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How employers are helping employees with the cost of living

The current cost-of-living crisis is having an effect on many employees' personal finances, from a short-term ability to afford basic needs to long-term planning, so HR may need to reconsider the focus of existing financial wellbeing support or introduce a new strategy to support the workforce.

We look at some of the different ways that employers can assist their employees and provide examples of current practices.

The role of employers in financial wellbeing

Financial wellbeing is closely linked to other aspects of employee health, and mental wellbeing in particular - a reduction or elimination of money worries can lead to an accompanying improvement in mental wellbeing.

While good financial wellbeing may not be a business goal in itself, the effects it can have, including improved productivity and business growth, almost certainly will be on any board agenda. The key business goals that can be affected by financial wellbeing include the following:

- **Staff retention.** If staff are struggling financially and feel they are not receiving appropriate support, they may seek to move to another organisation. In sectors facing skills shortages and fierce competition for talent, this can hamper business growth.
- **Staff recruitment.** Offering a high-quality wellbeing strategy that includes financial wellbeing can be a good way of attracting new recruits. It demonstrates commitment to the workforce and to helping individuals perform at their best.
- **Absence.** Employees with financial problems often take time out of work to deal with them. Money worries can also take a significant toll on employees' wider mental wellbeing, leading to anxiety and even depression, and potentially absence from work.
- **Productivity.** If staff are worrying about money matters or taking time out of their working day to deal with them, this can put a serious dent in their productivity. Similarly, if they are struggling to sleep or are not eating well as a result of financial pressures, this may also mean they are unable to do their best work.
- **Workforce planning.** As well as improving overall staff retention, taking steps to improve financial wellbeing can help with workforce planning. In particular, helping employees plan for retirement can result in a clearer picture of when they might leave the workforce.

Developing a financial wellbeing strategy

A workplace strategy that blends appropriate products, financial education, guidance and advice, good communications and some "nudging" to guide employees in the right direction can help employees to take control of their money and become more confident in their financial decision-making.

The major building blocks of financial wellbeing are:

- fair pay;
- budgeting and planning;
- making pay go further;
- debt management;
- building a financial safety net;
- savings and investments;
- property;
- retirement planning; and
- future-proofing.

Helping those most in need

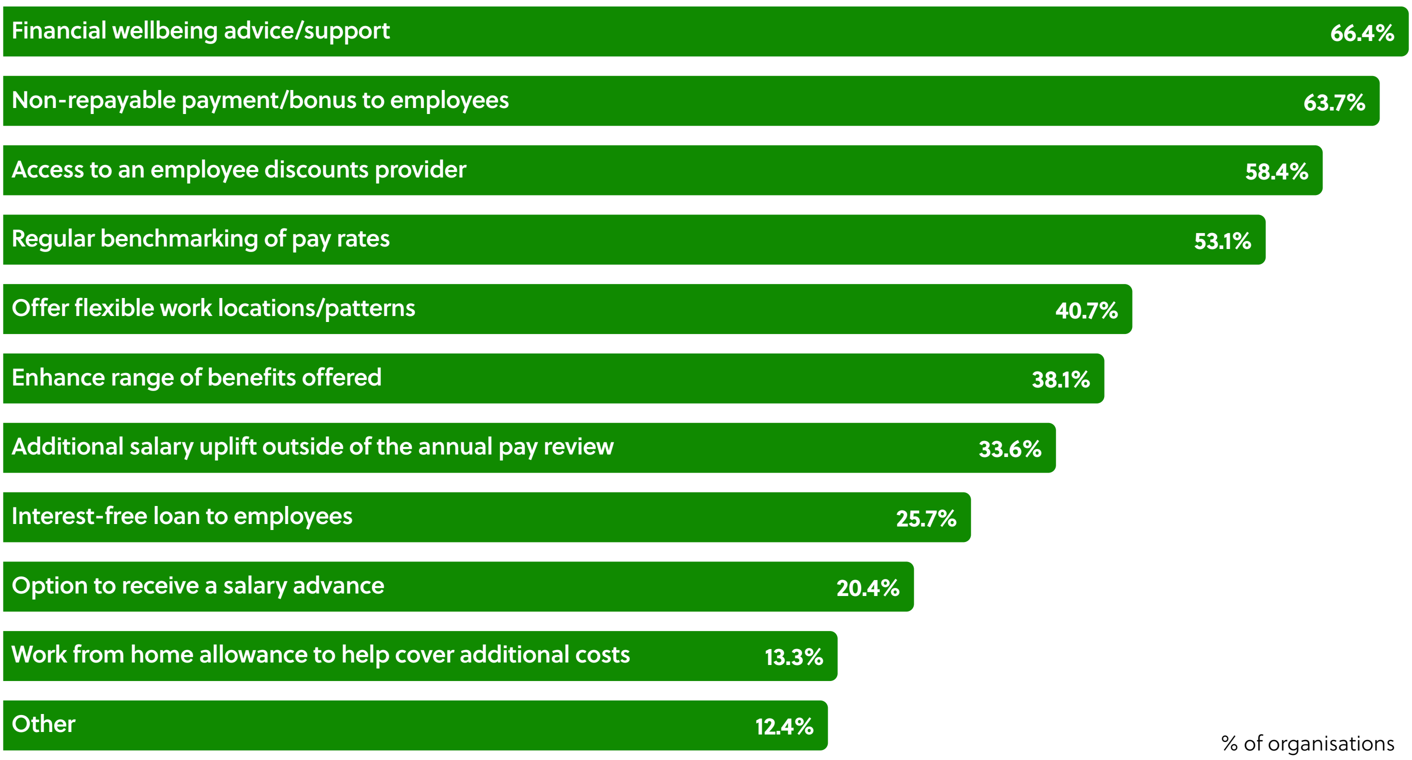
Building a long-term financial wellbeing strategy should enable the whole workforce to benefit over time - but some employees will be in need of more immediate help, particularly in the current high-inflation environment. If an employee says that they are in financial difficulty today, how can the organisation help?

- **Don't judge.** In-work poverty is at an all-time high. According to the Joseph Rowntree Foundation, two-thirds of children in poverty live in a working family. Many families struggle to make ends meet each month and find it hard to avoid getting into financial difficulties. It can also take a lot of bravery to admit to having financial struggles, particularly for employees who are on a relatively high salary. It is important for the organisation to be impartial and offer objective support.
- **Offer practical help.** Offering low-cost loans and debt consolidation schemes through the workplace can help employees reduce their immediate debt-related outgoings and keep them away from high-cost lenders such as payday loan providers. Even the interest on more reputable forms of short-term debt, such as credit cards, can quickly spiral out of control, so helping employees simplify their borrowing can be a positive first step.
- **Be flexible with time.** This might mean, for example, enabling employees to visit their bank during working hours or to work from home to reduce travel costs, or being flexible around childcare arrangements.
- **Ask sensitive questions.** There may be a particular set of circumstances behind an employee's financial problems, for example they may be going through a divorce or having to balance caring responsibilities with work, or they may have a mental health issue that is affecting their spending patterns. Finding out more about the employee's circumstances can be the first step towards offering realistic, sustainable support.
- **Back up benefits with future planning.** As well as helping employees resolve current financial problems, it is important to help them build resilience for the future. This might include providing support with budgeting, reducing day-to-day living costs and avoiding high-cost forms of debt.

Current practices

While pay award levels have risen over the past year – and are expected to continue doing so – many organisations are tackling the cost-of-living crisis in other ways too. Around one-third (35%) of organisations recently surveyed by XpertHR said that they had in place, or are actively planning, additional measures to support employees – see chart for examples. A further 45.8% are currently reviewing options (the remainder are not doing anything at this stage).

Measures in place or being actively planned to help employees with the cost of living



The reasons for helping employees at present range from "to aid increase in fuel prices" to "support the increase in home energy bills" and "supporting employees in terms of getting cash into their pockets as quickly as possible, balanced with access to financial wellbeing". Details of the actions taken include the following:

- **Lump sum payments** – amounts of £500, £750 and £1,000 were cited by several organisations; some of these were limited to the lowest paid employees, with salaries of £35,000 and £40,000 being given as the cut-off point. One organisation paid £600 to employees but increased this to £1,200 for those with an annual salary of less than £25,000.
- **Bringing forward the pay review** – one organisation is already considering moving its March 2023 pay review to January 2023, while another says it is bringing forward its next pay review from January 2023 to October 2022.
- **Financial planning help** – one organisation offers access to "a free financial planning session with an independent provider", while others give access to a financial coach and have increased the documentation and signposting to the financial wellbeing support that is available, including to employee benefits that they can access (such as employee discount schemes).
- **Addressing market pay rates** – a number of organisations have conducted a pay benchmarking exercise and made one-off salary increases as a result, outside of the regular annual pay review.