July 2017

viewpoint

Do we understand the importance of financial wellness?

Looking at the new indicator of employee engagement and productivity

When you survey an average group of workers about what keeps them awake at night, you'll find that financial concerns regularly top the list of issues that cause people to feel stressed. And as we know, the impact of this stress on employees at work can be severe, with distraction and lost productivity just two of the side effects of money worries.

The fact that the global population is predicted to live longer is only adding to those financial concerns. Workers approaching retirement, in particular, face difficult decisions about whether they will outlive their retirement funds and what they can do about it – right now.

For younger employees, the questions are around how much later they will need to work to build up an adequately comfortable pension, meet the inevitably rising costs of a longer old age and save for this while the cost of living is high.

Evidence from MetLife's Employee Benefit Trends Study in markets such as Australia and the United Kingdom (UK) suggests that less than 30% of employees are very confident in their ability to make financial decisions about their retirement plans.

Those who are stressed at work by financial concerns are more likely to report health issues, miss work and be distracted by their financial situation while at work.

'Personal finance is not only the leading cause of stress but also requires time to sort things out when they go wrong.'

"Financial stressors are not only negatively impacting employees, but are costing employers. Stressed employees are found to be less productive, take time off from work to deal with their finances, and are more likely to cite health issues caused by financial stress. These findings are concerning and potentially significant for companies looking to evaluate the return on investment of a financial wellness programme." [1]

Kent E. Allison, Partner & National Practice Leader for PwC's employee financial education

The World Health Organisation has called stress the "health epidemic of the 21st Century" and it's estimated that it costs US businesses up to $300 billion a year through lost productivity and absence. Personal finance is not only the leading cause of stress but also requires time to sort things out when they go wrong.

Just as more employers see the value of providing employee health and stress management programmes, so a growing number of employers are investigating the possibility of setting out financial wellness programmes for staff, programmes that aim to prevent the problem arising in the first place.

And it's a problem that could really benefit from prevention rather than cure. Financial worries are very real concerns for a large proportion of the global workforce. MetLife's EBTS in the UK asked employees: "How concerned are you about the following financial issues at this time?"? The respondents ranked them as follows:

1. job security
2. having financial security for their family in the event of their premature death
3. financial security for their family if a principal income earner isn't able to work due to disability or serious illness
4. having too much credit card debt
5. affordability of their children's education.

PwC's Financial Wellness Survey further makes the point that younger generations in countries such as the US and UK may need specific help with their ability to pay back student loans. Its research found that 81% of Millennials and Gen X employees with significant student loan debts were stressed about their finances compared to 45% who did not have this extra burden.

As stated in MetLife's EBTS conducted across several markets, an effective financial wellness programme can help employers:

- bolster productivity because employees aren't distracted by financial worries
- drive more predictable workforce flow throughout the organisation
- increase employee engagement and retention
- create more affordable retirement options for all employees and enable career advancement opportunities for younger employees.

So, where do organisations that do not have a financial wellness programme in place already, begin? In its report entitled The Emerging Practice of Financial Wellness[4], MetLife outlines a useful three step approach based on Education, Assessment and Enablement.

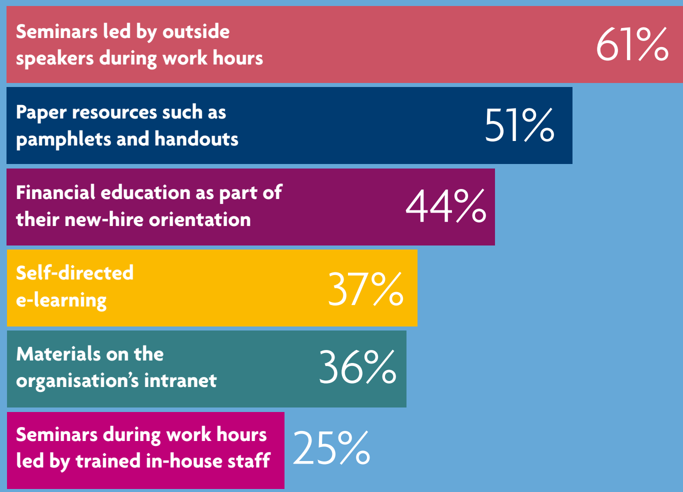
1. Education

The report suggests that employers first address the global financial education gap, but take full account of regional, gender and cultural variations.

It particularly recommends targeting women with financial education programmes, since OECD research[5] indicates that in 63% of countries around the world, men are more likely than women to achieve the minimum target score when asked questions related to financial knowledge.

Having decided which type of advice to offer which employee group, it pays to consider which delivery channels to use. MetLife cites a report from the Society for Human Resource Management[6] which outlines the most common channels for financial wellness schemes.

Common channels for financial wellness schemes

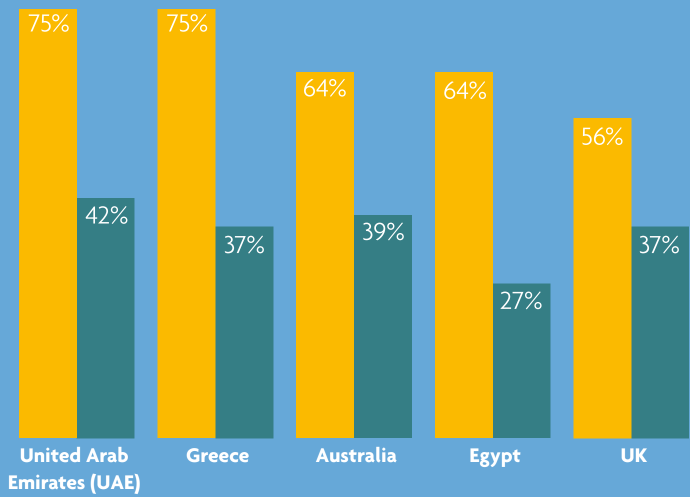


2. Assessment

Coupled with education, the next step involves helping employees to work out an accurate picture of their own financial health. As part of this, employers can provide tools to help map out future financial needs and help to reduce uncertainty. A key example of where this would help would be in retirement planning, which MetLife's EBTS often find to be severely lacking.

% of people planning to retire at 65 or before

% of people whose retirement savings are NOT on track to do so



3. Enablement

The third step, Enablement, involves providing customisable benefits to employees as part of an overall benefits programme, integrated with health and fitness and Employee Assistant Programmes (EAPs).

Corporate wellness programmes need to increasingly include a wider range of advice, financial help and support for modern day issues, such as employees who need to care for both children and their ageing parents in the form of extra leave or holidays.

As well as providing tools and content, employers who want to make the most of their financial or integrated wellness programmes will need a reporting function that tells them:

- how many people are engaging with the programme
- what content is the most popular
- where people are reading content (mobile device, remote laptop etc.)
- what actions people are taking as a result of the wellness programme
- what is most helpful to different employee groups.

This analysis will help employers develop their future programmes so that they are as useful and effective as possible. The goal is to change thinking and behaviours for the better for the long-term benefit of both the employee and the organisation. Simply putting on a programme of talks and providing a set of leaflets may help, but are unlikely to have the long-lasting impact that is needed.

A note of caution however ...

While this type of financial wellness support will no doubt be both welcome and beneficial, employers must always remember that their staff members' privacy needs to be safeguarded at all times. New data protection legislation arriving in the shape of the General Data Protection Regulations (GDPR) in Europe in May 2018 makes this an even greater consideration.

A careful balance must also be struck between being a helpful source of advice and help and being seen as interfering too much in employees' private financial matters.

There are already some commentators who criticise health and wellness programmes for being discriminatory and personally intrusive: could the natural conclusion of a poorly managed financial wellness programme be that individuals are 'marked down' for being poor managers of their own personal finances? Could their careers suffer because of it?

Overall and on balance, however, the reasons for having financial wellness programmes in place are wholly positive, from attracting people to want to work for you to addressing the stress epidemic and the productivity gap.

For all of these reasons, we can expect more organisations to adopt financial wellness programmes as part of their overall employee engagement strategies in the years ahead. The key to their success will be ensuring that programmes are targeted, flexible, appropriate, measurable and well-communicated. Improved levels of employee engagement and productivity will be the outputs to calculate and monitor.

Unless otherwise noted, data and statistics are sourced from the MetLife's Employee Benefit Trends Study developed in Australia (2017), Egypt (2015), Greece (2017), UAE (2014), and the UK (2017).

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4. MetLife, The Emerging Practice of Financial Wellness, 2017
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5. OECD research, 2013
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6. Society for Human Resource Management
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