all shapes and sizes to suit your needs.



**Live webinars & events**



**Netflix-style Money Insights box sets**



**Smart Money Choices guides**



**Tools & calculators**



**Money Minute videos**



**Resources internal & external)**

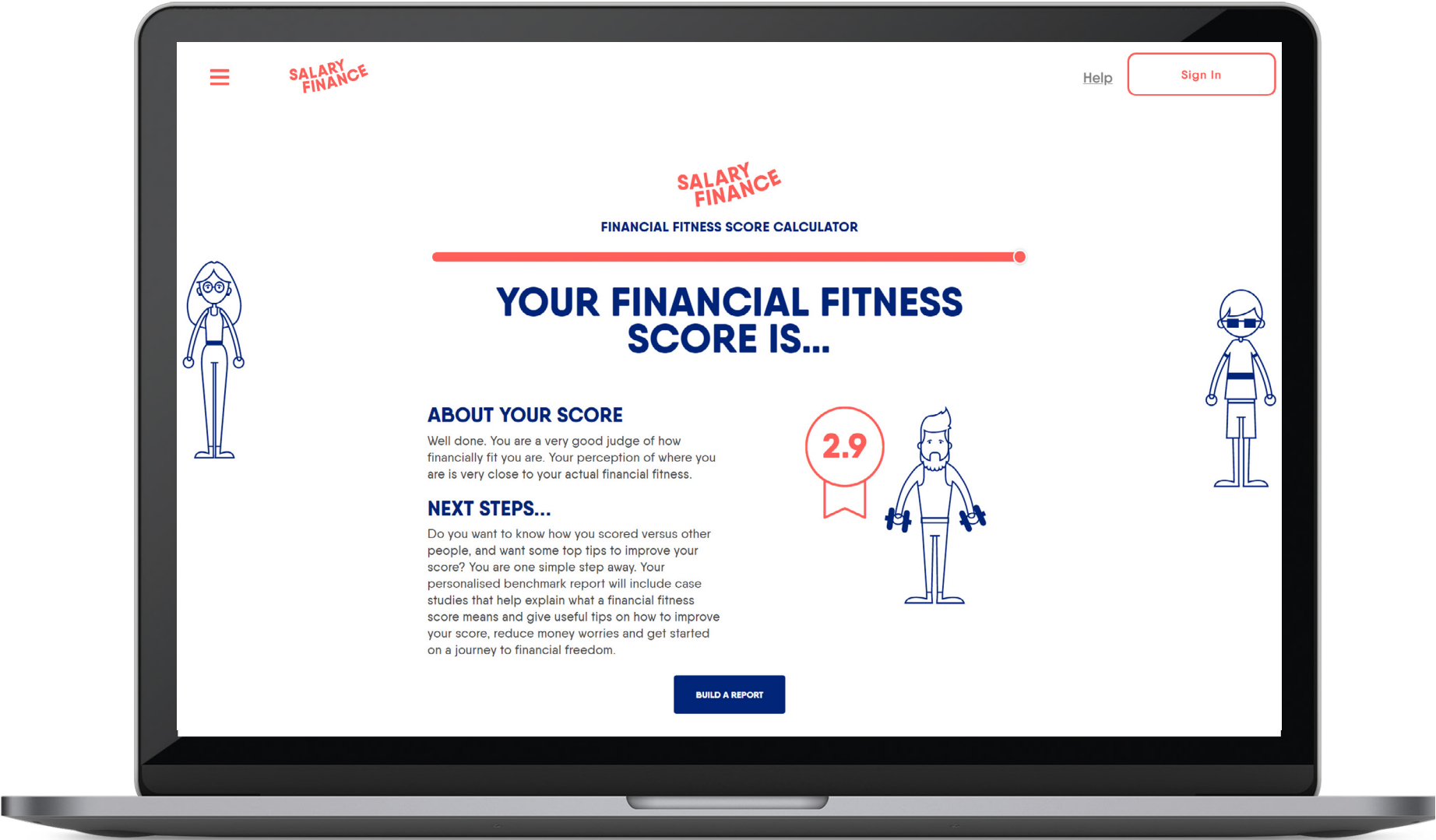
# Measuring financial health

The Financial Fitness Score helps individuals understand their financial situation relative to others and can give an idea of how they could improve it.

The average score of their workforce provides employers with a benchmark, and a measurable KPI for future improvements in employee financial wellbeing.

Employers can also use the score as a tool to measure the financial wellbeing of their people.

Our ultimate goal is to transition every employee up to the next level of financial fitness. After that the next goal is simple.....do it again!





# Save

40% of UK employees have **less than £100** in savings for an emergency.  
15% have **no savings** at all.

Our Save product helps employees create a **regular savings habit** directly from their salary.

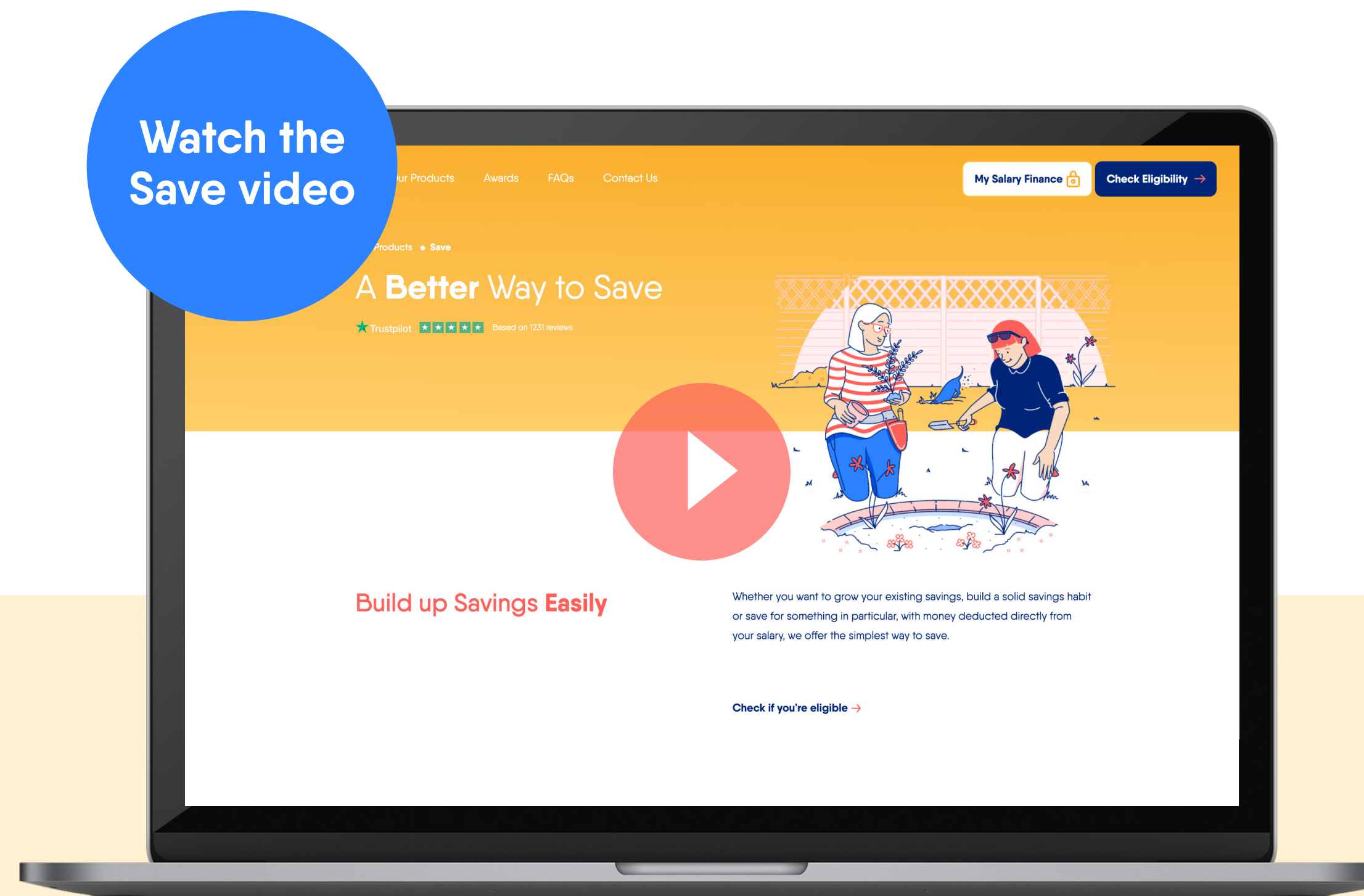
By automating the process from payroll, employees don't forget to save and they build up a financial buffer against the need for expensive sources of finance when unexpected bills or difficult life events arise.

The first salary-linked savings product in the UK, we won the Workplace Savings and Benefits award for 'innovation of the year' in 2018.

We help employees save first and spend later. Starting small is better than not starting at all.

**“Salary Finance has practically saved me. I was really stressed out at work and at home. I am in a better place right now.”**

Naz, Customer Service at E.ON



# Additional saving products

## Help to Save



HM Revenue  
& Customs

The Help to Save Government scheme helps employees to start, and continue saving.

It is suitable for anyone on Working Tax Credits, Universal Credit, or Child Tax Credit (20% of the UK workforce.) By saving just £50 a month, employees could earn up to £1,200 in tax-free bonuses from the Government over four years.

That works out at an extra 50p for every £1 saved.

We are HMRC's exclusive partner.

## Sidecar Savings (Jars)



Jars offers an accessible emergency savings account linked to a pension account.

The employee sets the savings target, which is additional to pension contributions.

It is designed to build financial resilience for everything from immediate expenses to retirement.

We are NEST's exclusive partner.

**“I no longer have the worry of thinking that one day I might have to use a payday loan.”**

Matthew, legal advisor at Agilisys



**“Salary Finance has been an outstanding partner, whose expertise and capability have contributed to the successful launch of the Jars tool to our participating employers.”**

Nest Insight





# Borrow

2 out of 3 UK employees are **refused loans from banks**. They have no choice but to turn to high-interest options like credit cards and payday loans.

Our Borrow product helps employees **pay off or avoid high-interest debts**—and ultimately improve their credit score.

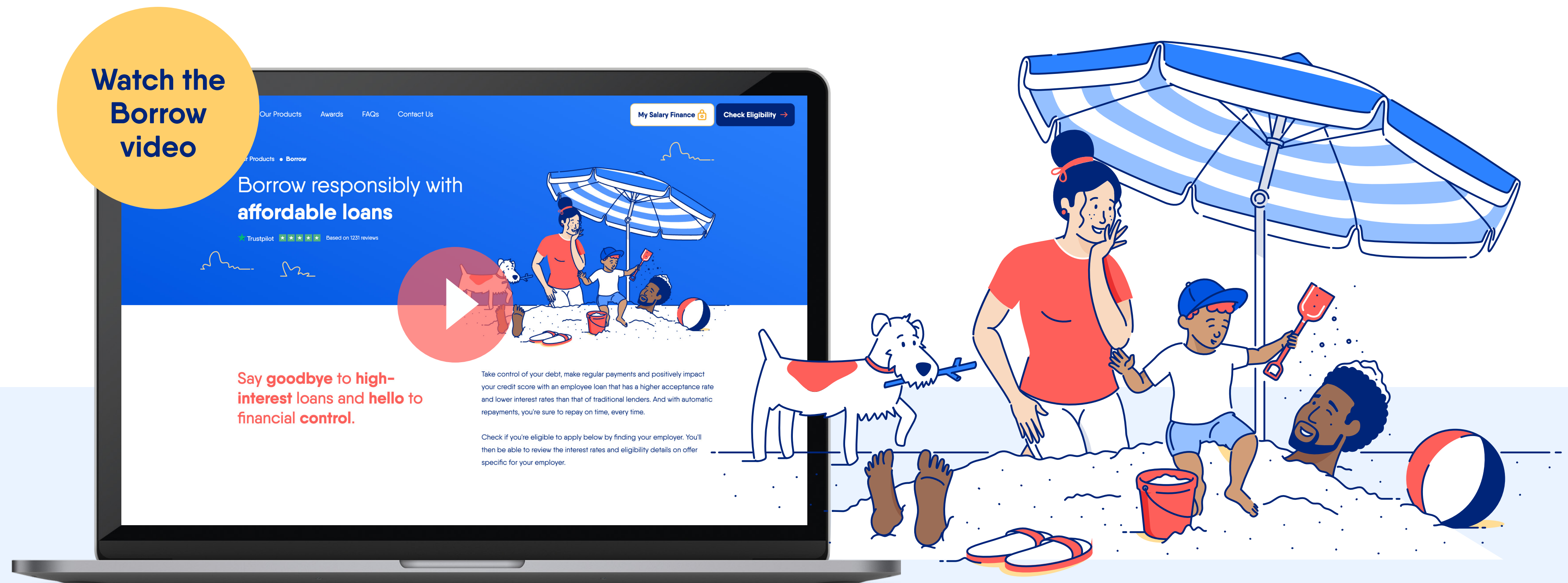
With the highest acceptance rates and the lowest APRs, we help stop people ‘getting by’ and start them living their life and planning their future.

With automatic repayments, your employees are able to repay on time, every time. They can say goodbye to high-interest loans and hello to financial control.

**“Salary Finance got me out of a tough financial situation that I would still be in today if our Trust hadn’t offered it.”**

Cheryl, Receptionist  
at Christie NHS Foundation Trust

Watch the  
Borrow  
video



# Advance

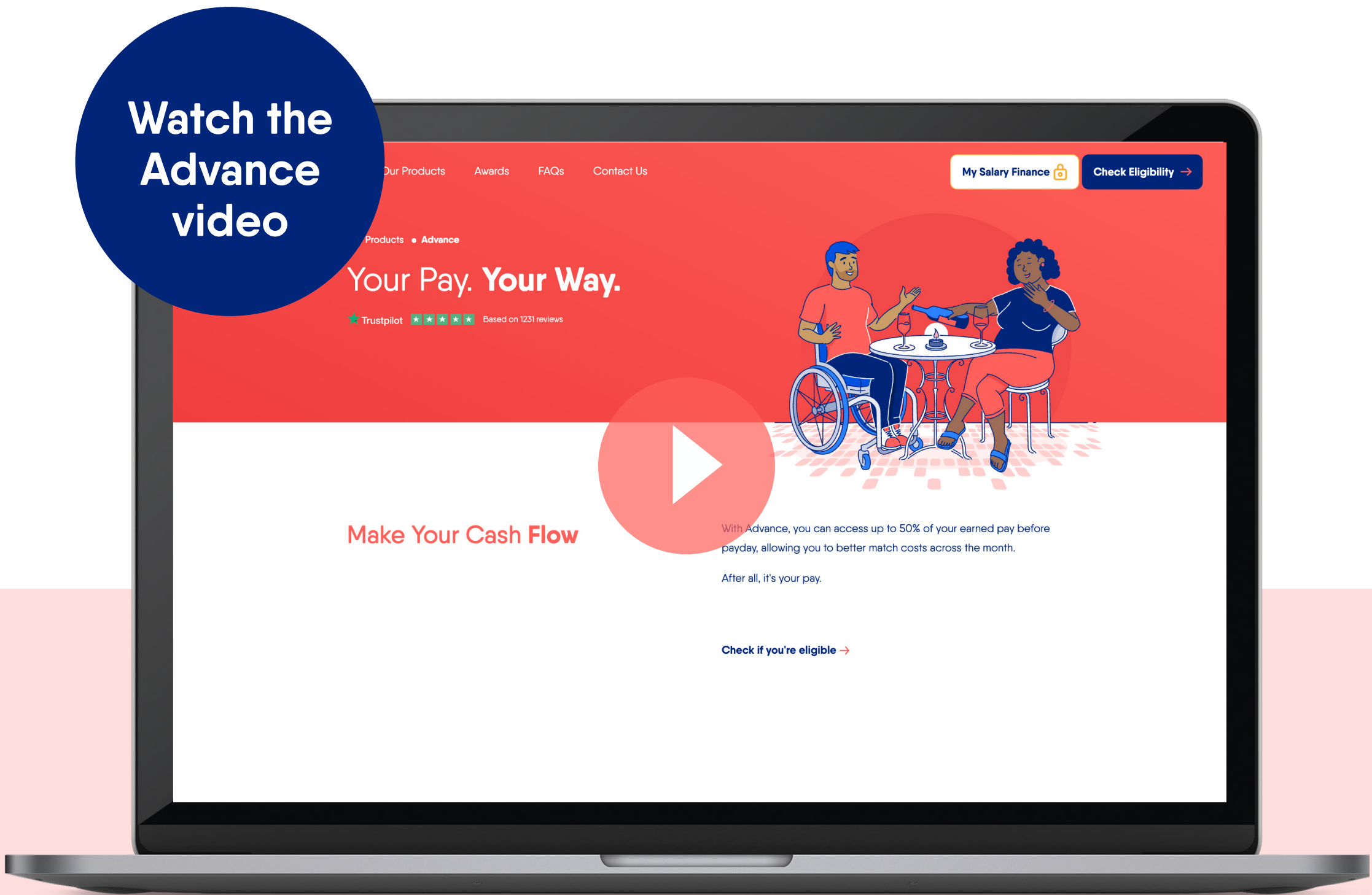
1 in 3 employees **run out of money before payday**. 89% of them regularly have financial worries.

Their number one priority is understanding what to do if they are struggling with borrowing or paying bills.

Our Advance product enables employees to have access to their pay when they need it without administrative burden and expense.

“Thanks to Advance, I now have money throughout the month, which really helps helps because I don’t struggle anymore.”

Kevin, Warehouse Worker, Dunelm





# Case studies

**Sarah Crowe,**  
Diabetic Retinal  
SeniorGrader, NHS

Sarah was living hand-to-mouth and couldn't plan for anything. She says she would dread Christmas and birthdays, knowing she would never be able to afford presents for family and friends.

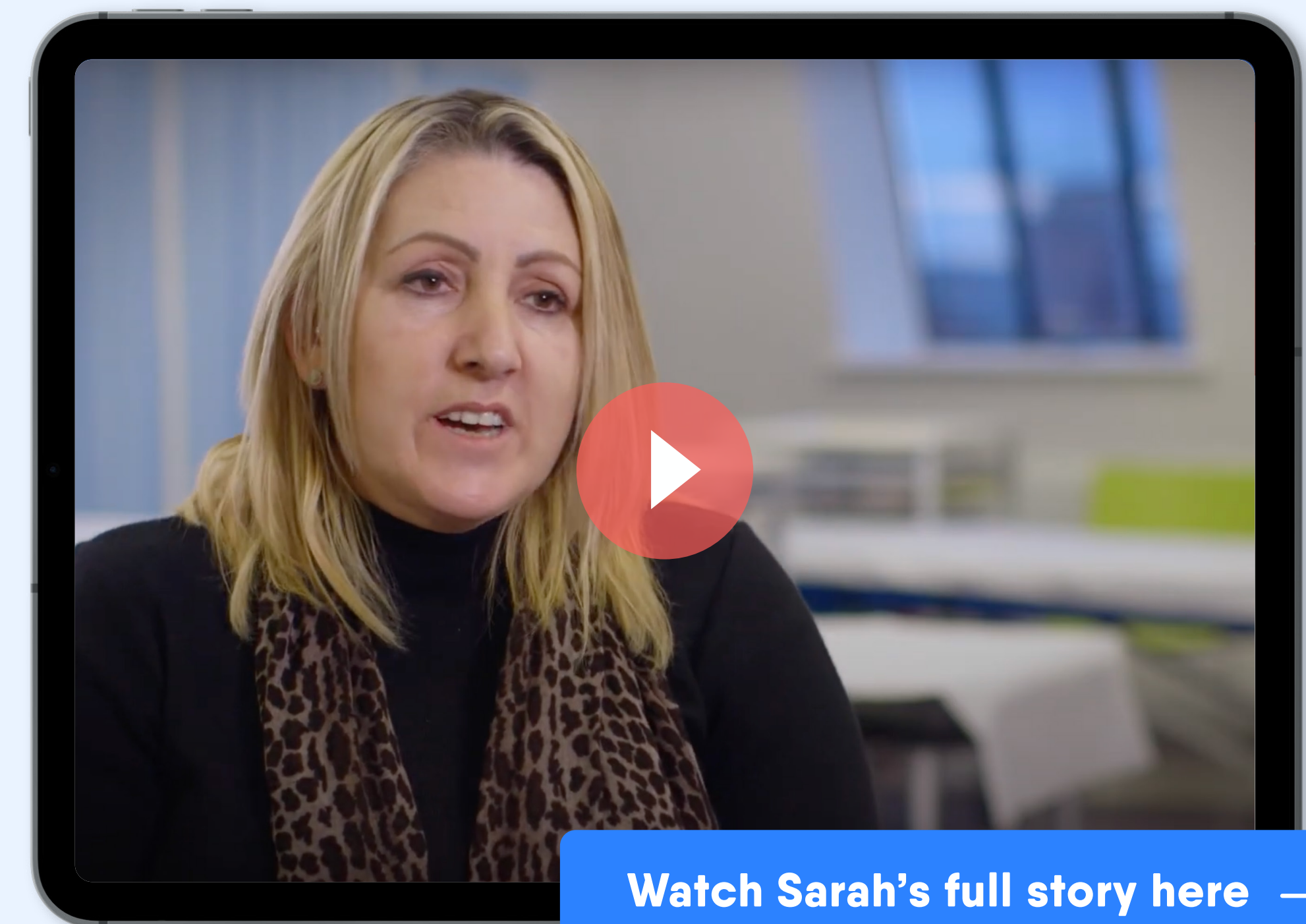
She realised that the interest she was paying on credit cards was so high that her credit card balance hadn't reduced despite paying for a year.

Sarah worked out that she was paying £486 a month for all her loans and credit card bills but was able to more than half her amount she was by paying by consolidating her debt with Salary Finance.

Previously she was concerned about getting to retirement and not have any savings, but now she has started contributing to her pension. She says she has gained a lot more than £200 a month – she now feels more positive about money.

**“Now that I’ve paid everything off,  
I’m paying into my pension.”**

Sarah Crowe,  
Diabetic Retinal SeniorGrader, NHS



# Case studies

## Swabra Abdulrehman

Safeguarding &  
Learning Assistant  
Hackney Council

Swabra had taken out an overdraft as a student and had never paid it off.

She says she would say to herself, “I need to start paying this off....but then every month something would come up that was more of a priority.”

She started feeling very stressed knowing that she had this debt looming over her and she felt she was in a helpless situation.

Salary Finance allowed her to start paying off her loan every month and she is now saving regularly.

“I’ve got regular savings and I’m better able to manage my money”

Swabra Abdulrehman  
Safeguarding & Learning Assistant,  
Hackney Council





# Case studies

**Marcio Lima,**  
Membership consultant,  
Virgin active

Marcio's life changed a lot when he had a baby.

He had never had a saving mentality, but he changed his perspective after having a baby.

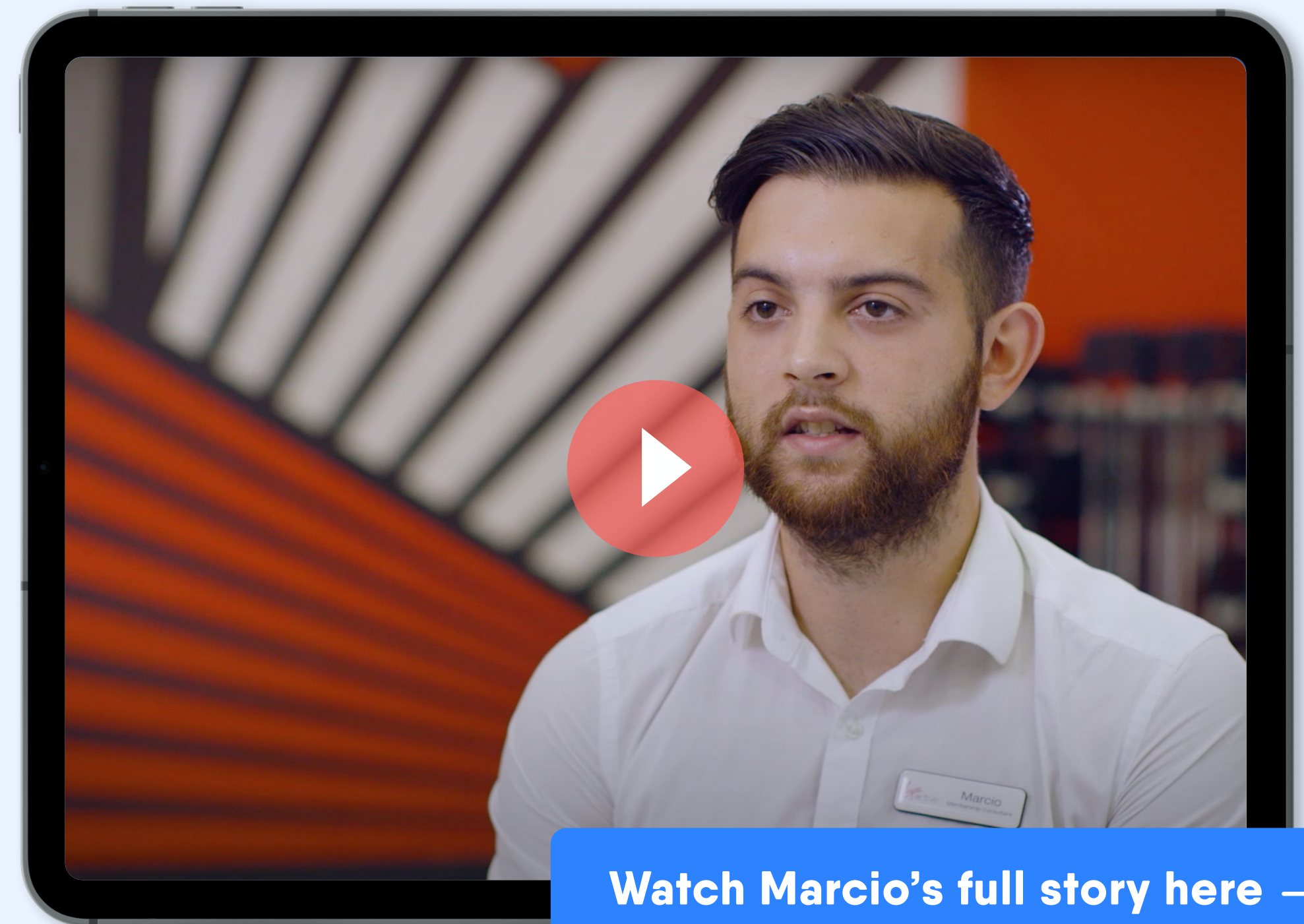
He now has both the Borrow and Save products and because the

money comes out of his account automatically, he finds it much easier to manage.

He says that Salary Finance has been a "huge help and a stepping-stone for me to become more financially fit."

**"I wouldn't be able to save money without having Salary Finance in place."**

Marcio Lima,  
Membership consultant, Virgin active



**Watch Marcio's full story here →**

# Case studies

**Lerisse Johnstone,**  
Associate Vendor  
Partner, HAYS

Lerisse was never able to save. When she put away money something would always crop-up like a new washing machine or car repairs.

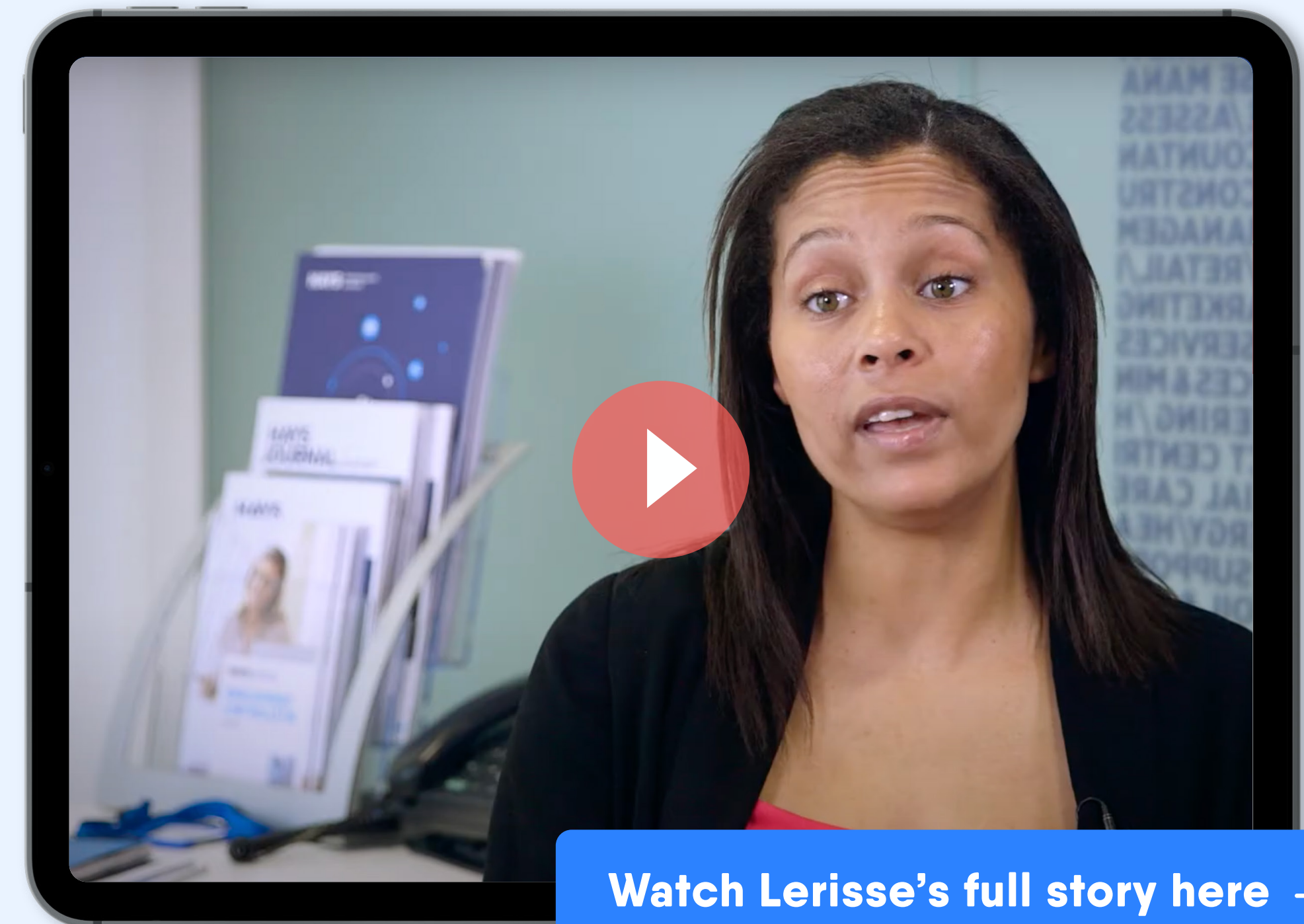
She is a single mother and had never been able to take her teenage daughter on holiday.

After taking out a Salary Finance loan she was able to afford to take her daughter on their first holiday together.

She said the loan has made her proud of what she can achieve. Today she is not worried about what is going to wrong - "it's completely changed my outlook."

**"It's made me really proud of what I can do."**

Lerisse Johnstone,  
Associate Vendor Partner, HAYS



**Watch Lerisse's full story here →**



# Join Salary Finance's Client Community

The Salary Finance Client Community is an open forum for HR & Benefits leaders from our partner organisations to share ideas, first-hand experiences and best practices relevant to improving the financial wellbeing of employees.



## As a member of the Community, you will...

1

Join the UK's leading community of HR & Benefits leaders from leading organisations, which have chosen to prioritise the financial wellbeing of their people.

2

Have access to a one-of-kind online portal where you can network and exchange insight with like-minded peers from 500+ progressive UK organisations.

3

Receive valuable content on how to effectively communicate the success of your financial wellbeing initiatives to senior leaders and showcase them for your organisation as a whole.

4

Gain access to exclusive events and unique learning and development opportunities, enabling you to become a thought leader on improving employee wellbeing and culture within any organisation.

5

Attend our client consultation events where you will get a sneak peak at future product innovations and content for employees.

# Next steps: practical tips for employers



## 💡 Tip 1

### Understand that habits drive change, not knowledge

Financial wellbeing is no different from other areas of wellbeing. How healthy we are is dependent on our ability to be kind to ourselves in our thoughts and actions. Those who have low financial wellbeing don't enjoy spending more than they earn. They are not happy with the fact that they don't have savings.

Suffering from low financial wellbeing has very little to do with not knowing how to budget and much more to do with not having the resources or support to make positive changes. Education and 'teaching' finances isn't the answer.

## 💡 Tip 2

### Acknowledge the impact that COVID-19 is having on employees' financial wellbeing

For the most financially vulnerable employees, COVID-19 has amplified spending beyond their means and their financial worry and overall wellbeing have worsened.

However, for the majority of employees, even those at the lower end of financial health, COVID-19 has brought some positive changes. The lockdown period prevented people from spending in ways they were used to, and this change in habit has led to an increase in savings.

Ultimately, those who became worse off because of COVID-19 are likely to stay worse off unless action is taken, and those who were able to create positive new habits are at risk of breaking them unless their habits continue to be reinforced.

## 💡 Tip 3

### Don't make assumptions about who has low financial wellbeing

We have unconscious biases but it's vital employers don't make assumptions about who might be suffering from low financial wellbeing. Our research has once again revealed that those on higher incomes with senior job titles are suffering from low financial wellbeing just as much as those on lower salaries.

Our financial health is determined by our individual habits and not by demographics. Financial wellbeing, just like mental health, does not discriminate.

## 💡 Tip 4

### Consider integrating your wellbeing and diversity and inclusion programmes

Although some demographics on their own make little difference to employees' financial wellbeing, if you can coordinate or even integrate your wellbeing and diversity and inclusion efforts, you will be able to tackle some of these issues from all angles.







## 💡 Tip 5

### Recognise that there is a money taboo

Even if you have an open and caring workplace culture, it's highly likely that your employees don't want to talk to you about their money problems.

The majority of us don't like talking about money, let alone people who have low financial wellbeing. Taboos don't change overnight, but you can start to break the money taboo by encouraging senior leaders to share their stories. Practice what you preach.

## 💡 Tip 6

### Invest in getting to know your employees

Your employees are your biggest asset and knowing about their lives both inside and outside of work is important. It's easy to assume that line managers and colleagues know what's going on in each other's lives, but that is often not the case.

Our research has found that many people with low financial wellbeing are looking after loved ones financially and having to borrow money as a result. It's easy to assume you might be 'overstepping' professional boundaries by asking employees questions, but that is not the case. Employees want their employer to take an interest in their personal lives, especially if it is likely to impact their work in some way.



## 💡 Tip 7

### Make caring your priority. Everything else will follow

It's no surprise that employees who feel cared for by their employer are more likely to feel better about their work life. They trust their employer and therefore feel comfortable talking about their wellbeing.

Employees want to feel that their wellbeing and personal development are equally as important as the company's business goals. Any initiatives and campaigns you put together will never be as successful as they could be if employees don't feel this authentic care.

## 💡 Tip 8

### Don't worry about solving every problem

As an employer it's important to recognise that we're all responsible for our own wellbeing. An employer is not going to be able to solve every problem, but they do have a responsibility to work collaboratively with their employees to ensure that their wellbeing is being prioritised.





## 💡 Tip 9

### Prioritise line managers

Employees want to develop close relationships with their line managers. They value receiving internal communications from them and are more likely to open up and talk to them about their wellbeing if they feel cared for. Line managers should be advocates for your financial wellbeing programme and able to talk confidently about what's on offer for employees – ensuring you're investing in your line manager capability is critical.

## 💡 Tip 10

### Focus on inclusive financial wellbeing

Traditionally employers have focussed on long-term financial wellbeing benefits such as pensions, sharesave schemes and workplace ISAs. These should not be discounted, as they play an important role in financial wellbeing programmes.

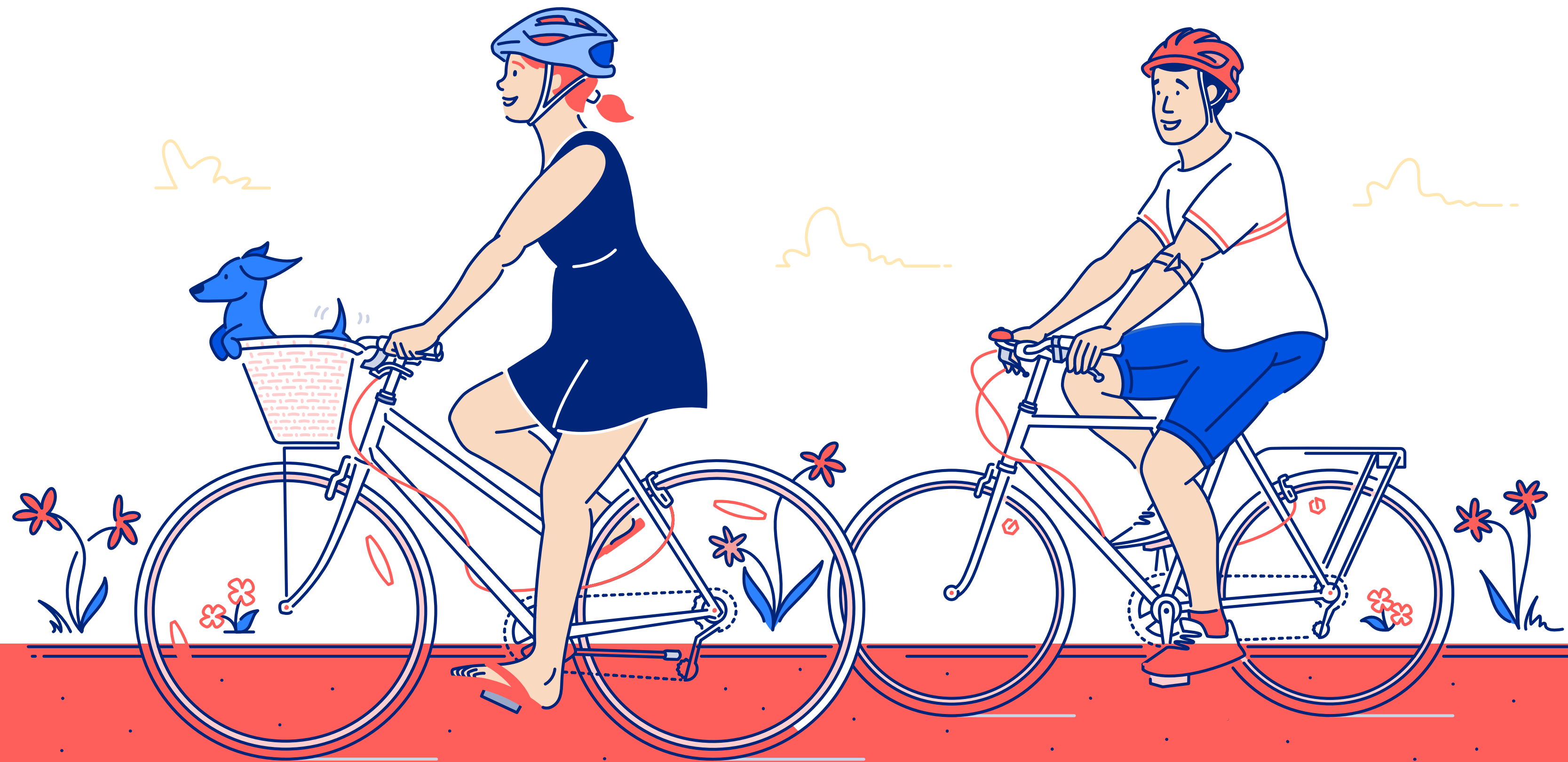
But the numbers don't lie. So many employees are struggling with low financial wellbeing because they have not managed to solve short-term financial problems. Without these immediate problems being fixed, it's impossible for anyone to consider longer-term financial planning.

Employees with low financial wellbeing want help from their employer. An inclusive wellbeing offering should include support to secure the present such as easy access savings or help paying off debt, as well as products and services that help improve employees' financial future.

Those with low financial wellbeing are not a small minority—they are likely to account for 35% of your people irrespective of which industry you are in and how well you may be paying them!

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