



Summary

- Financial stress is growing, with nearly three million people in the UK with severe problem debt and over nine million showing signs of financial distress. All social economic groups can be affected by financial stress.
- Financial stress can result in lack of sleep, weight gain, lack of exercise and lower life satisfaction. In the workplace it can lead to loss of productivity and absenteeism.
- Employers can assist their staff through offering savings and budgetary apps, debt consolidation and financial advice.

Money worries

As increasing numbers of people reveal they are suffering from financial stress, Laura Blows looks at its impact, both upon individuals and their workplace, and what employers can do to reduce the problem

When the Royal Family start talking about their mental health in press interviews – as Prince Harry recently did to promote the Heads Together campaign to remove mental health stigma and to highlight Mental Health Awareness Week (8-14 May 2017) – it is surely a sign that the subject is becoming a more commonplace discussion across all sections of society.

However, one area that may not initially seem a natural bedfellow for mental health issues is that of finance. Yet evidence shows there is a strong relationship between the two.

Financial stress

Debt charity StepChange estimates that there are nearly three million people in the UK in severe problem debt and over nine million showing signs of financial distress.

According to Wealth Wizards, almost 40 per cent of UK workers report their current financial situation as ‘poor’, and 70 per cent feel their physical and emotional wellbeing is negatively impacted when in poor financial health. Its research finds that 36 per cent of workers say their financial situation causes them more stress than their physical health, with 34 per cent expecting this to continue in retirement.

The Institute for Social and Economic Research’s *Financial capability, income and psychological wellbeing* study also finds low financial capability has significant and substantial psychological costs over and above those associated with low income or deprivation. For men, the size of this effect is akin to being unemployed, and for women, it is similar in magnitude to being divorced, it states.

While attention so far leans towards everyday money concerns, there is some evidence of longer-term financial planning, or lack thereof, also causing distress.

Financial Inclusion Commission commissioner Laurie Edmans says there is a “clear body of evidence, spread over more than 10 years”, that there is

a link between financial provision for retirement and physiological wellbeing.

For instance, Scottish Widows recently conducted a study of 54 people, observing their reactions when watching two three-minute films – one projecting a happy retirement and one a negative retirement. The overwhelming majority showed signs of stress while watching the negative video, resulting in 90 per cent saying it inspired them to review their retirement savings and pledging to increase their pension payments by 2-5 per cent.

Wealth Wizards' research supports this, with over a third of respondents becoming more concerned with their pension following the recent focus in the news on the subject, and 62 per cent worried about not having enough money when they retire.

"Sixty-eight per cent went as far as to say they would now prefer their employer to put more money into their pension than to give them common employee benefits like discount vouchers for shops or gym membership," Wealth Wizards director Phil Blows says.

Growing problem

The number of people suffering from financial stress is significant, and seems to be growing. MetLife's UK *Employee Benefit Trends* study from February finds 39 per cent of workers saying they are living payday to payday, compared with 24 per cent saying so in 2015.

As Finance and Research Technology Centre director Ian McKenna says: "For many, they have days left at the end of their money. We need to help people have money left at the end of their days."

There can be many reasons for this stress growing, with Blows noting that household savings rates are the lowest they have been since the 1960s, whilst debt is at levels not seen since the financial crash in 2008. "This has led to a workforce that is at its most stressed for years, with 1.2 million people now resorting to high-interest payday loans to make ends meet," he says.

Add to that contemporary issues such

as job concerns following the Brexit vote, house ownership being pushed back to later life and the wage stagnation of recent years, and the reasons for growing concerns is no surprise.

Those suffering from financial stress are not just the lower paid, as may be assumed. JLT Employee Benefits consulting and proposition director Andrew Drake gives the example of a reasonably well-paid person attempting to 'keep up with the Joneses.' The "bragging" on social media can also increase the likelihood of trying to emulate others and living beyond your means, Drake adds.

"Financial stress costs the UK economy £120.7 billion a year, with 17.5 million hours lost to financial stress"

The Institute for Employment Studies (IES) report, *Supporting employee financial wellbeing*, backs this up. It finds those with poor financial wellbeing are not just those on low incomes with few assets, but also those with high earnings and high spending.

Both groups often face barriers to seeking advice, including a lack of trust in financial services, overconfidence in their own decisions, a lack of understanding over the benefits of financial advice and feeling of powerlessness with financial issues, it states.

StepChange finds those under 40 now account for 60 per cent of clients, with single parents as clients being double the national proportion of UK single parents. The proportion of clients who rent their home has grown from 61 per cent to 78 per cent in just five years, McGee adds.

Impact

The impact of financial stress can manifest in a myriad of ways.

Fidelity Benefits Consulting head of international risk and healthcare Simon Ball states that financial stress can result

in a lack of sleep, weight gain, lack of exercise and lower life satisfaction. Short-term financial concerns, such as being able to pay bills on time or an unexpected expense can lead to higher anxiety levels and greater stress, he adds.

Supporting this is research from Scottish Widows, in which 49 per cent of the 5,000 respondents say financial worries regularly impact their personal relationships, and 54 per cent finding it affects their ability to sleep, with 11 per cent struggling every night. Thirty-seven per cent have also had their appetite affected by financial woes.

A survey by StepChange of its clients echoes these findings. According to its director of external affairs Francis McGee, 74 per cent of its clients say that worrying about debt problems affects their sleep, 64 per cent say it led to mood swings and nearly 60 per cent sought medical help for physical or mental health problems related to their debts.

It is not just the individual that is affected by financial concerns; it can have a knock-on effect on their employers. The IES study references 2014 Barclays research, which finds that for every £1 million spent on payroll, there is approximately a 4 per cent loss in productivity due to poor employee financial wellbeing. It also references Neyber's research findings that financial stress costs the UK economy £120.7 billion a year, with 17.5 million hours lost to financial stress.

MetLife's study reveals that one in three employees are distracted at work by financial concerns, rising to 54 per cent among the under 30s, with almost a third of respondents taking time off to handle financial issues in the past year – up from just 3 per cent having to do so in 2013.

Drake states that financial stress can impact on a company's customer relations, as a financially-stressed employee will be unable to give clients their full attention, particularly as it is likely the employee can only practically deal with money problems (such as speaking to their bank) during traditional Monday-Friday office hours.

Company support

While companies have, in recent years, increasingly catered to the physical health needs of their staff through employee benefits packages featuring private health cover and subsidised gym memberships, for example, less has been done to tackle employees' financial wellbeing.

However, the IES states that employers, among others such as government, financial service providers and regulators, have an important role to play in supporting employees financial capability.

When looking to address money concerns, the initial focus has to be on everyday money worries. After all, as Barnett Waddingham head of workplace health and wealth Damian Stancombe says, lecturing about paying into a pension while someone is struggling to put food on the table is likely to disengage the individual.

The Financial Advice Working Group's study in March for the Treasury and FCA finds this to be the case, saying people need support to manage their money day to day and to form a savings habit before they can think about longer-term needs like retirement.

There are a number of tools to help with this, which do not need to be expensive, meaning "every company could offer some form of help; not just large FTSE 100 companies", Stancombe says.

These include financial planning and budget tools and savings apps. Alternatively employers could offer staff loans or debt consolidation, or have support groups, such as charities, come to the office to talk about finances and mental health wellbeing.

Simply providing basic financial education could be a great help, considering the IES says over a third of people cannot perform simple interest calculations and a fifth are unable to read a bank statement.

Communications

The IES also states that over half think pensions are difficult to understand.

This is a sentiment echoed last year by the Bank of England's chief economist himself, who said: "I consider myself moderately financially literate... yet I confess to not being able to make the remotest sense of pensions."

Therefore, greater focus must be placed on reducing the 'myth' that pensions and long-term saving is complex, through communicating simpler messages, Scottish Widows retirement expert David Holton states.

Whatever the approach taken, Ball says financial difficulties can be an area that "many employees prefer not to broadcast or discuss openly, and as such, takes careful support and communication when offering assistance".

Therefore, Like Minds' *Mind over money* report recommends using empathy when communicating with staff about finances. IES advice complements this, suggesting a "good starting point" is to identify the financial challenges employees face and the support they need. Also, by segmenting the workforce generationally, or by income bracket, more relevant financial messages can be sent based on their likely pressures.

Stancombe recommends talking about a person's short-, mid- and long-term financial priorities instead of using the word 'savings'. He also suggests highlighting how people can save for these different timespan priorities at the same time – eg paying into a LISA for house saving, while contributing into a pension through auto-enrolment.

Changing times

Implementing financial wellbeing support can reduce absenteeism and staff stress, while enhancing the perceived value of the company's employee benefits and potentially differentiating the company's overall brand, Like Minds states.

However, the number of employers assisting with financial matters is still quite low. Neyber's recent workforce study asked employers what they offered in their benefits packages to

support financial wellbeing – apart from pensions.

It found 17 per cent offered savings accounts, 44 per cent provided support and guidance, 21 per cent offered affordable loans and 29 per cent gave financial education.

Providing financial wellness assistance as part of an employee benefits package may not be commonplace now, but that is likely to change.

According to Drake, employees are expecting more from their employers. "Paying a salary will no longer be enough; employees will expect assistance with spending and saving it too," he says. "It is no excuse to say that we have never had to do this before."

Or, to put it another way, those companies not discussing money matters with their staff may seem more old fashioned than the Royal Family.

➤ **Written by Laura Blows**

