

How can employers offer effective financial wellness programmes for the changing global workforce?

You will, no doubt, have heard a lot about changes in working practices and the impact the so-called “gig economy” is having on how businesses operate and how employee benefits and wellness strategies are delivered. You’ll also have read quite a bit about the growing concern over financial wellness and its potential effect on productivity.

While both employers and workers are looking to take advantage of the added flexibility short-term contracts or freelance work can offer, this growing trend could have a profound impact on the financial wellness of workers across the globe and an employer’s ability to monitor it.

Increasingly, many workers in the gig economy sit outside a traditional corporate benefits structure which includes healthcare and wellness programmes. Contracts often specifically exclude them from access to retirement schemes, sick pay and health insurance.

With little or no access to these benefits schemes, freelancers, contractors and other gig workers face an extra set of financial wellness challenges compared to full-time employees. As well as having the challenge of sourcing and funding their own benefits, they need to manage unpredictable cash flows and deal with the stress of having no safeguards, such as redundancy, if a contract is cancelled.

Given the correlation between financial difficulties, mental health and lack of productivity at work, employers are beginning to look after the financial wellbeing of their employees as they would their physical and mental health. As the gig economy continues to grow, should employers have a duty of care regarding the financial wellness of their contractors and freelancers as well, despite the fact they are not considered as employees in the traditional sense?

“...should employees have a duty of care regarding the financial wellness of their contractors and freelancers...?”

What is financial wellness?

Financial wellness does not simply refer to the income an employee receives. It is about how that employee manages the money available to them. The Consumer Financial Protection Bureau (CFPB) define financial wellbeing as:

“A state of being wherein you:

- have control over day-to-day, month-to-month finances
- have the capacity to absorb a financial shock
- are on track to meet your financial goals
- have the financial freedom to make the choices that allow you to enjoy life.”

The growth of the gig economy

The gig economy has become a catch-all term to describe everything from highly skilled specialists on short-term contracts to cycle couriers making home deliveries. Businesses are looking to freelancers and contractors to fill vital roles in their businesses, often allowing them to circumvent headcount restrictions.

And the move towards gig work only seems to be growing. A study² by financial software company Intuit predicted that, by 2020, 40% of workers will be independent contractors, while McKinsey's study into the gig economy³ found that one in six workers in traditional jobs would like to become primary independent earners.

But why is this shift taking place? The flexibility of breaking the "9-5" routine is a big draw for many workers who are looking to balance their work life around their personal life, take on short-term projects and undertake a greater variety of roles. Employers like the flexibility, too, as they can hire true specialists to undertake specific project-based roles, rather than having to shoehorn their full-time employees into these roles.

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The financial concerns of the gig economy

While workers may enjoy the added flexibility of their contract or freelance lifestyle, it doesn't come without potential financial problems.

Prudential Financials' report 'Gig Workers in America: Profiles, Mindsets and Financial Wellness'⁴ identified that erratic incomes, lower job security and fewer employer-provided benefits were issues associated with this employment trend. It found that only 16% of those working solely as independent contractors had access to employee-retirement plans.

Not only that, but Prudential revealed that many of these workers had no access to guidance regarding their money. 30% of millennials, 42% of Gen Xers and 35% of baby boomers working in the gig economy had no source of financial advice at all.

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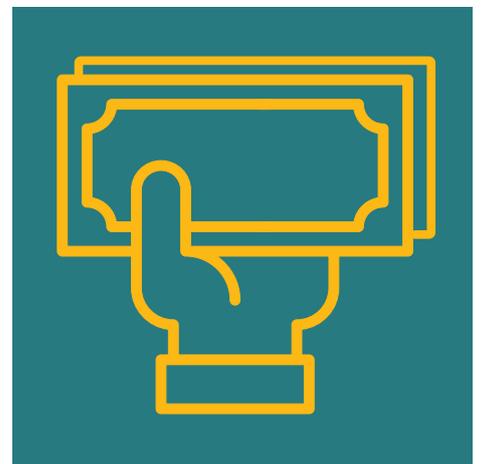
Also, gig workers often take a short-term approach to their finances, valuing potentially higher salaries over insured employee benefits and pensions plans.

While this may seemingly help create more disposable income, this short-term approach can be problematic in the long run. When people have financial pressures, they often reduce or cancel personal benefits contributions or payments for personal healthcare and insurance to help address immediate debt or cash flow issues, delaying their financial problems for later in life.

And with life expectancy increasing, the problem of reducing pensions savings can be extremely costly to the overall financial health of workers. Given most pensions schemes work on compound interest, taking even a small break could have a significant impact on long-term financial security.

The savings gap is a global issue, as research by the World Economic Forum⁵ analysing the six largest pension savings systems (US, UK, Japan, Netherlands, Canada and Australia)

alongside China and India (which have the world's largest populations) revealed a combined savings gap that is set to reach \$400 trillion by 2050, a sum five times the size of the current global economy.



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The case for financial wellness help for gig workers

According to the MetLife Employee Benefits Trend Study (EBTS) 2017⁶ 39% of people live payday to payday and 34% of people are distracted at work due to financial concerns – up from 14% in the 2015 edition of MetLife’s EBTS. There’s also the links to mental health to consider. Half of adults with debts problems also report at least one sign of poor mental health⁷.

These compelling statistics show just some of the dangers poor financial wellbeing could have on overall business productivity. And these problems could be intensified as employers look to move away from traditional full-time, permanent, working patterns.

By not looking after the financial wellness of contract and gig workers, employers could see higher contract turnover, as workers with financial issues may be more tempted to move on, even for small pay rises. With many contracts having short notice periods, maintaining business continuity can be a huge issue.

On top of the potential increase in turnover, the issue of productivity is just as important for gig workers as for permanent employees. When you combine that with the challenges of managing a mobile and contract or workforce, this additional distraction can impact productivity and disrupt business success. Therefore, it’s crucial that companies look after the financial wellness of all their employees – no matter how long they stay with the organisation.

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MetLife’s “four c’s” to build a financial wellbeing⁸ strategy

MetLife believes the “four C’s” should form the basis of any financial wellness strategy.

- **Control** – help employees establish good financial planning habits and encourage them to continuously revisit these.
- **Capacity** – promote building a savings pot to absorb a potential financial shock.
- **Confidence** – if employees have control and capacity, ultimately they build confidence and can begin to plan towards future savings goals.
- **Choices** – control, capacity and confidence empower individuals to have choices for their disposable income, giving them a better quality of life.

Practical solutions to financial wellness for gig workers

Given the growth of the gig economy and the documented impacts of poor financial wellness, here are some ideas to help employers implement a financial wellness strategy for their contract staff.

- **Flexible and subscription benefits** – with more workers looking to make the move towards gig working where they will sit outside traditional benefits offerings, employers can really differentiate themselves in the war for talent by offering insured and pension benefits to their gig workers. Efficient benefits enrolment platforms could be crucial for helping manage these benefits offerings for employee benefits professionals. 
- **Apps** – encourage the use of financial tools that use artificial intelligence (AI) with sophisticated algorithms to track patterns of spending behaviour. Some of these products offer direct interventions and advice on mobile devices for those that opt in. 

- **Automatic savings plans** – these automated plans, that withdraw money directly from a payslip, can have a big impact as often employees don’t mentally account that money as part of their monthly pay. Encouraging the take-up of these programmes, as well as apps to automate saving, can help dramatically improve financial wellness. 
- **Mobile education** – providing mobile-friendly, bite-sized educational content helps gig workers gain financial wisdom quickly. For those who may be on the move, or based outside of the traditional work environment, these mobile-friendly services are particularly valuable. 

Summary

The rise of the gig economy and increasingly contractor-led employment model makes the three steps to financial wellness – living within a budget, saving for important goals, protecting against financial risk – a significant challenge.

The development of flexible benefits packages for contractors lags behind traditional corporate models, but the rise of flexible benefits and management platforms may offer an answer for multinationals to effectively manage the benefits of their contract workforce.

Uber's recent introduction of sick pay, maternity pay and other benefits for European workers highlights that employers are realising the need to explore financial safety nets for gig workers.

This area of the employee benefits market is set for rapid evolution to meet a demand that is ready for exploration. We all need to keep up!



¹ https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf (date accessed 28/12/18)

² <https://www.personneltoday.com/hr/employee-benefits-gig-workers-engagement/> (Date accessed 13.12.18)

³ McKinsey & Co, 'Independent work: Choice, necessity, and the gig economy', October 2016

⁴ http://research.prudential.com/documents/rp/Gig_Economy_Whitepaper.pdf (Date accessed 13.12.18)

⁵ <https://www.weforum.org/press/2017/05/global-pension-timebomb-funding-gap-set-to-dwarf-world-gdp/> (Date accessed 13.12.18)

⁶ <https://www.metlife.co.uk/EBTS2017/> (Date accessed 17.12.18)

⁷ Money and Mental Health Foundation <http://www.moneyandmentalhealth.org/wp-content/uploads/2017/06/Money-and-mental-health-the-facts-1.pdf> (Date accessed 2/1/19)

⁸ [Metlife.co.uk/worksmart](https://www.metlife.co.uk/worksmart) (Date accessed 13.12.18)

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