reba insights

Financial Wellbeing Research 2023

Creating a structured approach to financial benefits

In partnership with:

WEALTH at work
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£549

From tactical to strategic: the evolution of financial wellbeing

Debi O'Donovan

Director of REBA
Reward & Employee Benefits Association (REBA)
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To date, thinking around financial wellbeing has largely been tactical rather than strategic. However, with our research showing increased emphasis on wider HR strategic issues, such as workplace sustainability, employee wellbeing and planning for an ageing workforce, through to filling talent gaps and meeting diversity, equity and inclusion (DEI) objectives, we expect to see a switch to prioritising strategy and joined-up financial wellbeing over the next few years.

REBA's 2023 Financial Wellbeing Research shows that almost three-quarters of respondents are looking to join up financial wellbeing offerings over the next two years, so we should soon start to see significant moves towards cohesive financial wellbeing strategies.

While the cost-of-living crisis has caused employers to respond reactively to the financial wellbeing needs of employees over the past couple of years, it is primarily the need to recruit and retain a wider diversity of skills and talent that has accelerated the expansion of what is on offer employees. Previously lower profile groups, such as parents and carers, are now getting more attention, although the needs of lower paid workers are still largely ignored by the majority.

Growth areas

The five financial wellbeing benefits that are tipped for greatest growth give a clue about the variation of employee needs. They are:

- tax-free savings wrappers
- wage advance schemes
- enhanced support for parents and carers
- will writing services
- pay-as-you-go savings schemes

Despite the economic outlook, the desire to save (for those in work) appears strong for many.

While the workplace pension still dominates all financial offerings via the employer, whether as a compliance hygiene factor or as an enhanced retention tool, this research indicates that employers are going to be thinking much harder about retirement strategy as the workforce ages.

Longer working lives are reshaping workforce planning and skills mapping, as well as career paths, flexibility in working patterns and how the over-55s want to take pay and access pension pots.

The research shows that currently about one-in 10 employers have seen the ageing workforce as a driver of change to financial wellbeing decisions over the past two years. This will almost triple in the next two years – meaning that 40% of all respondents will be focusing on financial wellbeing support for an ageing workforce. Older workers unable to retire due to inadequate savings will increasingly become a challenge for employers if not mitigated now.

Making connections

To achieve this, employers are going to need good quality, joined-up information to work out what is needed. However, our research results show that there is still limited linkage between DEI goals (including pay and pensions gaps) and financial wellbeing programmes. Alternatively, due to the highly personalised decisions each employee needs to make, it may be more of a case of focusing on financial education, coaching and guidance to adequately equip people for their own futures.

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PURSUING BEST PRACTICE

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A note about the 2023 survey:

To complement our quantitative research this year, REBA conducted a series of round-tables with eight senior reward, benefits and wellbeing directors across different sectors, including financial services, energy, social care and engineering.

We discussed topics and trends related to our survey results, focusing on areas such as the relationship between business risk and financial wellbeing, as well as the growing links between financial wellbeing and sustainability.

We have summarised key findings and case studies from the round-tables throughout this report in our boxouts.

REBA would like to thank everyone who took part for their time and insights. A full list of the companies that participated in the survey is on page 36.

For more about REBA visit: www.reba.global

Four key trends

Joining up financial wellbeing strategies is a key focus

76% of employers offer some or lots of benefits that are not joined up in a strategy

74% say they will look to join up their benefits in the next two years

Employers are looking beyond pensions to other forms of savings

2022 2023

2022	2023	
95%	92%	Employer pension contributions above auto-enrolment minimum
48%	54%	Long-term incentive plans
32%	45%	Savings via tax-free wrappers (e.g. ISAs, including Lifetime ISAs)
37%	42%	Employee share plans (e.g. Sharesave, SIP)

Top four ways that employers make sure their financial wellbeing offering is fair for everyone

- Data from financial wellbeing/benefits providers to spot and address gaps: 56%
- Nationally-recognised initiatives (e.g. Real living Wage, Living Pension): 52%
- Feedback channels from employee networks (e.g. parents, LGBTQ+, carers): 52%
- Self-select benefits to accommodate different financial needs: 49%

The cost-of-living crisis continues to be a major risk to financial wellbeing

77% High energy prices

75% High inflation

66% High/rising cost of rent

44% Wages not high enough to cover the cost-of-living

To counter this, financial wellbeing spend is set to increase

50% of respondents say they will increase financial wellbeing spending in 2023/24

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A brighter outlook for financial wellbeing

Jonathan Watts-Lay

Director
WEALTH at work

"Financial education is the key element that underpins all financial wellbeing initiatives."

Now we are in our second year of the Financial Wellbeing Research, it's encouraging to see that almost all those employers surveyed view financial wellbeing as an integral part of improving wider employee wellbeing. Not only is it important for increasing engagement, but it is also linked to other HR objectives such as recruiting and retaining employees.

However, whilst employers offer various financial wellbeing benefits and services, many acknowledge that these are not part of a joined-up strategy which has likely occurred due to reacting to employee needs during the cost-of-living crisis. But it's good to see many employers plan to join them up in the future.

The tools to better manage money

The research highlights that employers expect financial pressures such as high childcare costs, rental costs, high consumer inflation and energy prices will continue to be a risk. To combat this, 53% will increase financial wellbeing spend.

It's also clear that a lack of financial literacy is seen as a major risk, and financial distress in the workplace is set to be a driver of change in the future. Additionally, the ageing workforce is having an increasingly important effect on financial wellbeing strategy, with targeted support for the over-55s set for significant growth. This is especially important for those considering accessing their pension early.

It is good to see that employers' focus has now shifted to helping employees by providing them with tools to better manage their money. Support is growing for savings products to build financial resilience, such as employee share plans, pay as you earn saving schemes (help-to-save and opt-in payroll savings), long-term incentive plans and tax-free saving wrappers (ISAs).

However, it is concerning that wage advance schemes are rising in popularity. Whilst they may be suitable to help with an emergency cost such as urgent car repairs, they are not a long term solution to financial problems. They should always be offered alongside financial education, so that employees understand this.

Of course, financial education is the key element that underpins all financial wellbeing initiatives. After all, financial wellbeing is about being able to make informed choices about your finances.

Financial wellbeing for all

The good news is that the number of employers planning to offer financial education from an independent provider, financial guidance or financial advice is increasing. In fact, financial coaching is set for significant growth. This could be because employers now recognise that in some instances, employees need one-to-one support.

This support should help employees better manage their finances, including: how to manage a budget, debt, save for life events, and eventually, how to prepare for retirement.

However, for any financial wellbeing programme to be successful, it's important that these services are accessible to all – and most importantly – employees should understand what support is available, as well as how to access it and make the most of it.

WEALTH at work

part of the Wealth at Work group

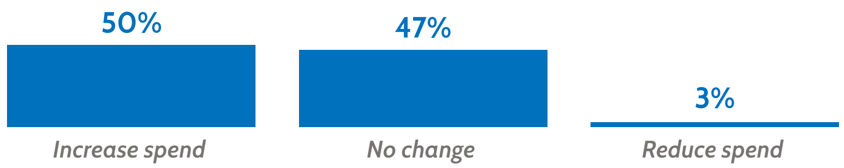
Executive summary

Employers are adding more benefits, but there is still limited strategy

Employers are adding more financial wellbeing benefits, but not yet joining these up into a coherent strategy. More employers say that they are offering lots of financial wellbeing benefits/services, but just 7% have a mature strategy (see page 10).

Financial wellbeing is an established part of benefits spending

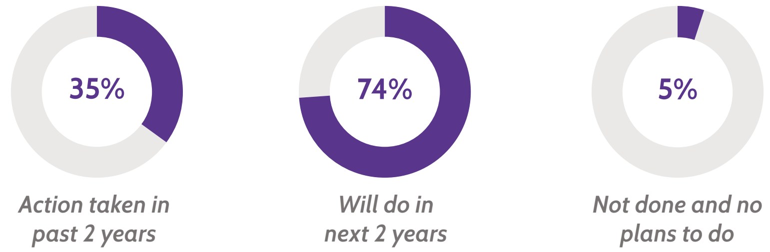
Spending intentions for financial wellbeing 2023/24



Almost all respondents intend to invest in financial wellbeing benefits at the same, or higher, rate as last year (2022/23). This suggests that it is becoming an integral part of benefits and wellbeing strategies.

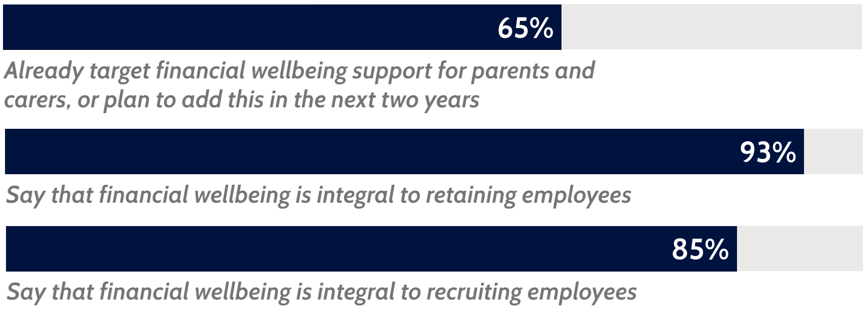
Employers know they have to take a more joined-up approach

Intentions around joining-up financial wellbeing offerings/benefits



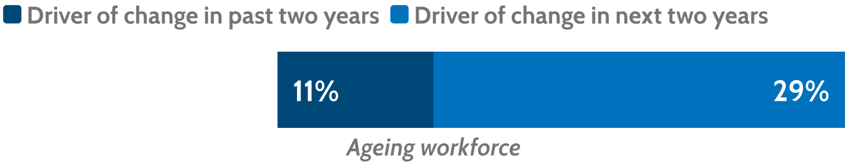
Employers have had to react to employee needs in the cost-of-living crisis and add more benefits to support them. But respondents are aware of the need to take a more joined up approach.

Talent gaps and parent/carer needs are having the biggest influence on financial wellbeing offerings



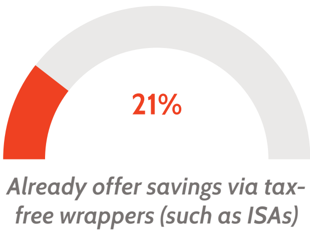
Financial wellbeing is being seen as integral to HR goals such as recruiting and retaining employees. The costs of childcare and other caring services is a risk to employee financial wellbeing and is being seen as a high priority.

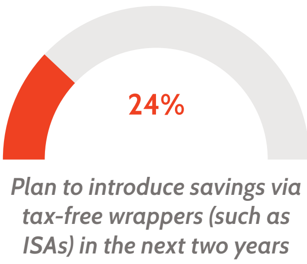
Financial wellbeing to support older workers is becoming higher priority



Respondents see the ageing workforce as an increasing driver of change in financial wellbeing strategies. Better support for retirement decision-making, as well as a growing emphasis on retaining older workers, are both demanding greater focus.

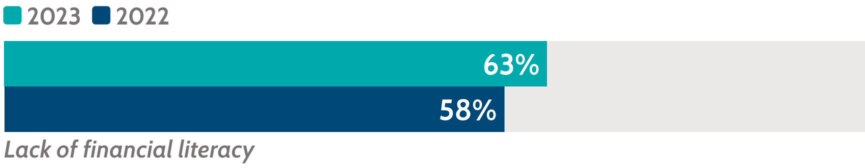
Support is growing for savings products other than pensions





Although pensions continue to be the dominant savings product in the workplace, employers are starting to consider wider choices that could help employees at different life stages, especially if they are tax efficient.

Poor financial literacy remains a concern



As in 2022, lack of financial literacy is seen as a major risk this year. Other than factors related to the cost-of-living crisis, such as high inflation and energy costs, poor financial literacy is the biggest risk to the financial wellbeing of the workforce.

Data is playing a more important role in financial wellbeing

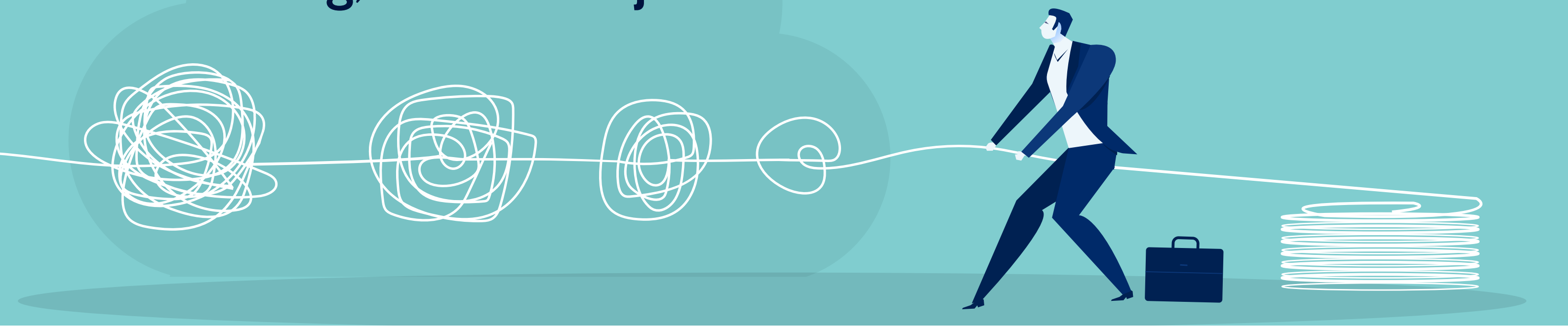
As financial wellbeing offerings become more established, employers will rely more on data to make decisions on whether their offering is competitive and if it is effective in supporting employees.

Sustainability/ESG will influence financial wellbeing offerings in the future

Focus on workforce sustainability/meeting ESG targets related to workforce wellbeing

In the next two years, workforce sustainability and environmental, social and corporate governance (ESG) targets are set to become significant drivers of change for financial wellbeing strategies, with a 139% increase in their importance.

1. Financial wellbeing strategies are evolving, but still disjointed

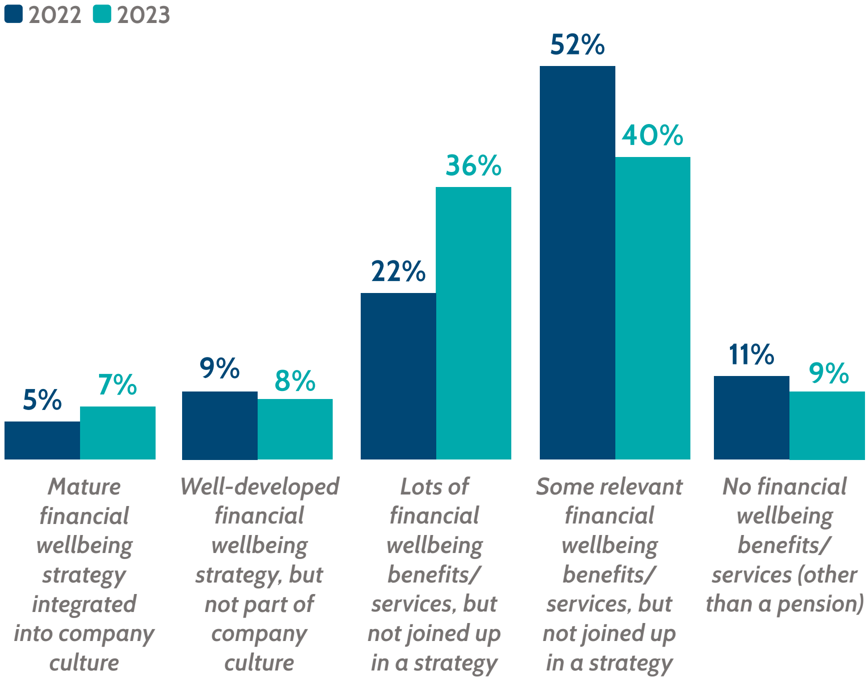


Employers are adding extra financial wellbeing benefits for employees but are not yet joining these up into a strategy

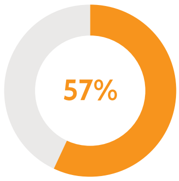
The cost-of-living crisis is likely to have driven employers' decisions to introduce more benefits and make changes to their strategy.

Figure 1.1

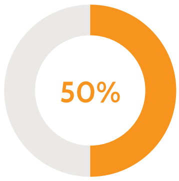
Comparison of how employers view their approach to financial wellbeing is changing 2022 vs 2023



The lack of a coherent strategy is reflected in the percentage of employers who say they have made changes to their financial wellbeing offering over the last year:



Have made changes to their financial wellbeing offering in the past two years



Plan to make changes in the next 2 years

To date, organisations have been forced to respond reactively to employee needs as a result of the crisis. In the next two years we are likely to see reward and benefits professionals look more strategically at their financial wellbeing offering and build future-facing programmes that are more closely aligned with business needs.

The link between pay and financial wellbeing is recognised, but not integrated

Very few employers fully integrate financial wellbeing and pay strategy, although around half of employers with some form of financial wellbeing strategy consider pay and financial wellbeing together.

Figure 1.2

Employers that offer financial wellbeing are likely to consider pay and financial benefits together

Figures exclude participants with no financial wellbeing programme

By linking pay and financial wellbeing, employers may be able to direct employees towards additional, relevant benefits in their communications, or provide financial education and coaching that is best suited to support different needs.

The cost-of-living crisis has shaped employers' actions over the last two years, with a significant minority offering discretionary payments or pay increases in line with, or above, inflation over that time.

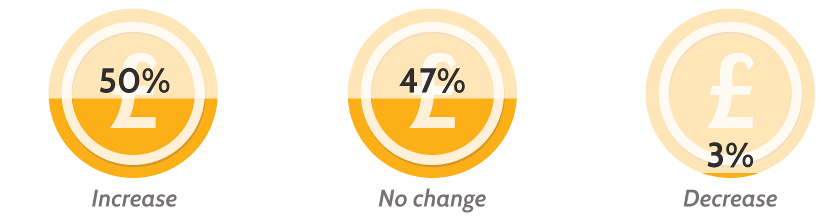
However, even though inflation remains challengingly high, employers are unlikely to repeat these actions in the next two years. See page 24 for further insights into employers' plans for future pay rises.

Financial wellbeing is becoming a permanent part of benefits offerings

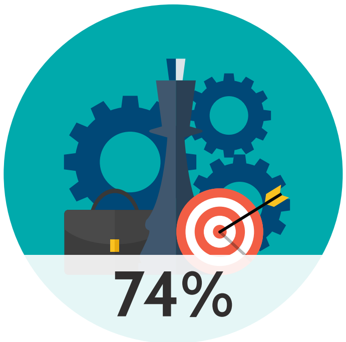
Employers' decisions to support financial wellbeing may have been driven by crisis, but it is now embedded in future benefits planning. In 2023/24, almost all employers either intend to increase their spending on financial wellbeing, or retain current levels.

Figure 1.3

Intended spending on financial wellbeing in 2023/24



With businesses less likely to offer above-inflation pay rises and one-off payments in the next two years, employers may be looking towards their financial wellbeing benefits to play a greater role in supporting employees through cost-of-living challenges.



Of employers plan to join up financial offerings and benefits in the next two years

Employers recognise the importance of creating a more coherent strategy, with 74% saying that they plan to join up financial offerings and benefits in the next two years, and 35% having already done so.

Employers want to explore long-term savings beyond pensions

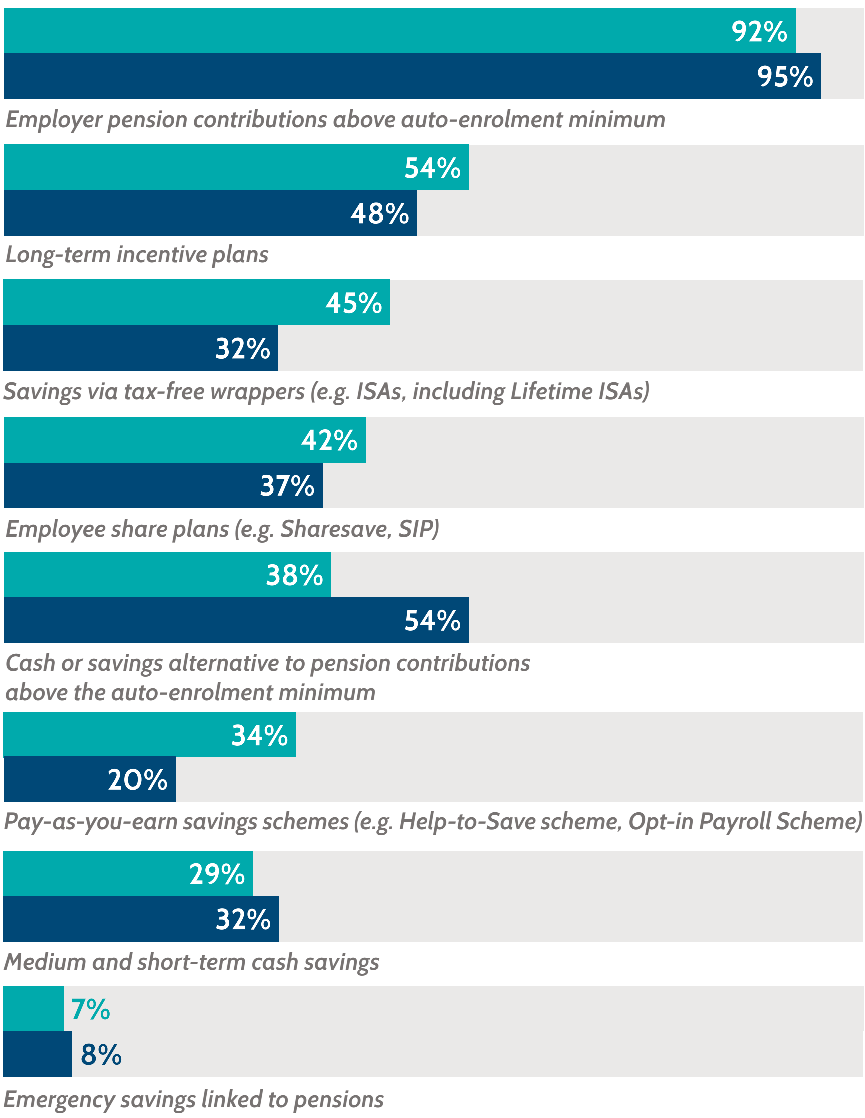
While pension contributions above auto-enrolment minimums remain the mainstay of employers' financial wellbeing offerings, organisations are also exploring other ways of helping employees save.

Savings via tax-free wrappers, such as ISAs, are set for significant growth, with almost a quarter of employers looking to introduce these over the next two years.

Figure 1.4

Comparison of the financial savings products employers offer, or plan to offer in the next two years, from the 2022 and 2023 Financial Wellbeing Research

2023 2022



Removing the pensions lifetime allowance reduces the need for cash alternatives

The March 2023 Budget changed the way that employees can save into pensions tax-free. This included abolishing the pensions Lifetime Allowance (i.e. the amount that someone can save tax-free into pensions across their lifetime). Key changes are:

- **Lifetime allowance** fully abolished from April 2024, but there will be no lifetime allowance charge for the tax year 2023-2024
- **Annual allowance** increased from £40,000pa to £60,000pa
- **Money purchase annual allowance** increased from £4,000 to £10,000
- **25% tax-free cash** frozen at a maximum of £268,275
- **Tapered annual allowance** trigger increased from £240,000 to £260,000.

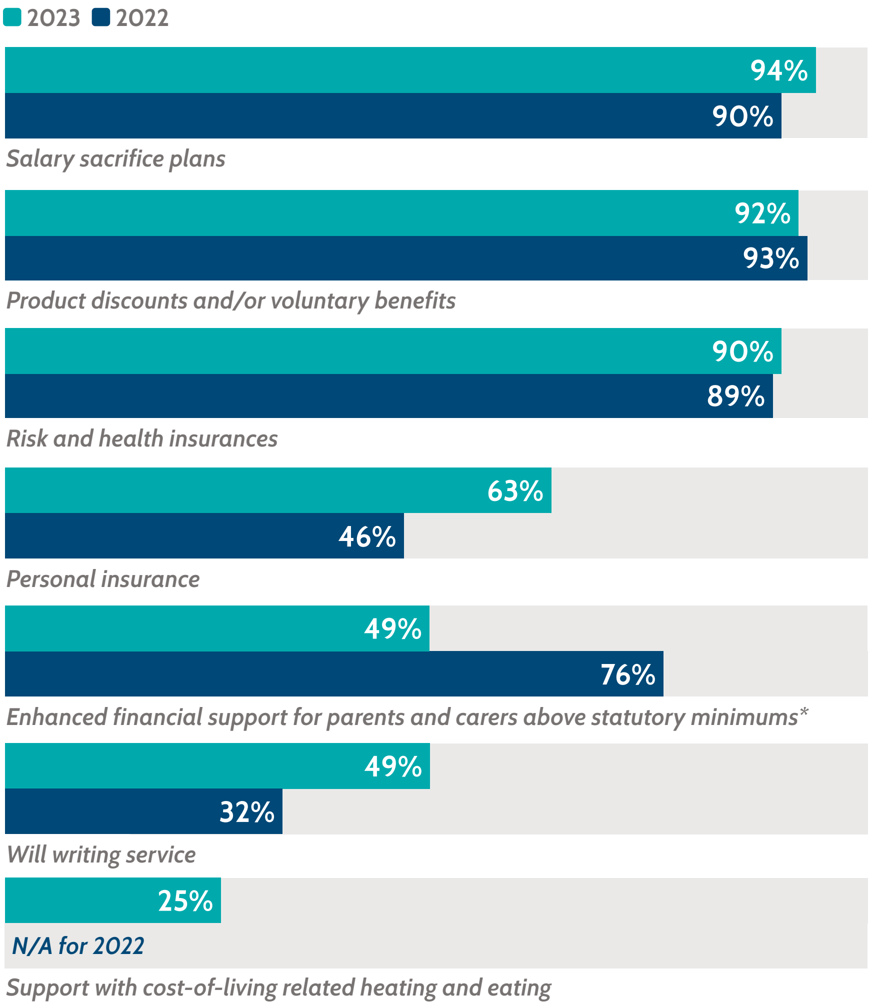
This is likely to explain the significant fall in employers offering cash or savings alternatives to pension contributions. See graph to the left.

Employers and employees are more aware of the need for protection

Benefits that help employees' money go further, such as salary sacrifice and shopping discount schemes, continue to be well embedded in employers' strategies. However, Covid-19 and the cost-of-living crisis have pushed the importance of will writing and personal insurance up employers' list of priorities.

Figure 1.5

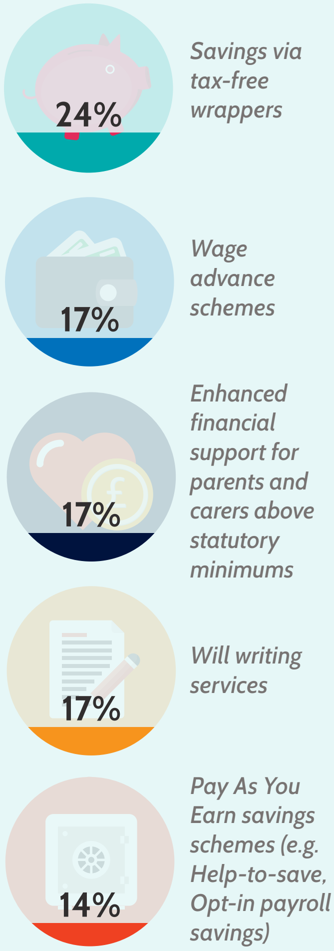
Comparison of the financial wellbeing-related products employers offer, or plan to offer in the next two years, from the 2022 and 2023 Financial Wellbeing Research



*In this year's research, we asked employers whether they offered enhanced support for parents and carers above statutory minimums, rather than simply asking about enhanced support. This rephrased option produced a much lower response than last year, suggesting many employers in our 2022 survey were only offering statutory minimums.

Top 5 financial wellbeing benefits set for growth

Percentage of employers that will implement this benefit in the next two years:



Managing earned-wage access effectively

INDUSTRY INSIGHT

Michael Royce

Senior Policy & Propositions Manager
Money and Pensions Service

"Before considering the growing interest in earned-wage access, it's important to note that at MaPS we take an evidence-based approach to understanding what works in building financial wellbeing."

The Money and Pensions Service (MaPS) is co-ordinating a 10-year UK Strategy for Financial Wellbeing, in partnership with employers, charities, government, financial services and others. Workplace involvement is one of the cornerstones of that strategy.

Financial education and guidance – provided by MaPS' MoneyHelper and others through the workplace – help people manage their finances. Increasingly, though, employers are offering this alongside a range of financial products, not only a workplace pension. Earned-wage access *(referred to as wage advance schemes elsewhere in this report)* is one such product.

An evidence-based approach

Before considering the growing interest in earned-wage access, it's important to note that at MaPS we take an evidence-based approach to understanding what works in building financial wellbeing. We encourage employers to do the same. This means understanding what your employees' needs are, through surveys or other tools, putting in place a plan to meet those needs (often a mix of financial education and financial products) and measuring the impact of this plan to determine future financial wellbeing interventions. Consideration of earned-wage access is no different.

A body of evidence is growing to indicate that earned-wage access, where an employee accesses a proportion of their already-accrued income before payday (perhaps immediately after a shift), is being used sensibly by most people to help them manage cashflow or meet unexpected costs. This can reduce their need for credit.

But earned-wage access on its own should not be seen as a panacea. Employers should always offer this alongside other financial (especially emergency savings) products and financial education. And, while earned-wage access is not credit, there is a minority who use it to mask deeper financial difficulties. This is where referral routes to free debt advice become important for people in this situation.

Incoming Code of Practice

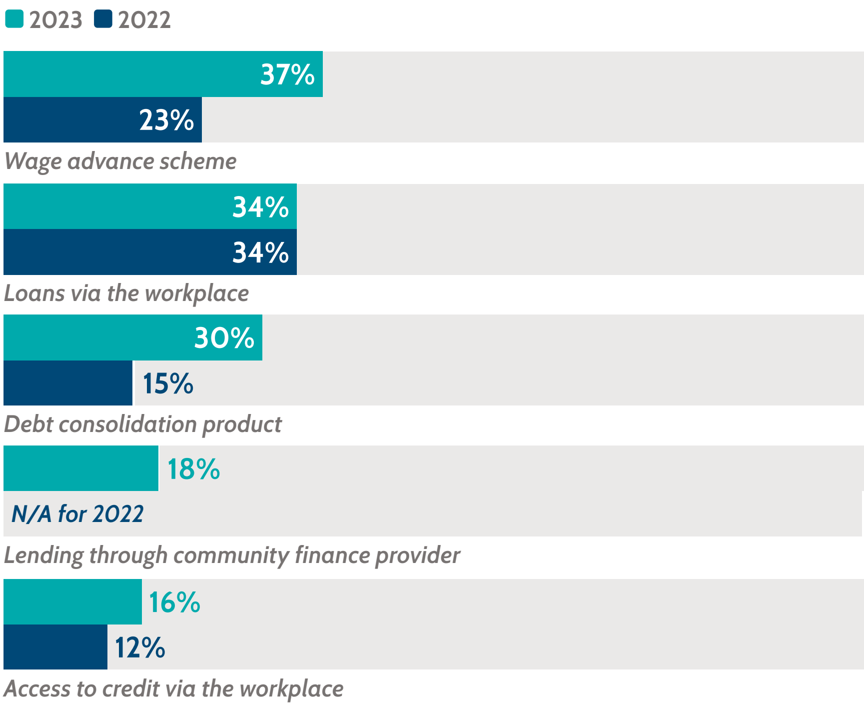
Earned-wage access is an unregulated activity and may remain so. Yet, seven leading providers that offer this alongside other financial products through their apps and platforms are working together to create a Code of Practice to govern how they evolve as an industry. The Code, resulting from a review published by the Financial Conduct Authority in 2020, is due to set standards for how providers use their data and other tools to ensure that most people continue to use earned-wage access appropriately – and to put in place mechanisms to intervene where people may be using it inappropriately. Employers considering earned-wage access for their employees should review the Code once it launches later this year.

Debt support and wage advance schemes are rising in popularity

Employers are broadening their financial wellbeing offerings to provide better support for employees struggling with the cost-of-living crisis. Wage advance schemes and debt consolidation products show the largest areas of growth this year, compared with 2022, although coverage of both is still relatively small compared to pensions and products such as shopping discounts.

Figure 1.6

Comparison of employers that offer lending, debt or wage advance benefits, or plan to offer them in the next two years, from the 2022 and 2023 Financial Wellbeing Research



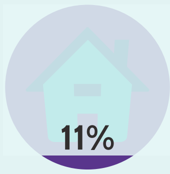
Covering the basics

Percentage of employers who offer support with travel, housing and living costs, or plan to do so in the next two years

Season ticket or other travel loans

Access to mortgage broking service

Support with cost-of-living related heating and eating



Access to support with rental costs (e.g. deposit payments)

With basic needs such as food, travel and housing costs all affected by inflation and the cost-of-living crisis, some employers have added additional support for employees. This could benefit lower earners in particular.

Although only around one in 10 employers offer access to support with rental costs, two-thirds of employers say that the rising cost of rent is a risk to the financial wellbeing of the workforce.

For more, see page 24.

Living Pensions – Focus on pension outcomes to drive engagement with financial wellbeing

CASE STUDY

David Perkins

Reward and benefits manager
Herbert Smith Freehills

"We know from our own modelling that this initiative will result in better outcomes at retirement for a large number of people, which in itself is excellent."

Auto-enrolment has been hugely successful and led to a dramatic increase in pension scheme membership. However there's an ongoing issue around outcomes for pension savers. It's one thing to get people into a pension scheme, but now we're trying to find more effective ways of getting people to engage with what their potential outcomes might be.

The Living Wage Foundation approached HSF to be part of its pilot scheme for the Living Pension. This is an initiative – similar to the Real Living Wage – that employers can commit to and offer a level of pension contributions that aims to provide a certain standard of living in retirement.

The commitment is to provide a total pension contribution of 12% of which at least 7% should be from the employer, with the contributions based on total earnings. This contrasts with auto-enrolment where employers are required to contribute just 3%, based on qualifying earnings.

Being a Living Pension employer

There are two reasons why we decided to commit to the Living Pension. Firstly, it aligns with our values and commitment to wellbeing, including a commitment to financial security for employees. Secondly, the Living Pension promotes a meaningful savings target that people can engage with and this makes sense to us as a business.

We know from our own modelling that this initiative will result in better outcomes at retirement for a large number of people, which in itself is excellent.

But more than that, it's going to change the way in which people engage with our pension scheme and what it offers. So it's about engagement levels, rather than just numbers.

Engaging employees with their pension

We've been working closely with our pension advisors to understand what potential outcomes are going to look like for our employee population. Taking age as an example, we know that the youngest employees can be difficult to engage with their pension, but we also know that one of the biggest impacts in terms of someone's pension outcome is joining the scheme as early as possible in their career.

Since we introduced the Living Pension, we've already had feedback from people in their 20s saying it has got them thinking about the decisions that they make now and what that might mean in terms of long-term financial security.

By using our data, we're able to bring to life what employees' contributions mean, in terms of long-term outcome, and that's really helping to further engage people with their pension.

2. Drivers of change include talent gaps, parent/carer needs and older workers

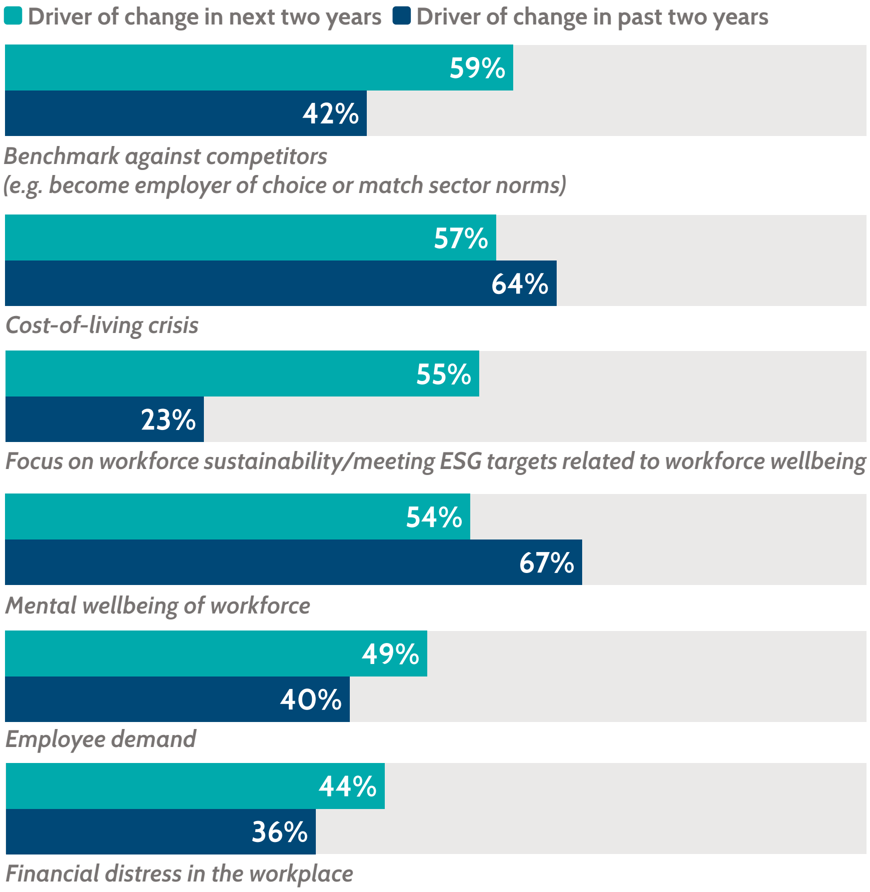
As strategies evolve, what is driving change?

Although few organisations say they currently have a joined-up financial wellbeing strategy, there are signs that employers' approach to financial wellbeing is maturing and becoming a permanent fixture in benefits plans.

In the next two years, employers plan to benchmark their offering against competitors to inform strategy change, and there is growing awareness of the importance of financial wellbeing as part of wider employee wellbeing, linking to workforce sustainability (see Part 4 for more information on sustainability).

Figure 2.1

Top 6 drivers of change in financial wellbeing strategy



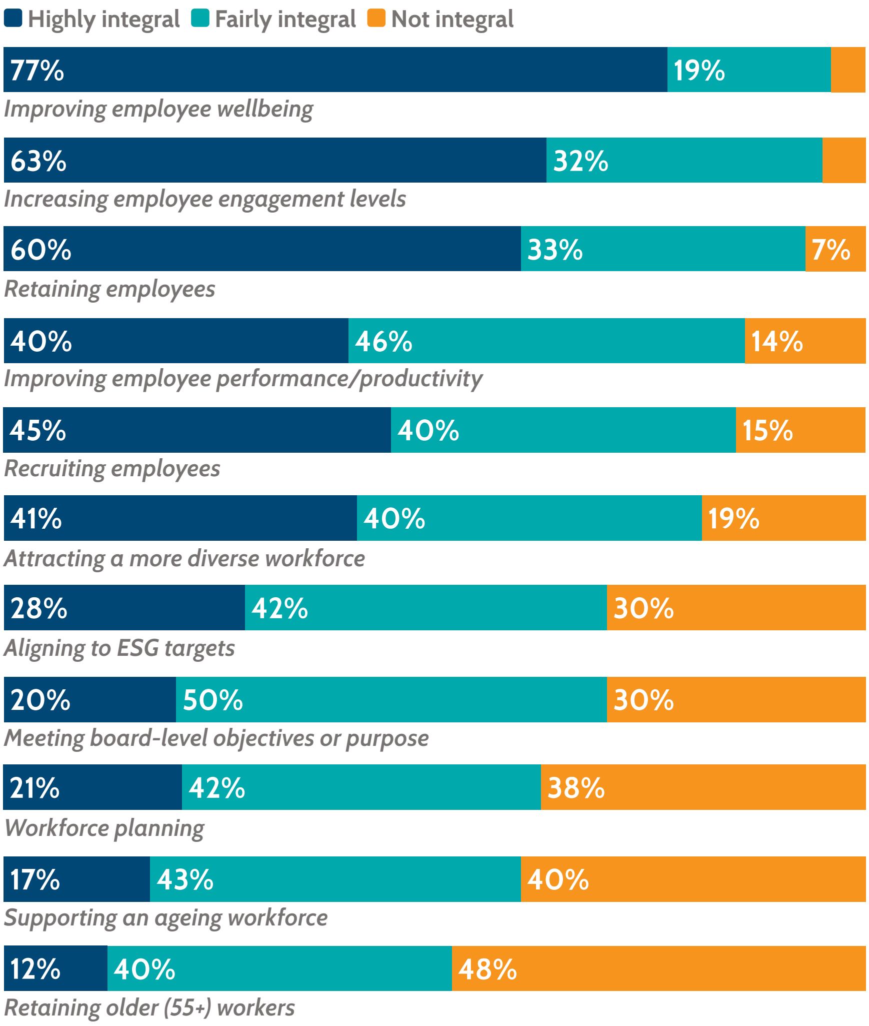
The cost-of-living crisis is receding as a driver of strategy, but financial distress in the workplace continues to be a concern for employers. This may reflect the longer-term consequences of the crisis, such as increasing mortgage payments and food price inflation.

Retention, engagement and employee wellbeing are key HR drivers

Financial wellbeing is becoming integral to high-level HR objectives such as employee wellbeing and engagement. However, employers are not yet fully recognising the links with more detailed objectives, such as supporting an ageing workforce.

Figure 2.2

Financial wellbeing is integral to wider wellbeing, employee engagement and workforce retention



Matching employer priorities and employee needs

CASE STUDY

Simon Pettitt

Senior Manager, Pensions and Benefits
Carnival UK

"Although we are highly focused on what we want to do for our employees, the resourcing to achieve it has been limited."

As a cruise business, Carnival UK was hit hard by the Covid-19 pandemic and continues to recover. The business virtually had no income for two years, and we have only returned to a small profit this year. Our employee base is 1,800 shore side (UK land-based) employees, and around 15,000 ship-based employees of many different nationalities.

Although we are highly focused on what we want to do for our employees, the resourcing to achieve it has been limited. We've focused on supporting staff in our call centres, which tend to be lower earners. We've listened to employees' needs through our employee experience groups and had to think carefully about what we can support at present, and what we will be in a position to do in the future budget-wise. We've also paused some activity to make sure that we have the right systems in place to support how employees select and use the benefits on offer to them.

As a start, we have been working closely with MoneyHelper and have been promoting its services to our employees, as well as directing them through our employee assistance programme. However, we want to put more support in place, including salary advance and affordable loans.

Supporting the wider workforce

We also want to make sure that we are supporting our high earners, by seeing how we can support them with investment, for example.

Another priority for us has been support for employees who want to start thinking about their retirement options. A lot of people still don't understand pensions and the options they have when they reach retirement. Many still perceive it as stopping work one day and taking an annuity. So, we've created presentations and materials to support them and helping them to better understand what they can do.

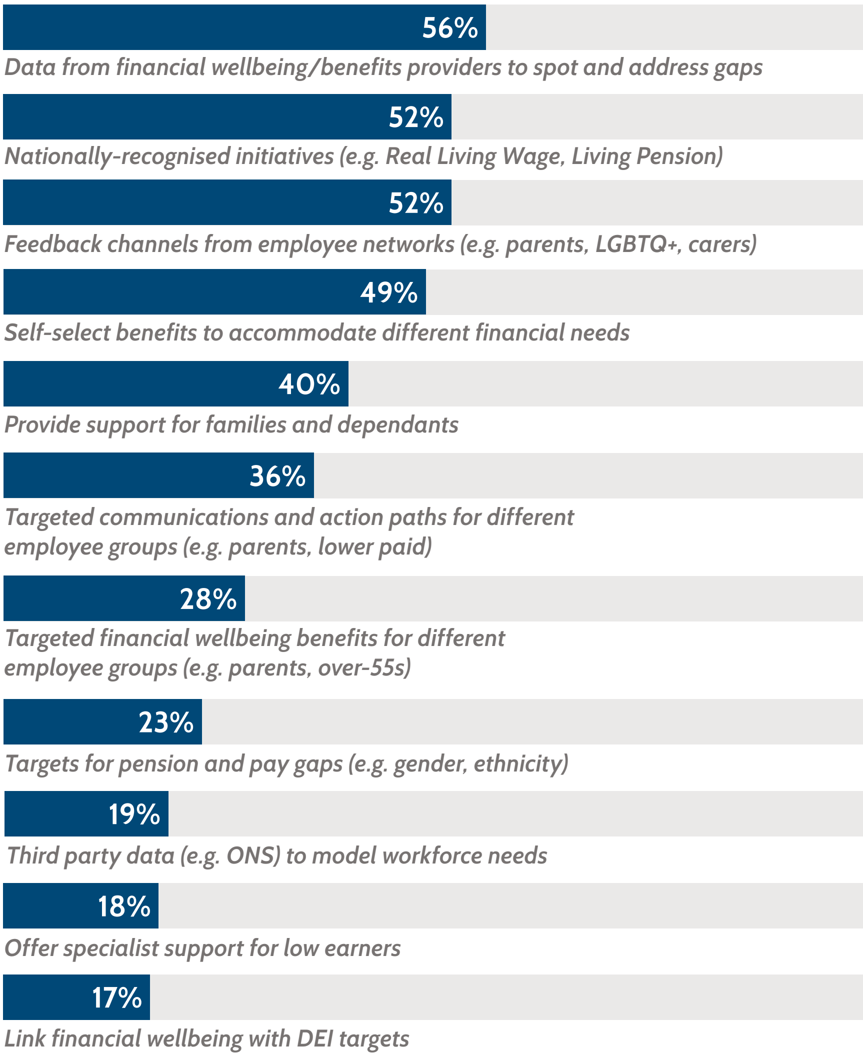
For the most part, we have focused on self-help and education. In time, we will put the tools in place to give employees further support, as the business allows and by listening to our employee priorities.

Making financial wellbeing fair and equitable

Although employers use a combination of data, employee feedback and national targets to make sure that their benefits are fair, there is still limited linkage between DEI goals, including pay and pensions gaps, and financial wellbeing programmes.

Figure 2.3

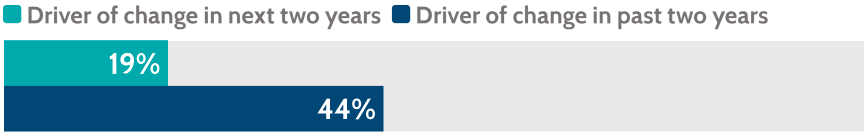
How employers are ensuring their financial wellbeing offerings are fair and equitable



Parents and carers

The spiralling cost of caring for children, elderly relatives or others is having an increased impact on workplace financial wellbeing strategies.

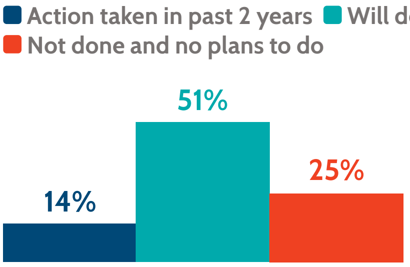
The cost of care as a driver of change



Carer costs, including childcare

Employers are already acting on the need for change, with three-quarters planning to target financial wellbeing support for working parents and other carers, or already doing so.

Targeted financial wellbeing support for working parents and other carers



Free childcare: future directions

The 2023 budget brought in long-term changes to free childcare to support more parents returning to work after parental leave.

Who is eligible?

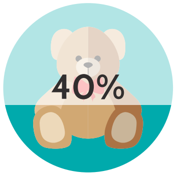
Parents who work more than 16 hours a week and earn less than £100,000.

When will the changes take place?

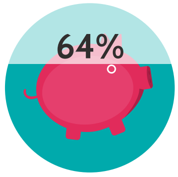
Current	From April 2024	From Sept 2024	From Sept 2025
Working parents are entitled to 30 hours of free childcare a week for children aged three or four.	Working parents of two-year-olds will be able to access 15 hours of free childcare.	15 hours of free childcare will be extended to all children from the age of nine months.	Working parents of children under the age of five will be entitled to 30 hours free childcare per week.

Additionally the new Carers Leave Act 2023 gives carers a right to one week of flexible unpaid leave a year to care for a dependant with a long-term care need. This can be taken as a block of five days, individual days, or half-days. The date when the Act will be enacted has yet to be agreed, but is likely to be in 2024.

Addressing caring needs



Of employers say they provide support for families and dependants as part of a fair and equitable financial wellbeing strategy



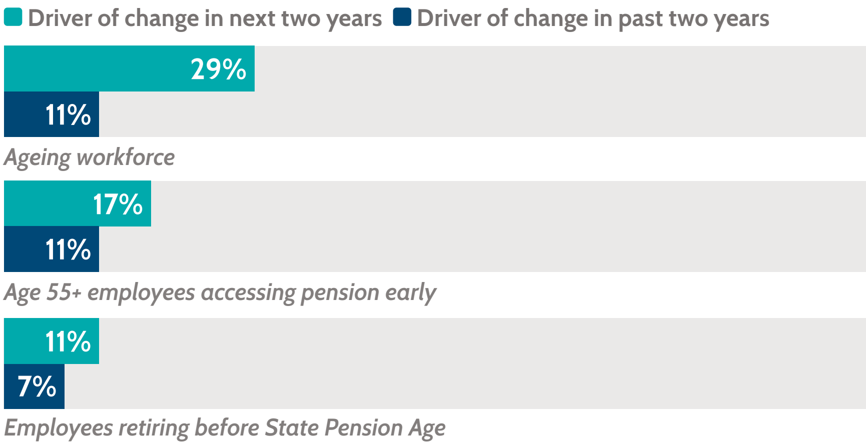
Say high childcare costs are a risk to the financial wellbeing of most of their workforce

Older workers

The 'great retirement' that threatened to be a side-effect of Covid-19 has not materialised, but employers view the ageing workforce as an increasingly important driver of financial wellbeing strategy and want to offer targeted support.

The government is also keen to get workers aged 50+ who have left the workforce to return to work. As such, it has pledged £70 million in support for over-50s.

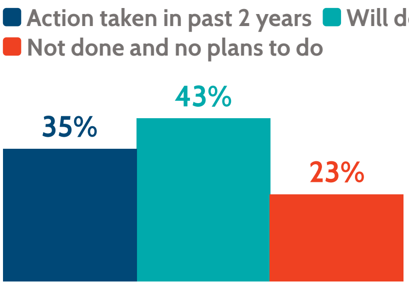
Employers see the ageing workforce as a growing driver of change



Low earners

Fewer than one in five (18%) respondents said they offer specialist support for lower earners. However, the wider picture is more positive than this figure suggests, with targeted support for low income groups set to increase, as well as 52% supporting nationally recognised initiatives such as the Real Living Wage.

Targeted financial wellbeing support for low income groups



BIG SHIFT

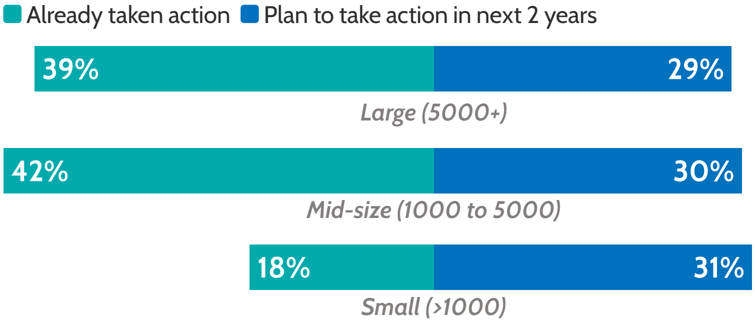
+159%

Providing workers over 55 with targeted support for financial wellbeing is set for significant growth.

- 17% say they have taken action in the past 2 years to provide this
- 44% say they plan to in the next 2 years.

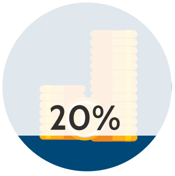
Larger organisations are more likely to have acted on targeted support for lower earners, although smaller companies are catching up. This may reflect a wider range of employment types and earnings in larger businesses and therefore more need to support low earners.

Company size (employees)



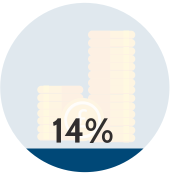
Interest in workplace savings scheme is rising

Take-up of savings schemes to help low earners, such as Help to Save and opt-in payroll savings, is still low, although it is higher in sectors such as retail and hospitality that have a traditionally higher concentration of low-paid workers, than in typically high-paying sectors such as financial and professional services.



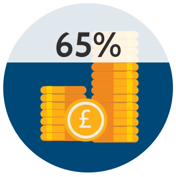
Currently offer access to help-to-save or opt-in payroll schemes – all employers

Retail, leisure, travel and hospitality, manufacturing and production sectors: 24%
Financial and professional services sectors: 16%



Plan to offer access in the next two years – all employers

Retail, leisure, travel and hospitality, manufacturing and production sectors: 18%
Financial and professional services sectors: 16%



No plans to offer – all employers

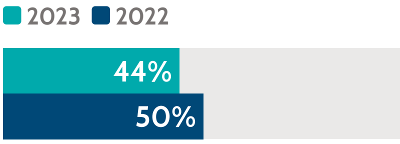
Retail, leisure, travel and hospitality, manufacturing and production sectors: 58%
Financial and professional services sectors: 68%

Just over one-quarter (26%) of all respondents say they have improved contracts for lower paid or zero-hours employees in the last two years, with a further 10% saying they will do so in the next two years. Employers may also support lower paid staff through the use of debt support and wage advance schemes (see page 15).

This year saw a small fall in the number of employers who say that employees' wages not covering the cost-of-living is a risk for most of the workforce, suggesting respondents have taken action through pay rises.

Figure 2.4

Wages not high enough to cover the cost of living

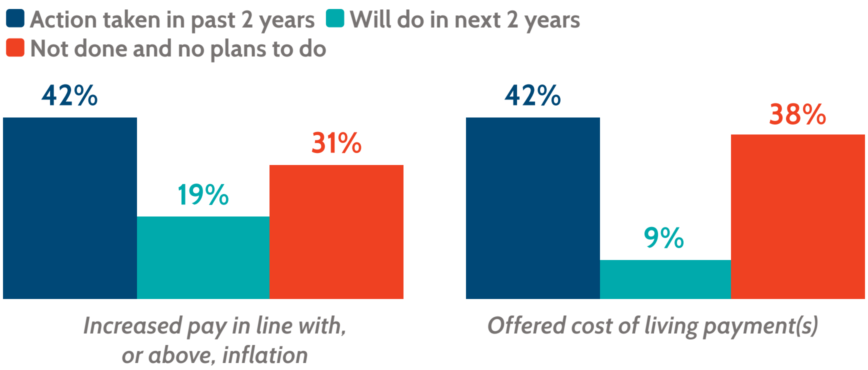


Cost-of-living crisis: From pay to benefits

Employers have supported employees with cost-of-living payments and pay rises between 2022 and 2023 – however they anticipate less activity around pay in the next 12 months, despite the ongoing effect of the crisis.

Figure 2.5

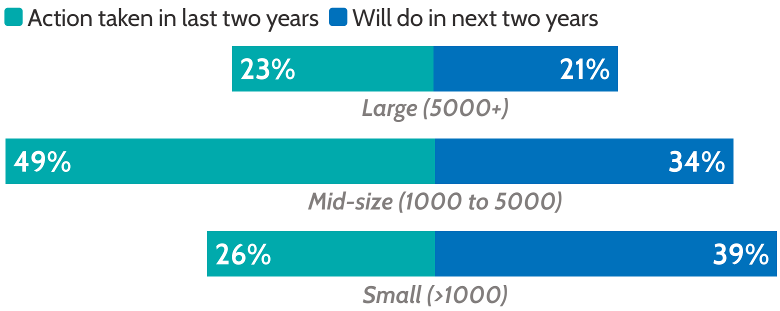
Pay rises and cost-of-living payments are set to fall



While it is unlikely that employees will see further inflation-matching pay rises and one-off payments, employers expect inflationary pressures like energy and consumer inflation (such as food prices) to continue to be felt.

Mid-sized companies are the most likely to have already raised pay in line with inflation, but this group also sees the sharpest fall in terms of ongoing support through pay increases.

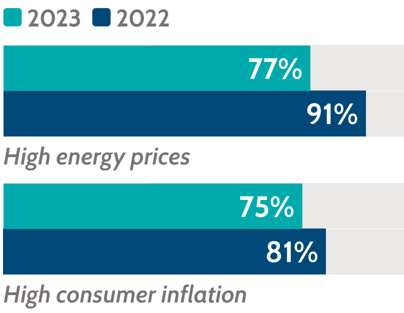
Companies, by size, that have increased pay in line with, or above, inflation



Employers' investment in financial wellbeing benefits (see page 11), combined with muted enthusiasm for future large pay rises, suggests the balance is shifting from helping employees through pay rises, to providing them with tools to manage money, educate themselves and make their own pay go further.

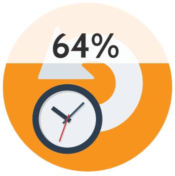
Figure 2.6

High energy prices and consumer inflation are a risk to financial wellbeing

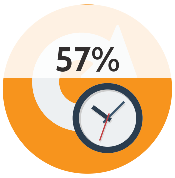


Respondents believe the crisis will continue to have a powerful effect for some time to come. More than half expect it to remain a driver of change over the next two years at least.

Cost of living crisis



Driver for change in past two years



Driver for change in next two years

Helping employees with everyday costs

CASE STUDY

Michelle Sutton

Head of Reward and Pensions
SUEZ

"Since we introduced the scheme, about 50% of our new starters have stayed in and remain saving."

SUEZ is a recycling and waste management organisation with a large number of lower-paid manual workers. The aim of our financial wellbeing strategy is to help people with their everyday costs.

In 2019 we began working with credit union Transave UK to encourage employees to save. It's an employer-run credit union where employees agree to have a minimum of £5 deducted from their net salary each month to go into a savings account.

The scheme also offers other benefits when employees join (and save), including: £1,250 death benefit to help with funeral costs, loans paid off when the employee dies, competitive interest rates and affordable loans.

It's really great and suits our manual workforce well. However, it doesn't get a huge take-up.

Opt-out savings

To address this, we've also been working with Nest to trial 'opt-out' savings. From 1st November 2021, new joiners have been automatically enrolled into the saving scheme unless they 'opt out'. The employee consent is dealt with throughout the onboarding procedure. To encourage employees to save, we've been automatically enrolling new starters – much like pensions – into our savings scheme at a default rate of £40 a month.

They can opt out; they get four reminders and if they haven't opted-out by that point they become a saver.

We chose £40 because our early access to earned wage data showed that the average drawdown was £44.50, so £40 felt about right. Since we introduced the scheme, about 50% of our new starters have stayed in and remain saving. And those who are automatically enrolled into our savings scheme – rather than those who opt in by choice – save about four or five times more.

It shows that by doing all the work for them, registering them and removing the obstacle of signing up themselves, more of our manual workforce is saving and they're saving more than those who choose to sign up themselves.

It's been real success, and shows the power of inertia, while at the same time enabling people to have access to a rainy day fund which is their own money, rather than having to access their wages early or take out a loan.

3. Financial resilience and literacy need action

Poor financial literacy seen as a significant risk factor

As shown in Parts 1 and 2, the cost-of-living crisis and related concerns, such as high consumer inflation and energy prices, continue to dominate the list of risk factors that are affecting the majority of the workforce.

However lack of financial literacy is also having a significant impact on financial wellbeing.

Figure 3.1

A lack of financial literacy is a risk factor to the majority of the workforce

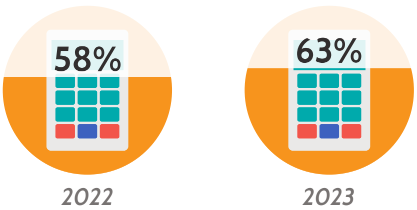
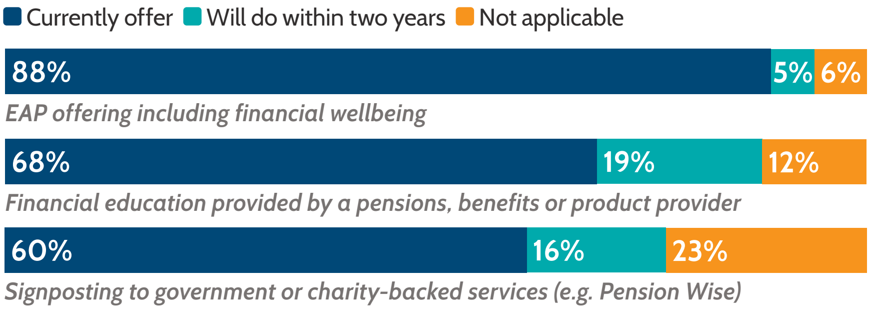


Figure 3.2

Top 3 financial wellbeing information services offered by employers



1% of employers said that they plan to remove EAPs including financial wellbeing

Financial education, guidance, advice and coaching all have a role to play in supporting financial wellbeing.

Supporting employees' financial wellbeing through a combination of these enables people to make informed choices and get best value from what's on offer through their benefits.

At present, the majority of employers are reliant on free or low-cost sources of information, such as EAPs and financial education from existing providers. This suggests that, although employers recognise the lack of financial literacy in the workforce, they are still reliant on existing resources such as EAPs to address the problem.

However, this approach could mean gaps in coverage, or that employees are unable to look at the bigger picture of their finances.

Improving financial literacy at SIG

CASE STUDY

Michelle Elsworth

Group Head of Reward
SIG plc

"The key struggle is engaging people with financial education and getting them to take notice of it..."

SIG plc is a multinational construction products manufacturer with 7,000 employees. Our financial wellbeing strategy can be broken down into three areas. First is our financial wellbeing benefits, such as workplace savings and loans, and most recently a direct financial support in the form of a £500 cost-of-living payment. Second is a focus on financial education, and, finally, we provide support for those who are struggling.

Financial education is the key element. A lot of financial wellbeing is being able to make savvy choices with your pay and income. But, without financial education that is more difficult.

Making informed choices

As such, our financial education focuses on helping colleagues make better informed choices. So, for example, they understand the impact around credit card interest and what it means in terms of paying it off, how to manage debt and education around pensions. We do a lot of webinars in terms of our pensions to help employees understand the benefits of contributing and the cost of doing that through salary sacrifice.

We also have an online learning platform that offers bite-sized learning around different elements of financial education. So people can tap into that at work or at home. And we know that not necessarily everyone will want to do something like that while they're in the workplace. We have some people who are out on the road all the time, so couldn't and it gives them that flexibility.

All of this is about enabling employees to make informed choices.

Raising awareness

The key struggle is engaging people with financial education and getting them to take notice of it, especially given that it is a taboo for some people. And so we need to keep trying to increase the drumbeat.

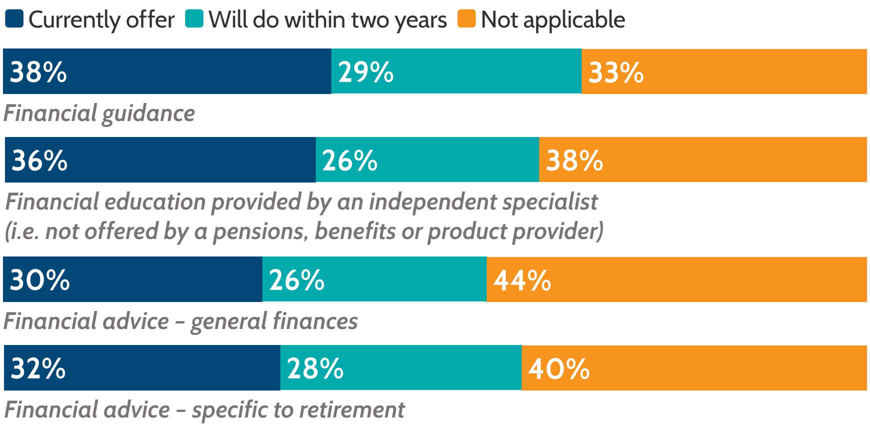
During Mental Health Awareness week earlier this year, we did a lot on financial wellbeing, such as emails from our financial wellbeing providers, pushing the message that we know that financial and mental wellbeing are connected and it's okay to get help and support.

Support for financial guidance, advice, education and coaching is increasing

For employers that have committed to wider support options, financial education from an independent provider, financial advice and financial guidance all show a similar pattern. Around a third of employers offer some or all of these – and just over a quarter typically plan to add this in the next two years

Figure 3.3

The number of employers offering financial guidance, independent education and advice is set to almost double

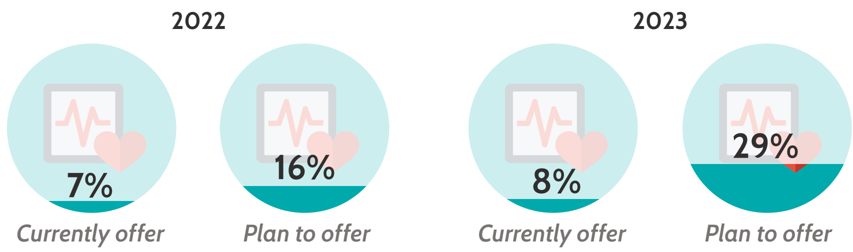


In 2022, 37% offered or planned to offer financial advice (suggesting employers are more committed to increasing advice this year), and 64% offered or planned to offer financial guidance on budgeting and general money management – roughly the same as 2023.

Mid-life MOTs combine education and guidance to help employees plan for later working lives and retirement. Although the number of employers offering them remains small, there is set to be significant growth in the next two years compared to 2022.

Figure 3.4

Mid-life MOTs are set to grow in the next two years



BIG SHIFT

+241%

Financial coaching is a more recent addition to the range of support services that employers offer to their employees, but this is set for significant growth. This could be a recognition that employees need more personalised support to help their decision-making throughout their lives, but may not always need full regulated advice.

- Currently offer 12%
- Plan to offer in the next 2 years: 41%

Financial support and culture

While financial guidance, advice, education and coaching all require specialist skills and/or online tools, employers are also addressing financial wellbeing by creating a culture of support and openness. Training line managers and encouraging financial wellbeing champions within the business are both set for significant growth.

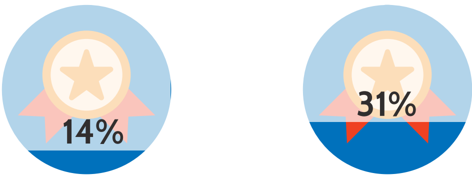
Figure 3.5

Train line managers to initiate conversations about financial wellbeing

Currently offer *Plan to offer*

Figure 3.6

Pensions or financial wellbeing champions



Currently offer *Plan to offer*

By comparison, 39% of respondents in 2022 said that they already include pensions and financial wellbeing champions within the workforce, or plan to introduce them. That compares with 45% in 2023.

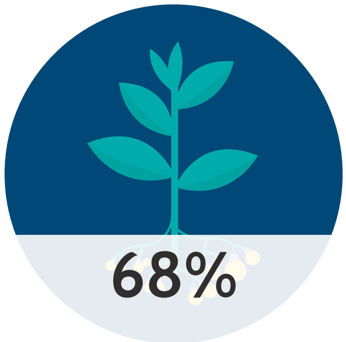
Glossary: financial education, guidance, advice and coaching

Financial advice: The Financial Conduct Authority defines this as a service that recommends a specific course of action based on consumers' individual circumstances and goals.

Financial guidance: this provides information and/or options to narrow down choices, without making an explicit recommendation.

Financial education: aims to improve employees' understanding and confidence with their finances, so they can make better financial decisions.

Financial coaching: provides one-to-one support to help individual employees to get their finances on track



Pre-retirement planning is also set for a boost with 68% of employers either currently offer or plan to offer pre-retirement planning

Help savers picture their retirement

INDUSTRY INSIGHT

Nigel Peaple

Director of Policy and Advocacy
PLSA

"By giving savers a rough figure and a corresponding lifestyle it matches up with, the hope is they can start to develop their own personal targets"

More of us are saving through a workplace pension than ever before. But in today's tough economic environment, how can employers help their staff understand what they've saved and give them confidence about their long-term financial wellbeing?

The Pensions and Lifetime Savings Association (PLSA) has developed the Retirement Living Standards to help with just that.

Based on independent research by Loughborough University, they help savers picture the kind of lifestyle they could have in retirement and understand the cost at three different standards of living – Minimum, Moderate and Comfortable. Like the 'five a day' healthy eating maxim, the standards can be used as 'rule of thumb' for retirement planning.

Roughly speaking, a single person will need about £13,000 a year to achieve a Minimum Retirement Living Standard, £23,000 a year for Moderate, and £37,000 a year for Comfortable. For couples, it's £20,000, £34,000 and £55,000 respectively.

Giving savers a target

By giving savers a rough figure and a corresponding lifestyle it matches up with, the hope is they can start to develop their own personal targets based on their individual circumstances and aspirations.

For example, The Minimum Retirement Living Standard is the same as the Joseph Rowntree Foundation's Minimum Income Standard (MIS) and reflects what members of the public think is required to cover a retiree's needs, not just to survive but to live with dignity – including social and cultural participation. It includes £96 for a couple's weekly food shop, a week's holiday in the UK, eating out about once a month and some affordable leisure activities about twice a week. It does not include budget to run a car.

The Moderate Retirement Living Standard, in addition to the Minimum lifestyle, provides more financial security and more flexibility. For example, a couple could spend £127 on the weekly food shop, have a two-week holiday in Europe and eat out a few times a month.

At the Comfortable Retirement Living Standard – which is really quite luxurious – retirees can expect to have more luxuries like regular beauty treatments, theatre trips and three weeks holiday in Europe a year. A couple could spend £238 per week on food shopping.

A full State Pension of £10,600 and some private pension savings gets most people to the Minimum level.

We hope reward and employee benefits professionals find the Retirement Living Standards a good starting point for telling staff about their workplace pension, encouraging conversations about long-term financial security or as a resource for workers who are thinking about retiring.

4. Sustainability will drive future financial wellbeing change

Financial wellbeing is fundamental to employers' ESG targets

Sustainability – both in terms of the long-term viability of a business and a focus on environmental, social and governance (ESG) factors – will affect financial wellbeing in the future.

When we asked employers about the drivers of change in their financial wellbeing offerings over the last two years and for the two years ahead, the biggest increase in focus was related to workforce sustainability and meeting ESG targets.

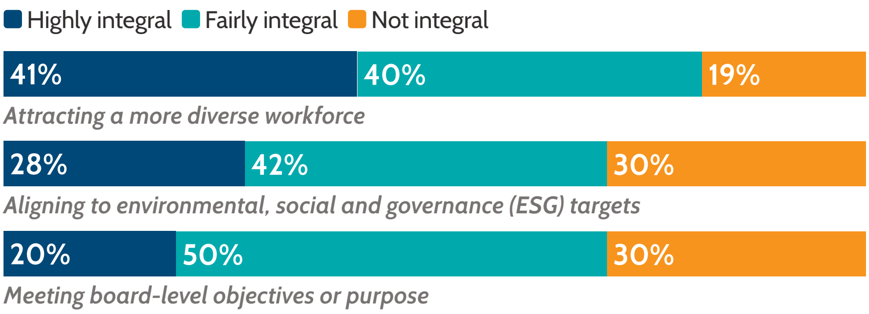
Figure 4.1

Sustainability is key to future change in financial wellbeing strategies

Financial wellbeing is integral to HR goals linked to sustainability

Figure 4.2

Financial wellbeing is integral to achieving HR sustainability goals



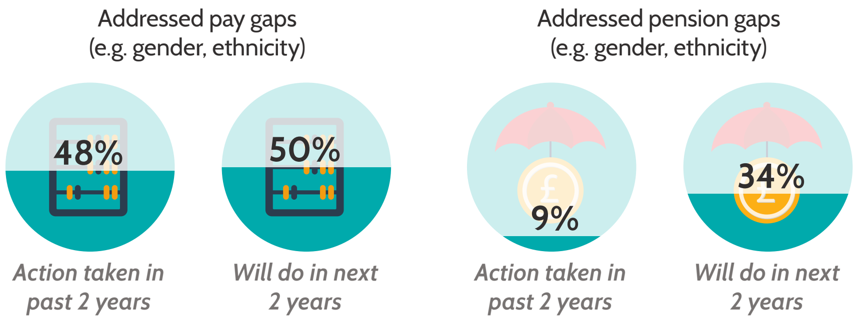
Although financial wellbeing is highly or fairly integral to meeting board level objectives for 70% of employers, chief executives and board-level directors are rarely in the vanguard when it comes to instigating change. Just 17% of respondents said that instructions from the board or CEO had been a driver for financial wellbeing change in the last two years, and only 18% anticipate that it will be in the next two years.

Employers are acting on pay and pension gaps to support diversity

While action on pension gaps still lags behind pay, employers are increasingly committed to addressing them, with a 277% increase in the number of respondents planning to address this in the next two years.

Figure 4.3

Employers are acting on pay and pension gaps to support diversity



> *"There is now much closer alignment with financial wellbeing and ESG, partly because of the cost-of-living crisis. In terms of the 'S' of ESG, financial wellbeing is showing up much more than it was. During the Covid-19 pandemic, the focus was on mental and physical health, but now investors, as well as being very focused on environmental elements, want to know how you are supporting your employees with their circumstances, wellbeing and work-life balance. All of those elements are of growing interest to investors. So it makes business sense to look at financial wellbeing in this context."*
>
> **Michelle Elsworth**
> Group Head of Reward
> **SIG plc**

BIG SHIFT

+139%

In the next two years, workforce sustainability and ESG targets are set to become significant drivers of change for financial wellbeing strategies, with a 139% increase in their importance.

Financial wellbeing as part of a responsible international business strategy

CASE STUDY

Lorna Carlin

Global Benefits and Compensation Director
Acacium Group

"We recognise that to be a responsible business and live up to the value of putting people first, we have to offer more than just a good salary."

Acacium Group is an international healthcare staffing provider, with 60% of its business based in the UK. Other markets include the US and Australia.

In our annual and pulse survey results, we found that financial wellbeing was a significant gap in our benefits offering. To address that, last year our team developed a high quality financial wellbeing offering, working with our providers to offer support such as master classes and focus sessions, financial planning and financial wellbeing resources.

During the recent crisis, we offered support and resources to our teams across the globe. That included promoting national services and charities that could help, but also tailoring our benefits to make sure we could support people who were struggling. Importantly, we have aimed to offer the same benefits across all of our international locations, or a near equivalent tailored to local tax rules.

Responsible business reporting

We are heavily involved in reporting on our responsible business. We produced our first reports last year, and from 2023 will deliver an annual report highlighting how we behave as a responsible business.

The financial wellbeing of our employees is one of the areas that we report on. Our values focus on putting people first, always being by their side, and being driven by excellence. Wellbeing in general is an important part of that.

We recognise that to have good outcomes as a business, we need to help and develop our people. In the UK, we have been focused on making sure that we offer all of our employees the real living wage as a minimum. We also want to expand that equivalence across the globe, to make sure that we are paying everyone a good salary and all our staff can afford to live.

We recognise that to be a responsible business and live up to the value of putting people first, we have to offer more than just a good salary. We have worked hard on transparency on issues such as how bonuses and salaries are calculated and we are still continuing on that journey.

That gives employees a sense of fairness and equity, which is backed up by set structures such as annual reviews and career paths. For us, it is also about having an impact on the community, including our workforce and having a positive impact on the lives of our people and the people they work for.

We want to attract and retain the right people, let employees know that we will develop them in terms of their career, and also help look after the things that matter to them. That could be life stages when they need different things, or financial guidance to help them manage their lives and finances effectively, which will also reduce stress.

Conclusions and action points

From our supporting partner, WEALTH at work

Continue to support employees with the cost-of-living

Inflation has remained high, although it is now reducing, and many employees will be struggling with the burden of increased rent and mortgage payments alongside other costs, such as food and energy. It is important to ensure that employees are aware of all the financial wellbeing benefits on offer, how to access them and how they can use their benefits to their advantage.

Design benefits to support financial resilience and literacy

Explore ways to help improve financial literacy across all aspects of financial wellbeing. Consider supplementing basic sources of support, such as EAPs or bundled information from pension providers, with a wider financial education, guidance, coaching and advice strategy that helps employees build confidence and knowledge. This will help support decision-making and building strong financial habits for the future.

Move from a collection of benefits to a strategy

Employers may have been reactive in their approach to financial wellbeing as employees have struggled with day-to-day money worries. Now there is an opportunity for reward and benefits professionals to take a forward-looking view and begin to bring together benefits into a more coherent and joined-up strategy.

Target support to different employee groups

Specific groups within the workforce, such as low-earners and parents/carers will have different financial wellbeing needs. Offer employees choices so that they can select benefits that are suitable for them, and listen to employee networks to understand more about the challenges employees are facing.

Link HR goals and financial wellbeing

Financial wellbeing has a key role to play in supporting HR goals, such as inclusivity and talent retention. Work with HR and DEI colleagues to make sure benefits offerings form part of wider strategies, and that data from financial wellbeing products is integrated into wider HR reporting.

About WEALTH at work

WEALTH at work is a leading financial wellbeing and retirement specialist – helping employees and pension scheme members to improve their financial future.

This is achieved by providing support in the workplace on a range of financial matters from financial wellbeing issues such as debt and money management, through to pensions and preparing for retirement.

We also specialise in delivering projects such as defined benefit scheme closures, redundancy, share plan launch and maturity and so much more.

Established in 2005, we provide financial education and one to one guidance on a bespoke basis which can be delivered globally. As part of the Wealth at Work group, we deliver these services for hundreds of organisations, reaching millions of the workforce.

Following this, for those wishing to understand their personal financial situation, support is provided through our helpline. At this point, we can offer access to investment advice which provides specific recommendations on, for example, retirement planning and can adapt in line with changing needs. We also offer other investment options for those with simpler investment requirements which can be arranged by setting up a Corporate ISA.

For more information, contact us at www.wealthatwork.co.uk or
T: 0800 234 6880

WEALTH at work

part of the Wealth at Work group

About the survey

The REBA Employee Financial Wellbeing Survey 2023 was carried out online between March and May 2023. Responses were received from 195 wellbeing, HR and employee benefits specialists working at organisations representing over 1.5 million employees.

Figure 6.1

Respondents by organisation size

We have no UK-based staff	1%
1-50 employees	2%
51-100 employees	5%
101-250 employees	5%
251-500 employees	9%
501-1,000 employees	11%
1,001-2,500 employees	30%
2,501-5,000 employees	12%
5,001-10,000 employees	12%
10,001-50,000 employees	10%
More than 50,000 employees	3%

Figure 6.2

Respondents by industry sector

Financial Services	14%
Professional Services	13%
IT, Technology & Telecommunications	11%
Public sector	11%
Not-for-profit sector	10%
Retail	9%
Manufacturing & Production	8%
Leisure, Travel & Hospitality	5%
Utilities & Energy	5%
Engineering & Construction	3%
Media & Entertainment	3%
Transport & Logistics	3%
Healthcare	3%
Education	2%
Pharmaceuticals & Biotech	2%
Other	1%

Reward & Employee Benefits Association

REBA is the only dedicated professional networking community for reward and benefits practitioners. We help members to pursue best practice, increase professionalism in the industry and prepare for upcoming changes.

Through supplier sourcing, knowledge sharing and networking, we support members in their challenges and triumphs in the reward and benefits sector.

Contact REBA about research

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Website: www.reba.global
LinkedIn: Reward & Employee Benefits Association

reba
Reward & Employee
Benefits Association

Full list of respondents

Acacium Group
ACCA
Accenture
ACCO Brands
Activity Alliance
Adobe
AECOM
Aegon
Aggregate Industries
Air Business
Alstom
AmTrust International
Anglian Water
Arch Capital
Ashurst
Aspris
Associated British Foods
ATS Euromaster
Avanade
AWE
Babcock International
Betfred
BlackRock
Blue Cross
Boyes Turner Services
BPAS
BPP
Brambles
Bromford Housing
Browne Jacobson
Brunning & Price
BT
Cadent
Camellia
Canal & River Trust
Caravan and Motorhome Club
Carnival UK
Cazoo
Certitude
CGI IT UK
Chargeurs Museum Studio
Chartered Institute of Building
Choco
Cielo Talent
Civil Nuclear Constabulary
Clarksons
Coram
Costa Coffee
Cox Automotive
Daily Mail and General Trust
Dana Petroleum
Deckers Brands
Dentsu
Diageo
Direct Line Group
dmg media
Dogs Trust
Dojo Tech
Draken Europe
Dunelm
easyJet
Education Dynamics
Electronic Arts
Envirovent
Epping Forest District Council
Equans
Ericsson
ERM
Etex
Expedia Group
Finsbury Food Group
First Choice Group
Fiserv
Fitch Group
Gartner
Global E&C
Glory Global Solutions
Government Internal Audit Agency
H&T Group
Halma
Hanson Wade
Harbour Energy
Hashicorp
Headlam
Helvar
Hilton Foods
HIT Training
Hogan Lovells
Huws Gray
Hyde Housing
IFCO Systems
IMC Pan Asia Alliance Pte
Immersive Labs
ING
IQVIA
James Hall & Co.
John Lewis Partnership
Kantar
KFC

Full list of respondents continued

Kigen
Kindred Group
Knight Frank
Kraft Heinz
Kyowa Kirin International
L&G
Leeds Building Society
Lewis Silkin
Liverpool John Moores University
LRQA
Lumeris Healthcare Outcomes
Macfarlanes
Maersk
Markerstudy
McDonald's
Meiyume Group
Metro Bank
Michael Page International
Molson Coors Beverage Company
Moody's
Munich Re
Nationwide
NHBC
NHS
NHS Business Services Authority
Norton Rose Fulbright
Nuveen
Ocado Group
ODEON Cinemas
Oil Company
Oxford University Hospitals
Palletways (UK)
Philip Morris
Prax
proAV
Progress Housing Group
Raytheon UK
Regatta
RELX
Reply
Rio Tinto
River and Mercantile
Royal Devon University Hospital NHS Foundation Trust
Samworth Brothers
Sciensus
Secure Trust Bank
SEE Reward
Severn Trent
Shaw Trust
Shell
Signature Senior Lifestyle
Simplyhealth
Sky
Skyscanner
Sony
Sopra Steria
Stink
Superdrug
T-Systems
T. Bailey Fund Services
Teach First
Ted Baker
TEKsystems
Teneo
Tesco
TfL
Thales
The Access Project
The Billington Group
The Boston Consulting Group
The Hyde Group
The Royal Orthopaedic Hospital NHS Trust
TJX Europe
Tony Blair Institute for Global Change
Travis Perkins
Trayport
UCB
Unite Students
United Utilities
University of the West of England
Vertex Pharmaceuticals
Vertical Aerospace
Virgin
Virgin Media O2
Visa
Vitality
Vodafone
Waystone
Wesleyan
Whitbread
Wickes
Wienerberger
Wolseley UK
Worley
Wyndham Hotels & Resorts
Yorkshire Water

www.reba.global

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www.wealthatwork.co.uk