SHIFTING SANDS: EMPLOYER RESPONSIBILITY DURING THE COST OF LIVING CRISIS

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We believe everyone should have access to secure, rewarding and high-quality work. By engaging directly with workers, employers, policymakers and leading academics, we deliver rigorous applied research to tackle structural inequalities in the labour market and improve working lives across the UK.

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EXECUTIVE SUMMARY

We are living through an unparalleled and enduring crisis in living standards. With inflation outpacing pay increases, workers are materially worse off than a year ago. In response, the Government has launched a large package of support with household energy bills. However, many workers are still struggling with their finances and we are currently experiencing the largest scale industrial action since the winter of discontent in 1978-79.

In this context, what it means to be a progressive and supportive employer is changing. Based on mixed-methods research, this briefing examines how the cost of living crisis is shaping the way employers approach financial wellbeing at work, analysing support available for workers and outlining practical steps to improve it beyond periods of crisis.

As a society, our views on employer responsibilities are evolving

There have been sweeping changes to the nature of work in recent years. Not least among these are shifts within the employer-employee relationship. The Covid-19 pandemic spurred employers to adopt a more proactive approach to workforce wellbeing. While there will continue to be variation in expectations between employment relations that are transactional and those that are deeper, there now exists the opportunity for employers to accelerate attention on the importance of financial wellbeing at work.

Staff wellbeing is a priority for many employers during the cost of living crisis but support has often been responsive, ad-hoc and short-term

Nearly seven in ten senior business leaders (66%) agree employers have a substantial role to play in supporting their staff through the rising cost of living. But there is a gap between what senior leaders feel they should do to support their workers and the actions organisations have taken in response to the crisis. While the majority think they have a role to play, only two in five employers we surveyed (40%) introduced new support since the start of 2022.

Organisation size influences the likelihood of taking action, with larger organisations more likely to provide support to mitigate the impact of rising costs on workers.

Security, predictability and flexibility are all crucial in supporting financial wellbeing. Protecting pay against inflation is a priority for workers. One in five employers (18.2%) gave above standard incremental increases in pay. The most commonly provided forms of additional support were one-off bonus/cost of living support payment (17.7%) and reviewing or extending benefits packages (11.8%).

Worker expectations vary with the nature of their employment relationship

Workers in lower paid and less secure forms of employment may be less aware of, or exposed to, broader support mechanisms that will be in place in other organisations. Therefore, they can hold a more transactional relationship with their employer - where they mainly expect a pay rise or one-off bonuses. Whereas, workers in secure forms of employment are more used to having a more established relationship with their employers where they might have received training, compensations and additional benefits before and during the cost of living crisis. While their priority could be a pay rise, when asked, they were more likely to consider broader forms of support from their employers.

Engagement is key to ensuring measures are valued by staff and avoid negative unintended consequences

Involving workers in decision making is pivotal in ensuring workers can raise their priorities and concerns, and where possible, organisations can tailor support to meet them. Our research found that limited communication about plans to offer support or the types of support available created a barrier to effective engagement among some workers. Engagement with workers could involve holding consultations, engaging with unions or conducting anonymous surveys to learn more about workers' needs and baseline level of financial wellbeing, and preferences for different forms of support. It should be an ongoing dialogue, not a one-off, with workers invited to provide feedback and input throughout the development of a financial wellbeing strategy.

While a one-off bonus or cost of living payment may provide vital support for many workers, it can also have unintended consequences for individuals on lower incomes who receive Universal Credit or Tax Credits, causing a reduction or pause in essential social security payments.

Stigma is preventing workers from seeking financial wellbeing support at work

Some workers fear that they might be seen or treated differently by colleagues for discussing their financial wellbeing at work, and therefore are less likely to ask for support. This can result in low financial wellbeing going unaddressed.

This is particularly worrying as the impact of cost of living crisis has not been felt equally. Those from low income households, disabled people, Black and ethnic minority workers and renters are more severely impacted by rising costs.

Workers were concerned that their managers or senior leaders were not equipped with the information or expertise to support their financial wellbeing. Consultation and deep engagement around financial wellbeing is important and should be approached on the basis that distinct groups of workers will require different forms of support.

RECOMMENDATIONS

There is a clear role for both the Government and employers to address financial wellbeing at work. The Government needs to find ways to reduce economic volatility and give clarity on what will come next in terms of support. Employers need to embed financial wellbeing into their workforce strategy through adopting a range of steps. Through adopting a sustained and collaborative approach – that builds on direct engagement with workers – employers will be able to provide the support needed through and beyond the cost of living crisis.

1. The UK Government should strengthen employment rights to ensure everyone has access to secure and high-quality work
2. Senior leaders should review their employment contracts and prioritise increasing job security
3. Employers should develop a strategic approach to financial wellbeing and embed it into their organisation's overall approach to health and wellbeing
4. Employers should consult with workers and shape financial wellbeing strategies to provide as much certainty about the future as possible
5. Employers should build a strong evidence base to understand the needs of their workforce and monitor the impact of financial wellbeing support
6. Employers should cultivate an inclusive culture around financial wellbeing within their organisations.

1. INTRODUCTION

We are living through an unparalleled and enduring crisis in living standards. With UK inflation hitting a 41-year high of 11.1% in October 2022, wages are failing to keep up with spiralling prices and are on average 2.6% lower than a year ago.[1] Even among those who have received a pay rise over recent months, a decade of limited wage growth combined with this sharp increase in prices mean that the majority have seen their pay fall in real terms. This challenging economic outlook has catalysed large scale industrial action, with frontline public sector workers including nurses, paramedics and teachers striking in demand of better pay and improved working conditions.

The Government has stepped in to mitigate the impacts of this crisis by subsidising energy bills and channelling additional support through the social security system, but many households are still struggling. As of February 2023, inflation is still in double digits. The Bank of England has forecast that it will fall sharply from the middle of the year but will remain above their 2% target until the end of 2024, and the Resolution Foundation estimates that median household incomes will fall by 3% in 2022-23 and 4% in 2023-24.[2]

Against this backdrop, this briefing explores the role employers should play in supporting their workers through and beyond the cost of living crisis.

High inflation is harming UK employers and limiting bandwidth for support

The record inflation rate reached in 2022 has also significantly impacted organisations, with energy intensive sectors, such as manufacturing, hospitality and construction, facing acute challenges. The number of registered insolvencies in December 2022 was 32% higher than in the same month the previous year and 76% higher than before the pandemic.[3]

Public sector employers are also facing tight constraints, with departmental budgets not increasing in line with inflation at a time when public services are under acute pressure. While rising inflation has spurred pay growth of 7.3% in the private sector over recent months, in the public sector this has been much lower at 4.2%.[4]

Across the board, it is the sectors where insecure and lower paid work is more prevalent, and workers are most likely to be at the sharp end of the cost of living crisis where employers too are limited in their capacity to offer support.

This underscores the crucial role of Government support for employers through this period of economic uncertainty. In this context, it will be a concern that support is reducing this spring with the Energy Bill Relief Scheme[5] being replaced at the end of March 2023 by the less generous Energy Bills Discount Scheme.[6] Government should consider the potential impact of a sudden reduction in support.

Rising inflation is already impacting workers and their families

The recent inflation rise has also placed tremendous strain on household finances, with those on low incomes (who spend a higher proportion of their wages on food and energy costs) facing heightened financial vulnerability:[7]

- According to the Money and Pensions Service, 11.5 million people in the UK have less than £100 in savings to fall back on.[8]
- In January 2023, Citizens Advice found that a greater number of people were unable to afford to top up their prepayment meter than for the previous 10 years combined.[9]
- ONS data shows that half of adults in Great Britain are worried about keeping warm this winter.[10]

While rising living costs will affect most of us to some extent, their impact has not been equally felt.[11] Data from the Office for National Statistics (ONS) indicates that low income households, disabled people, Black and ethnic minority workers and renters are more severely affected than others.

Figure 1: The impact of rising costs on different worker groups*

Low income households are particularly affected by rising prices. Households with the lowest incomes experienced a higher than average inflation rate in October 2022, while high income households experienced lower than average inflation.

Disabled people are more likely to find it difficult to afford their energy bills than non-disabled people. According to research conducted by the University of Bristol, nearly half of the households where a member is disabled (48%) have struggled to keep their home warm and comfortable this year, compared to 30% of non-disabled households.[12] This might be due to the fact that, on average, disabled people are more likely use more energy than non-disabled people[13] and earn less money.[14]

Black and minority ethnic workers are also affected more than White workers. Four in ten (44%) White adults reported finding it difficult to afford their energy bills, compared with around two thirds (69%) of Black or Black British adults and around six in ten (59%) Asian or Asian British adults. Black and ethnic minority workers on average earn less than White workers which might explain this.[15]

Housing tenure is another important indicator of the effects of inflation. Around six in ten (60%) renters reported finding it difficult to afford their energy bills compared to around four in ten (39%) renters. This may be due to factors such as poor quality, uninsulated housing, as well as renters on average being on lower incomes than home owners.

Despite barriers, the case for action on financial wellbeing is clear

While Government has stepped in to help households meet rising energy costs, employers have a role to play in supporting the financial wellbeing of their workforce as well alongside the responsibilities individuals hold for their financial decisions.

Employers have a duty of care for their workers, and there is a compelling business case for supporting financial wellbeing. In 2021, 2.5 million workers (approximately 8% of the working population) took time off due to financial wellbeing problems, according to analysis from CEBR.[16] The links between financial wellbeing and mental health are well established and action taken to support mental wellbeing must be approached with this in mind.[17] With skills and labour shortages affecting large parts of the economy, a comprehensive financial wellbeing strategy could form an integral role in attraction and retention.

Many high-profile organisations have already announced cost of living payments and other additional resources to support their staff. However, as we enter a second year of double-digit inflation, there is a need to shift to a longer term, more comprehensive view of protecting and supporting worker wellbeing.

What do we mean by financial wellbeing?

Financial wellbeing is driven by a range of factors beyond the amount of money an individual has. It is also about how we feel about our finances – whether we are satisfied with them or worry about them – and how we manage economic aspects of our lives.

CIPD sets out a helpful definition that highlights the diversity of factors that can influence financial wellbeing.[18] These are objective and subjective financial status, attitudes and knowledge, and financial behaviour.

* All data is from the Office for National Statistics unless otherwise specified.

2. SUPPORTING FINANCIAL WELLBEING AT WORK

Over recent decades, we have seen an increasing employer focus on health and wellbeing at work, including a growing awareness of financial wellbeing, with investment in employee assistance programmes, financial guidance and education and other rewards and benefits. Organisations who invest in staff wellbeing see tangible benefits, including higher morale and engagement, as well as an increase in productivity and a more inclusive workplace.[19]

Despite this, only one in ten (11%) employers have a financial wellbeing strategy.[20] Research has found that less than half of organisations operate with a formal, comprehensive wellbeing strategy and 70% of employers do not have a designated budget for health and wellbeing, which shows that many organisations are yet to act.[21]

There are a number of steps that employers can take to support the financial wellbeing of their staff. These range from increasing wages to facilitating progression through investing in training and development, and from using the benefits package to drive down living costs with childcare or travel support, as well as referring to financial advice and coaching that fosters behavioural change.

The Covid-19 pandemic has spurred employers to adopt a more proactive approach to staff wellbeing.[22] According to a survey conducted by CIPD, 95% of employers said the Covid-19 pandemic had enhanced their need to make people feel more protected, and a third (33%) of employers increased their budget for wellbeing benefits as a result of the pandemic.[23]

As the country enters the second year of record inflation, we are at another turning point. Like the pandemic, the cost of living squeeze will be an enduring crisis which will require a shift in approach for employers from providing short-term to long-term support.

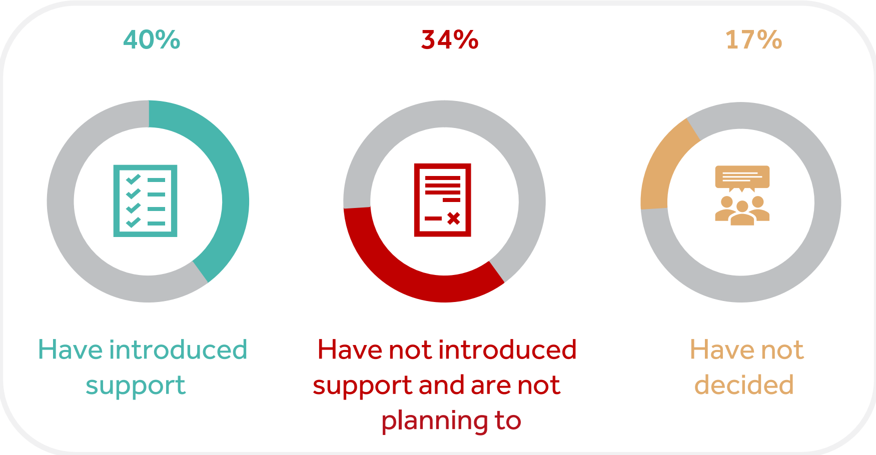
What steps have employers taken in response to the rising cost of living?

The cost of living crisis is changing how employers perceive their responsibility for staff wellbeing, shifting beyond the confines of the workplace, to encompass broader aspects of their wellbeing. Two thirds of the businesses we surveyed for this research (66%) agreed employers have a substantial role to play in supporting their staff through the rising cost of living. Wider research also suggests this shift is mirrored in workers' views of employer responsibilities, with 83% of employees surveyed by Blackhawk Network agreeing that workplace benefits play an important role in helping to balance finances as the cost of living continues to rise.[24]

While there is a shift in the way senior leaders see their responsibilities, we found that there is a gap between what senior leaders think they should do and the actions their organisations have taken in response to the recent rise in inflation. While two in five employers (40%) said they have introduced new support since the start of 2022, half of employers (51%) did not offer any support with the rising cost of living. This might be due to rising production and operation costs for many businesses: our survey found that 41% of businesses stated that production costs have increased due to the cost of living crisis, and a similar proportion (42%) reported they feel pay increases are harder to implement due to high inflation. This was markedly higher in sectors most affected by rising costs, such as hospitality and leisure (51%).

As we shift beyond the immediate response to high inflation, many employers are now considering longer term offers of support. A tenth (11%) of employers said that while they have not introduced new measures yet, they are considering doing so in the near future.

Figure 2: The proportion of employers who said they have or have not introduced financial wellbeing support since the start of 2022



Source: Work Foundation survey of senior decision-makers across GB (December 2022) (N= 1,009). Nine per cent of respondents stated 'don't know'.

Larger organisations (49%) are more likely to have already introduced support to meet higher living costs, but all employers can make a difference. According to the ONS Business Insights and Impact on the UK Economy Survey (BICS), from July to August 2022, approximately 5% of businesses with 250 or more employees provided a one-off cost of living payment. This compares with 1% of businesses with fewer than 250 employees.[25] This finding was also mirrored in this research. More than a quarter (27%) of large employers had introduced support since the start of 2022 and were also considering introducing further support in the near future, compared to 22% of small and medium-sized businesses.

While larger businesses may have bigger budgets and the existing infrastructure to facilitate faster responses to the cost of living crisis, small and medium-sized enterprises (SMEs) need to play a role too. SMEs account for 99.9% of all businesses in the UK.[26] If offering a pay rise is too costly or challenging in the context of the uncertain economic environment, employers can signpost to external resources to provide financial advice, increase flexible working and target support through their rewards and benefits package informed by consultation with workers. An employer guide accompanies this briefing which outlines a range of ideas for managers.

Where employers are looking to boost incomes, one-off payments can result in unintended consequences

Among employers we surveyed who had introduced some form of support in 2022, nearly half (45%) gave above standard incremental increases in pay. This is encouraging to see given that when asked about their preferred form of financial support workers told us that a pay rise in line with inflation was a key priority.

However, it remains the case that more than half of businesses (51%) did not increase staff pay or offer any support.

Providing a one-off bonus/cost of living support payment was the second most common form of support introduced by businesses we surveyed. Just under half of employers (44%) who had introduced support in 2022 opted for this approach. Companies award bonuses for many reasons – as a way to motivate employees for their work or as seasonal gifts. Some employers also introduced a one-off payment last year as a rapid response to the sharp increases in fuel and energy prices.

Figure 3: Types of financial wellbeing support introduced by employers

Above standard incremental increases in pay	18.2%
One-off bonus/cost of living support payment	17.7%
Reviewing or extending benefits package	11.8%
Facilitating choice and flexibility on working patterns and benefits	10.1%
Signposting to external support such as Citizens Advice or financial education/ advice	6.6%
Offering overtime	6.0%
Allowing staff to sell annual leave days back to the employer	5.6%
Increased transparency on pay	5.3%

Source: Work Foundation survey of senior decision-makers across GB (December 2022) (n= 1,009), respondents could choose multiple answers

A one-off bonus can be a more flexible, lower cost option for employers than permanent pay increases, and with many organisations facing real challenges with rising operating costs, they may be more straightforward to implement.

Some of the people most affected by rising living costs are households on low incomes whose salaries are topped up by Universal Credit or Tax Credits (approximately 2.3 million people are on Universal Credit and in work).[27]

Universal Credit payments are based on a monthly assessment of income, meaning that each month payments can go up or down to reflect fluctuations in household earnings. This highly responsive approach can cause real challenges for some households. For example, if someone receives a cost of living payment, their Universal Credit payment will be reduced the following month by the same amount.[†] This can negate any true benefits from a one-off payment, leaving the worker in the same position as they started, and potentially facing considerable uncertainty while waiting to find out how much money they will have the following month. One way to overcome this challenge is to offer gift vouchers in lieu of cash payments.[28]

The responsive payments within Universal Credit can also mean that workers are disincentivised from taking on ad hoc overtime shifts to increase their earnings during the cost of living crisis. For every additional hour worked, financial support in Universal Credit is reduced, meaning that someone working part-time would need to increase their working hours quite substantially in order to be better off. In order to retain a worker who receives Universal Credit, a permanent,

[†] The amount of money that people in receipt of Universal Credit receive is partly based on their earnings, and worked out in relation to the taper rate and the Work Allowance Threshold. As a claimant earns more money at work, the amount they receive from Universal Credit reduces. For low wage employees in receipt of Universal Credit, a one-off lump sum could impact their benefits payments in the months following the payment of a one-off bonus, and potentially leave them worse off than they otherwise would have been.

predictable increase in pay and hours will be more effective than introducing sporadic extra shifts. Training and development could offer pathways for progression will help to deliver this. But to help these workers navigate how changes to their working hours could impact on their Universal Credit claim, workers should be signposted to tools that can calculate different scenarios – such as the Better Off calculator. One worker interviewed for this project explained that he had been put off asking for overtime after he saw a sharp reduction in Universal Credit support:

> **"I was doing overtime at the start of summer. And then it started to affect my Universal Credit. And because I'm working they do take my earnings into account. So, when I was doing one additional shift, they were pretty much taking like three quarters of my child tax credit. This is a big financial hit because they were taking nearly £600. So that is a big financial hole."**
>
> 38-YEAR-OLD MAN IN THE NORTH WEST, WORKING IN THE SERVICE SECTOR

Employers can shape and develop a benefits package that drives down living costs

Within any workforce, there will be a wide range of needs and preferences for financial support driven by differing personal circumstances. Too often, financial support packages, and particularly employee assistance programmes, are poorly targeted and underused.[29] It is therefore crucial that employers tailor their support to meet individual needs.

For some workers, retail discounts and membership schemes will provide cheaper access to critical products and services they need. Other benefit options such as the possibility to sell back unused annual leave can also allow workers to meet living costs. A well-designed package, shaped directly by workers, could make a valuable difference.

Previous research by the Work Foundation and the Joseph Rowntree Foundation highlighted the crucial role of consultation in shaping the development and delivery of fringe benefits. The study showed that lower earners attach greater value to the benefits that mitigate their highest living costs such as food, leisure, travel, childcare and utilities.[30]

Individuals we interviewed who were on low incomes particularly appreciated and saw a need for support to meet the costs of food or transport. Reflecting on the support that her employer had introduced, including a hardship fund, one interviewee suggested that they preferred that staff received direct support to meet food or fuel costs which does not require that staff apply for support: 'Why not give us just a £50 or £75 bonus to help with the cost of food or fuel'. The importance of help to cover these essentials is perhaps unsurprising, given that prices soared, at 17% for food and 7% for transport, in the 12 months to December 2022.[31]

Financial advice is perceived as a useful but secondary measure

While direct support to raise incomes and improve their predictability was the priority for workers, some interviewees did feel that there was also a role for employers to play in offering or signposting to advice and guidance on financial issues. For example, providing information on pensions, debt consolidation and claiming tax rebates on utility bills when working from home, was seen as particularly helpful. Some interviewees underlined the importance of information on finances being provided confidentially, outside of the view of their colleagues. These reflections indicate that workers might make use of financial advice at work, if it were provided in a way that allows them to find out the specific information they need in a discreet way.

Case Study One: Worker

Abby is a 31-year-old single mother based in the Midlands

Abby works full-time as a team manager for a private health insurance company and has been with her employer for five years. Much of her time is taken up looking after her two-year-old son.

> **"I think I just fit in the culture, the way they work, the business and everything like that. It's about whether you feel like you're adding to the value of the company and feeling like you belong."**

She feels very happy with her organisation, and the combination of a competitive salary and benefits package have been key to that. She made use of the Employee Assistance programme to access free financial advice while going through a divorce.

Every year she receives a bonus based on her performance, which helps her quite a lot, and she is expecting another bonus this year. Yet she is still feeling the impact of rising inflation. So far, she has not received a pay rise and can see her pay eroding with the rise in costs. While she had been providing financial support to a family member, this no longer feels possible. For the first time in a while, she is reducing her spending, going to a cheaper supermarket and cancelling some of her plans, including holidays.

Abby acknowledges she is in a more fortunate position than some of her colleagues, and fully supported the decision to give a £1,000 cost of living support bonus to colleagues on low management levels, even though she did not receive it. She is also happy about how her organisation responded to the crisis and acted relatively quickly. She receives weekly updates on support available and had the chance to complete a survey about the types of support she wanted to see. The level of support available within her workplace is an important element of her buy-in to the overall organisational culture.

She is slightly worried that the cost of living crisis will become worse. She thinks there is a lack of clarity on what will come next and wants the Government to act sooner to support people in need.

Security, predictability and flexibility are all crucial in supporting financial wellbeing

While everyone is feeling the impact of the rise in inflation, workers in severely insecure jobs are finding themselves in a much more difficult situation. Work Foundation analysis found that there were approximately 6.2 million workers (19.8% of the UK labour market) in severely insecure work in 2021.[32] Many of them face contractual insecurity, which means their employment terms and conditions do not guarantee hours or ensure predictable earnings.

Employers should target support towards these workers who are particularly vulnerable as both living and borrowing costs rise. One of the most effective ways of supporting individuals on low incomes is reviewing and improving terms and conditions in consultation with staff and union representatives. This should include consideration of minimum guaranteed hours for part-time workers on variable hours contracts to ensure earnings are predictable. In addition, reviewing sickness absence policies and occupational sick pay rates can help to ensure that organisations have a robust safety net for their workers. Increasing flexibility around working patterns can play a key role in helping workers reduce living costs and a tenth of employers of employers (10.1%) said they introduced or increased flexibility around working patterns.

Case Study Two: Employer

One+All is a company based in Stockport that produces schoolwear

One+All were established in 1935 and today are a fully employee-owned organisation. They have 68 employees and among them, approximately two thirds of employees earn less than £30,000 per year. They are a Living Wage employer and became a B Corp certified company in 2020, which means they meet verified standards of performance, accountability and transparency in several areas, including employee benefits.

Having financial wellbeing measures in place before the current crisis made them more agile in developing new policies.

Prior to the cost of living crisis, One+All had taken a number of steps to support financial wellbeing among their staff, particularly those on lower pay. The company also sought to proactively engage with staff who were facing financial issues such as gambling or credit card debt, and work out a plan with them in order to address their specific challenges. They introduced measures such as interest-free loans, referrals to financial advice and mental health support.

An all-staff survey was used as a listening exercise which became key in shaping their response to the rising cost of living.

This anonymous survey asked about specific forms of financial hardship, looking at money set aside in savings and how their households were experiencing rising costs. This allowed One+All to learn that some of their staff were using prepaid energy meters, which cost more to run than alternatives. As a way to mitigate the financial burden on employees, the organisations provided loans to staff to help them move away from these meters, and additional signposting was provided so that staff could take up the full range of welfare benefits they were entitled to. Additionally, they introduced their profit share payment for staff in October last year, which was timed in order to help staff at a point in time in which costs were starting to rise sharply.

3. WORKER PERCEPTIONS AND PRIORITIES

Our research indicated that workers who experience job security and stability tend to hold different expectations for financial support in the workplace. Among workers we interviewed, those in more stable, professional roles were more likely to value a broader range of support mechanisms. Interviewees in middle-management roles reflected on the range of measures their employer had introduced, including subsidised, on-site meal options and a car lease scheme, and how this more rounded form of support was welcome. These measures were viewed in the broader context of support that their employer was introducing, which often involved targeting wage rises to those in lower paid roles.

Conversely, workers in less secure and lower paid forms of work are more likely to see pay as the fundamental responsibility of their employer, and the factor that they are most concerned with. This is an area that warrants further research, and may be illustrative of a more transactional relationship between individuals in less secure work and their employers.

Case Study Three: Worker

Karl is a 36-year-old man who lives in the North West with his wife and four children

Karl has worked at a warehouse unit for an international logistics company for over three years, which he enjoys. His wife is a stay at home mother, who also cares for her mother full-time.

He has been quite worried about their household finances since spring 2022. Karl budgets carefully each month and has been trying to cut down grocery and transport costs – he has been spending less overall but still tries to buy treats for his children when possible.

Karl has received a pay rise, though it was lower than the inflation rate, and he is still struggling. His company also introduced financial wellbeing webinars with tips and financial advice, but he says he did not attend them because he did not have time. While he is happy about the support offered by his company, he does not think it will solve all of his problems. While he considered taking on extra shifts, he was put off as his Universal Credit payments would be disrupted – by earning more he would receive less support the following month. Karl thinks that Government should change the UC rules to allow people to work more hours if needed.

Karl would like to be more involved in his company's decisions on cost of living support. His employer has taken a 'top down' approach, where employees were only informed after decisions were taken through announcements on a bulletin board and their intranet site, which does not allow feedback.

> **"They should have weekly meetings instead of just putting on the bulletin board... What they tend to do is just sticking a piece of paper on a bulletin board."**

Involving workers in decision making is important

Research interviews highlighted that workers value employers engaging with them to inform their approach, and this can provide greater certainty through precarious circumstances. However, we also found that the consultation process can be patchy, and too often skipped when decisions are taken.

Interviewees at larger organisations reported that their employer had used surveys to understand the discrete needs of different groups of workers. While some appreciated the engagement process, others also noted that in their organisations, communication on financial wellbeing was delivered in a top-down manner through HR platforms or all-staff email bulletins which gave workers little opportunity for workers to provide input into offers of support.

Case Study Four: Employer

The Co-operative Group is one of the world's large consumer co-operatives

The Co-op employs around 58,000 people across the UK in food, funerals, insurance, and legal services.

In June 2022, the Co-op launched an in-depth financial wellbeing survey to understand the lived experiences of their colleagues through rising living costs. The survey was completed by 5,000 employees and touched on the broader financial circumstances they face outside of the workplace. The survey results unearthed a range of financial pressures, including borrowing from friends and family, and cutting back on food or other essentials.

In response to the cost of living crisis and these financial pressures, the Co-op further increased the discount off their own branded food and household products to all colleagues, to 30%. They also provided a total one-off payment of £225 of credit to all front-line staff membership cards – three initial £50 payments from November 2022 to January 2023, with an additional £75 payment in December 2022 – whilst the majority of remaining colleagues received a one-off £75 payment. This step, instead of a direct cash payment, meant that workers receiving Universal Credit would see no disruption to their financial support. The Co-op paid any tax due on the payments ensuring the full amount made it to colleagues' pockets.

Line managers played a central role in the comms delivery around financial support and collecting feedback. Whilst some line managers were more comfortable with this role than others, some colleagues, including Store Managers, could find the additional responsibility challenging to take on alongside other duties. Alongside a full internal communications campaign, Co-op took a number of other steps to encourage engagement. Colleague Voice, for instance, provides a forum for representatives to put forward colleague initiatives and provide overall feedback. Co-op also used Hackathon focused events to invite colleagues to share feedback and ideas.

The impact of the measures will be carefully monitored. Co-op actively collect and review data on take-up, including usage of the colleague membership allowance, and have already seen a large uptake in the numbers signing up for the colleague membership. Going forward, the survey will be repeated, and this will provide an opportunity to capture feedback on existing financial wellbeing support, as well as understand evolving needs and preferences to shape additional plans in future.

A lack of transparency was also highlighted as a barrier to effective engagement

Where decisions are announced without any initial consultation, employees can experience a sense of anxiety, feeling 'shut-out' from processes. This sentiment was also outlined in feedback around line management relationships and processes. Workers sometimes expressed frustration that that managers weren't able to provide more information on support, hoping that details about upcoming plans would be cascaded down from senior management.

This need for a more considered and involved approach was highlighted elsewhere. One interviewee drew attention to how cost of living support measures was communicated in person, by the organisation's board. This was seen as a more involved approach, in which staff were active participants.

But stigma remains a significant barrier to accessing support

Interviews conducted for this project found that stigma is preventing workers from seeking financial wellbeing support at work. Some described a fear of being judged or considered incompetent if they discussed concerns about managing their money. Our interviews found that workers would prefer not to discuss personal financial pressures that they may be facing with their employer.

> **"I don't really come out with personal business at work...why do people want to know how much debt I'm in and things like that? It's not something I would go and discuss with someone because in any workplace you always get one gossipy person, so as soon as you say something to someone, someone else overhears and then somebody else hears, and it would just be sour."**
>
> 42-YEAR-OLD MAN IN THE NORTH WEST, WORKING IN THE HOSPITALITY SECTOR

This has also been highlighted in other studies. In their State of Financial Wellbeing report, Wagestream found that when survey respondents were asked why they had not told their employer about financial distress, the second most commonly selected reason was that they 'feel ashamed or embarrassed'.[33]

This reflects societal and cultural norms. Indebtedness and financial problems are both issues that people can feel embarrassed about in everyday life. Research has shown that more than half of people feel there is stigma attached to asking for help if they fall into debt.[34] In this context, it is perhaps unsurprising that many feel unable to discuss financial problems at work.

Employers should also be considerate in the language they use. For example, if an employer knows or suspects that they have employees who are living with high amounts of debt, they could offer workshops or online education about managing debt. However, they should refer to this as learning about responsible borrowing rather than using the word debt. This more constructive framing will help people to engage positively with the offer. Considering how much progress has been made in the last decade on talking about mental health, there is definitely a case for investing in ways to better open up conversations on financial wellbeing at work.

4. CONCLUSIONS AND RECOMMENDATIONS

At the time of writing, the UK is in the midst of a winter marked by extensive industrial action. We have a labour force with approximately six million workers in severely insecure jobs.[35] More than 60% of all households in poverty have at least one person who is in work.[36] Meanwhile, many employers are struggling to find the skills they need in what is a very competitive labour market, and are ready to go the extra mile to get it. But what does this mean for the employer-employee relationship, and specifically in the cost of living crisis, what does it mean for financial wellbeing?

Below are six recommendations for both Government and employers to help deliver greater financial wellbeing across the workforce.

Providing job security and a pay rise should be the priority for both the Government and employers

While financial wellbeing is broader than pay alone, having contractual security and being paid above a certain threshold will be a priority for millions of people. Contractual insecurity will only heighten anxiety for workers and people in more insecure forms of work are more likely to miss out on key employment rights such as holiday pay or sick pay. There is a strong case for increasing job security to provide workers with stability to navigate the cost of living crisis.

Recommendation 1: The UK Government should strengthen employment rights by ensuring everyone has access to secure and high-quality work

In absence of the long-overdue Employment Bill, the **Department for Business and Trade** should spearhead an Employment White Paper consultation to set out comprehensive proposals for enhancing employment rights and protections. This should include reviewing ways to hold employers to account for improving working conditions, to ensure regulatory obligations are strengthened to be fit for the 21st century labour market. It should also reflect our shifting working practices by making flexible work an entitlement, replacing the right to request.

In an uncertain economy and with a highly responsive social security system, predictable and stable pay is particularly important to workers on low incomes. The tight labour market conditions are putting the onus on employers to provide a competitive reward and support package employment conditions and go beyond statutory requirements to attract and retain skilled staff.

Recommendation 2: Senior leaders should review their employment contracts and prioritise increasing job security

Senior leaders should:

- Introduce minimum guaranteed hours for part-time staff to support workers' financial wellbeing, enabling them to budget and plan for the future
- Review the wider package of support through consultation with staff which will present other opportunities to reinforce financial wellbeing – including looking at going beyond statutory requirements on occupational sick pay, paternity pay and leave and maternity pay
- Enable flexible working wherever possible, which could support workers to manage caring responsibilities and travel costs and support those who might face barriers to entering and staying in work, including disabled people, individuals with health conditions and carers.

Developing a long-term strategic approach to financial wellbeing

Looking beyond the immediate response to rising living costs, there is a compelling business case to embed a strategic and long-term focus on financial wellbeing that enables organisations to build resilience to support workers through societal and personal challenges to come.

This starts with senior leaders working to build a strong understanding of what good financial wellbeing looks like for their workforce, and learning about workers' needs and priorities. An effective financial wellbeing strategy should be shaped by this insight, and instead tailored to support workers to build positive financial wellbeing. It will reflect an organisation's ethos and values and serve as a signal of the responsibilities leadership feel they hold in protecting and supporting the wellbeing of their workforce. Having a strategy in place would allow employers to think long-term, work towards specific goals, measure progress and prepare for future scenarios. This is a scalable activity, and so the investment of time and resources will be proportionate to the size of an organisation.

Senior leaders in organisations of all sizes stand to play a pivotal role in recognising the crucial role of positive financial wellbeing and leading conversations about it, which can be key in unlocking support for individuals who are struggling.

Recommendation 3: Employers should develop a strategic approach to financial wellbeing and embed it into their organisation's overall approach to health and wellbeing

Larger organisations with internal HR should develop an integrated approach to financial wellbeing support. This should engage with existing approaches to support mental health and wellbeing at work, include a focus on driving a shift in culture to tackle the stigma associated with financial wellbeing, and ensure that existing wellbeing packages includes clear signposts to help with money management.

For smaller organisations and those that are newer to this area, there is still value in a twin-track approach, which looks at short and long-term goals in parallel. For example:

- <u>Short-term</u>: all staff have access to up to date information about financial support, debt advice and accessing welfare benefits
- <u>Medium-term</u>: rewards and benefits package is valued by staff and helps them to meet key living costs
- <u>Long-term</u>: contracts and pay offer security and stability, and enable positive financial wellbeing.

Engagement with workers should be at the heart of the process

It is essential that the approach employers take towards financial wellbeing reflects the distinct needs and preferences of different worker groups. There is a real risk that implementing support without consulting worker will limit its potential impact, wasting valuable resources, and in some cases may lead to unintended negative consequences.

Effective and meaningful consultation will mitigate these risks, allowing organisations to move beyond purchasing generic benefits packages to offering valuable support that reflects the day-to-day costs their staff are facing. This engagement may also help to identify low or no-cost steps employers could take that may not otherwise have been identified, such as looking at pay frequency or widening access to flexible work. Crucially, ensuring that staff on the lowest incomes are able to raise concerns and express a preference about support will be essential to ensuring measures have a positive impact for those in greatest need.

Keeping an open dialogue will also be essential in providing certainty and stability to workers looking to know if any additional support will be available in the future.

Recommendation 4: Employers should consult with workers to shape financial wellbeing strategies and provide as much certainty about the future as possible

HR leads and managers/business owners should:

- Facilitate consultation with staff and their representatives about existing financial measures and their preferences for future support
- Aim to clearly communicate plans for support with colleagues through a range of different channels
- Solicit ongoing feedback about support as it is implemented.

Monitoring and assessment should be central to employers' financial wellbeing strategies

While research shows there are a range of ways that employers can look to support financial wellbeing, limited use of evaluation or assessment means there are real gaps in evidence about which measures have the greatest impact for different worker groups.

Strategic support and investment in financial wellbeing will be contingent on a strong business case that can demonstrate a clear return on investment. Given evidence indicates that some communities are more likely to be negatively affected by the cost of living crisis, it is crucial that employers are able to monitor the needs of workers across their organisation.

Recommendation 5: Employers should build a strong evidence base to understand the needs of their workforce and monitor the impact of financial wellbeing support

HR leads and managers/business owners should:

- Conduct a baseline measurement exercise to understand the financial wellbeing of their workforce. This should be broad in approach, taking in factors including consumer debt, savings levels and access to social security to top up incomes
- Embed ongoing feedback and monitoring mechanisms into all financial wellbeing measures. This could involve surveys, invitations for anonymous suggestions and comprehensive evaluations which take a broader view of sickness absence, wellbeing, retention and attraction data.

A culture change is needed to enable effective financial wellbeing strategies

There are a range of measures that employers could take to tackle the stigma associated with experiencing money problems. This should involve encouraging open conversations about financial wellbeing and its connection to overall health and wellbeing, as well as continually and proactively highlighting support available for staff.

Line managers can play a valuable role in enabling these conversations and signposting key routes to support. HR leads and senior leadership should develop training and resources to enable line managers to provide support to their teams. This should include support to identify the warning signs of low financial wellbeing and guidance on how best to broach the topic of financial wellbeing, given the sensitivity that can exist around it.

Peer-to-peer support could also offer an effective way of opening up conversations about money management. Workers who may not feel able to broach the issue with their manager, HR or immediate colleagues may find opportunities to discuss financial wellbeing and learn about the support available with colleagues in other teams or departments particularly helpful. This model has been effective in offering an innovative approach to workplace mental health support, through Mental Health First Aid. Existing informal peer support groups – such as staff networks – can be valuable channels for support and information sharing.

Recommendation 6: Employers should cultivate an inclusive culture around financial wellbeing within their organisations

Senior leaders should:

- Start conversations about financial wellbeing with their workforce. This should include emphasising that wellbeing is a key priority and explicitly recognising the association between financial wellbeing and wider wellbeing.

HR leads should:

- Develop resources and training for line managers to build confidence in facilitating conversations about their employees' financial wellbeing and signposting to support services.
- Explore the potential for peer support and information sharing to reduce the stigma surrounding conversations about financial wellbeing at work. This could build from existing peer networks and channels, and draw on existing attitude change models to shift public perceptions about money management mental health.

METHODOLOGY

This project aims to generate new evidence on financial wellbeing in the workplace, as set in the broader context of worker wellbeing. Specifically, the research explores the balance of responsibilities that employers perceive they hold relative to their staff and whether this extends beyond the confines of the workplace. Through this research, we ask:

- Do employers see their responsibilities towards workers as spanning work-related activity (during working hours) only, or contractual terms; or as broader and inclusive of wellbeing outside of the workplace?

- If the latter, which are the most appropriate channels through which financial wellbeing support between employers and staff can be discussed and agreed upon.

The research was based on a mixed methodology. Phase one of the research included a detailed literature review.

Phase two of the research involved a YouGov survey with 1,009 senior decision makers excluding sole traders and the public sector from Great Britain. The fieldwork was undertaken between 5 December and 14 December 2022. The survey was carried out online. The figures have been weighted and are representative of British business size.

Phase three of the research was composed of interviews with 15 employees broadly reflecting the UK population. There were eight men and 11 women interviewees. They were mainly from the retail, healthcare and professional services sectors.

Phase four of the research included a roundtable with employers and two in-depth interviews with employers to test research findings and get insights into their thinking.

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