



FINANCIAL WELLNESS IN A PANDEMIC:

A Call to Action
for Employers in Ireland

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ABOUT THIS REPORT

We have written this report to highlight the financial distress amongst employees in Ireland that has existed for some time but has been overlooked and certainly underserved.

The report highlights what aspects of financial wellness are most pressing and where employers can play a key role in filling these gaps. We drew on our survey research conducted in Ireland and on international research and comparables to identify the cost and impact of financial wellness or lack thereof.

We believe employers have a duty of care to support their employees' financial wellness. Given the complex nature of this issue, this should be delivered with independent and regulated advice. There is a war for talent in Ireland and employers who embrace financial wellness as an essential element of their offering can not only improve employee wellness but also employee productivity, retention, and loyalty.



ABOUT FINANCIAL WELLBEANZ.IE

Financial Wellbeanz.ie provides employers with a platform to support their employees' financial wellness. Our approach is to enable wellness through education, content, tools, and solutions spanning the financial needs of individuals. We believe that professional and independent financial advice should be available to everyone, and employers have an obligation to ensure this.

Panda capital Trading as Financial Wellbeanz.ie is regulated by the central bank of Ireland.

Learn more at www.financialwellbeanz.ie

RESEARCH METHODOLOGY

In January 2021, working with Bounce Insights, Financial wellbeanz.ie collected and analysed over 800 responses to an online survey.

Respondents were ABC1s, PAYE employees and self-declared that their household had not been impacted financially by the pandemic. We included this last filter to avoid temporary financial distress versus longer term behaviours and financial wellness characteristics. 46.5% were male and 53.5% were female.

INTRODUCTION AND CONTEXT

The last two years have been a challenging period for employers and employees alike. While momentum (and Zoom) got many organisations through initial waves of the pandemic there is no doubt this has taken its toll on employees.

With climate change now firmly back on the agenda, leaders are talking of 'Build Back Better'. This is the greatest challenge of our generation, and we need these mantras to inspire and focus on a common purpose. But leaders need their employees to follow and there are other worrying employee outcomes still emerging from the pandemic. Employees are feeling disillusioned and burnt out which is resulting in 'The Great Resignation'. An even larger number of employees are pausing for 'The Great Contemplation', which in scale greatly overshadow those who have resigned to date.

While planning for the future, employers need to also focus on the here and now to bring their employees with them. 2022 should be a year to reset both the macro vision but also tactical employee engagement models. For the latter, benefits and wellness programs are obvious areas that can be addressed quickly.

The time for 'Wellness' in the corporate world has definitely arrived. Pre-pandemic, 'Wellness' was on the corporate radar, but this was turbo charged during lockdowns, as isolation and mental health were challenged to new levels. Many employers stepped up to these demands, but many did not. 'The Great Resignation' will likely define these two camps.



While there has been much progress made in removing the stigmas around such personal topics as mental and emotional health, financial wellness remains an area of discomfort for many. In this report we aim to shine a light on this issue by providing the research we have conducted on financial wellness to get a clearer understanding of how well people in Ireland are doing on this topic. Not surprisingly there is a wide range of outcomes at an individual level but also a stark reality for many who are struggling to make ends meet, have poor financial resilience and great uncertainty as they look to the future.

Employees personal finances are consistently cited as the number one stress in their lives¹. Our research was taken during the extraordinary times of 2021 which may explain why we observed 'Personal and Family Health' as the number 1 stress in Ireland, however 'Personal finances' was number 2. Whether this is an anomaly of these times or not, it still points to the importance and value of supporting employees in this complicated area.

While many employers have embraced wellness programs, recognizing both the moral and sound business reasons to do so, our research highlights that there is significant demand in Ireland for employers to step in and do more for their employees.

In this report we detail observations from our research in Ireland and also comparable international research. We highlight the demand from employees and the opportunity this presents for employers. A well-designed financial wellness programme will support their employees' wellness and make them happier, more productive in their work life.

1 2021 PwC Employee Financial Wellness Survey



FINANCIAL WELLNESS IN IRELAND

There is often a misunderstanding of what financial wellness means or implies. Some believe that it simply suggests that someone is unable to pay their bills on time or has no savings. These are in part correct but are missing a more complex picture of the drivers and enablers of financial wellness.

People's financial circumstances vary significantly, but even where similar they can impact people's wellness in different ways. Despite this complexity, we see consistent themes that define Financial Wellness in both subjective and objective terms.

SUBJECTIVE FEELINGS

OBJECTIVE MEASURES



Figure 1: Financial Wellness



In our research, we explored both these subjective and objective dimensions for employees in Ireland. For the Subjective feelings we asked: "What is your leading emotion with regard to your financial position?" from this we can see almost half of all employees are not in a good space, with 49% describing themselves as worried, unhappy, or unclear about their financial position.

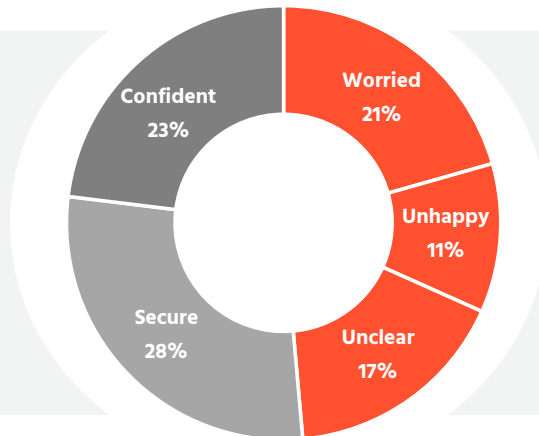


Figure 2: "What is your leading emotion with regard to your financial position?"

We looked deeper into the three Objective Measures of financial wellness we can see that there is consistently a significant cohort who are struggling to manage.



Figure 3: Everyday Commitments

This paints a consistent picture of employees struggling with balancing their day-to-day expenses resulting in ~20% tapping into short term debt to support their lifestyle.

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“~30% could afford an unexpected expense of €500 with 13% struggling to manage and unexpected expense of only €100”



Financial resilience can be measured by how much of an unexpected financial shock a person can absorb. We asked “I have savings that could cover an unexpected expense of...” ~30% could afford an unexpected expense of €500 with 13% struggling to manage an unexpected expense of €100.

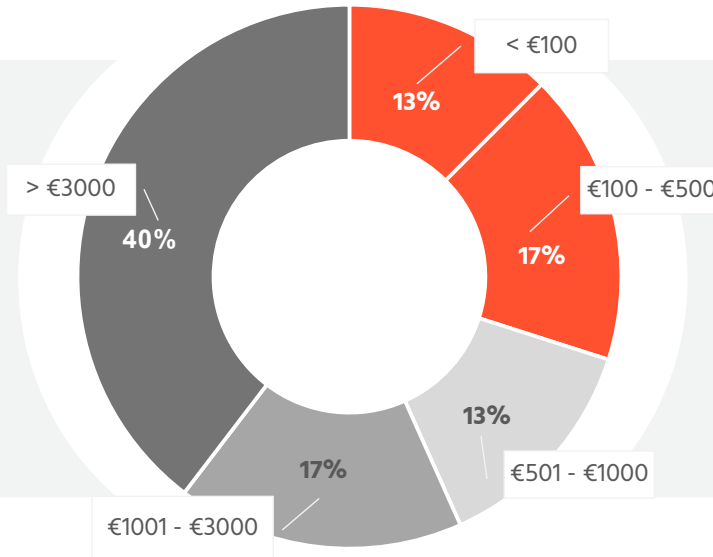


Figure 4: Rainy-Day and Financial Resilience

“I have savings that could cover an unexpected expense of...”

‘ONE DAY’/FUTURE PLANNING

We also asked people which were the biggest causes of finance stress for them. Reflecting the current rental and housing problem many people are facing, it may come as no surprise that ‘mortgages/trying to get on the property ladder’ was cited most frequently (31%) as the biggest financial stress in peoples’ lives. What was interesting was the weight that people put this over their pension/retirement plans (15%). However, when we adjust for age of the responder, we can see how this scale changes as the person gets closer to retirement:

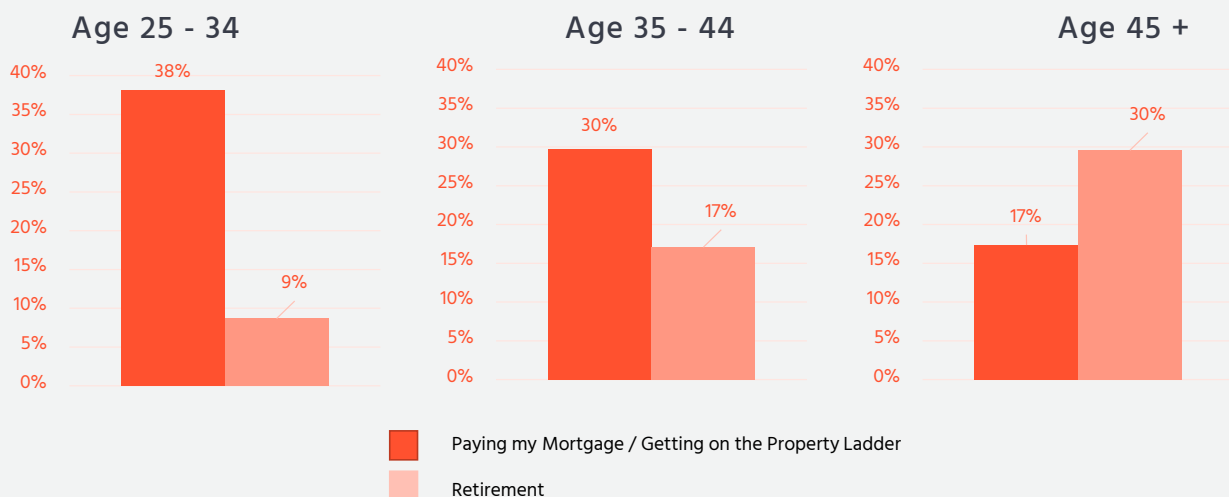


Figure 5: ‘One day’ priorities



THE IMPACT OF POOR FINANCIAL WELLNESS

Personal finances are consuming our daily lives. Employees are constantly thinking about their bank balance and how they will manage until the next payday. In Ireland, 30% of employees struggle to manage their finances at the end of the month². Inevitably, this struggle will have a knock-on impact on our daily, working lives. International research observed that 45% of employees revealed that finances have been a distraction at work³ and that 3.6 hours of productivity is being lost each week when employees are stressed about financial matters⁴.

Productivity is just one impact. International research indicates that financial stress has a high correlation with both mental health (4.6x time more likely to be depressed) and retention.

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Employees who are struggling with their financial wellness and are not being supported by their employer are 2.2 time more likely to leave”

² Financial Wellbeanz & Bounce Insights Survey January 2021

³ 2021 PwC Employee Financial Wellness Survey

⁴ Salary Finance Employer's Guide to Financial Wellness (2019 Financial Stress Report)



THE OPPORTUNITY FOR EMPLOYERS

This is a significant impact on economic productivity and is hard to argue that it should not be on the top three agenda items for the talent focused firms. And yet despite a war for talent many are not yet stepping into the role that their employees are looking for them to take. We asked respondents whether they felt their employer was doing enough to support their financial wellness and with >50% they need to do more. This is a clear message for employers to take note of.

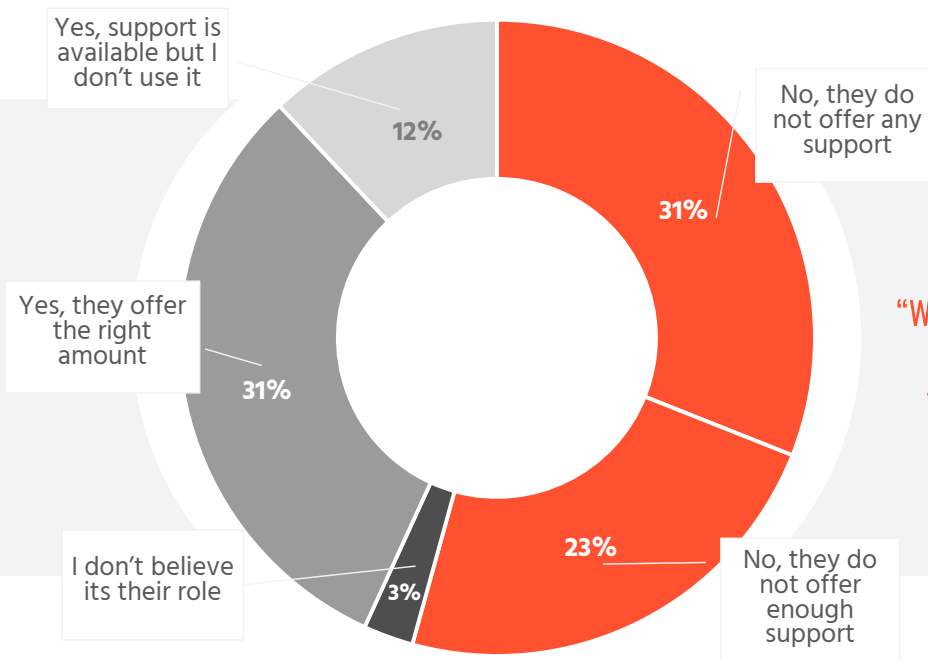


Figure 6: Employer Support

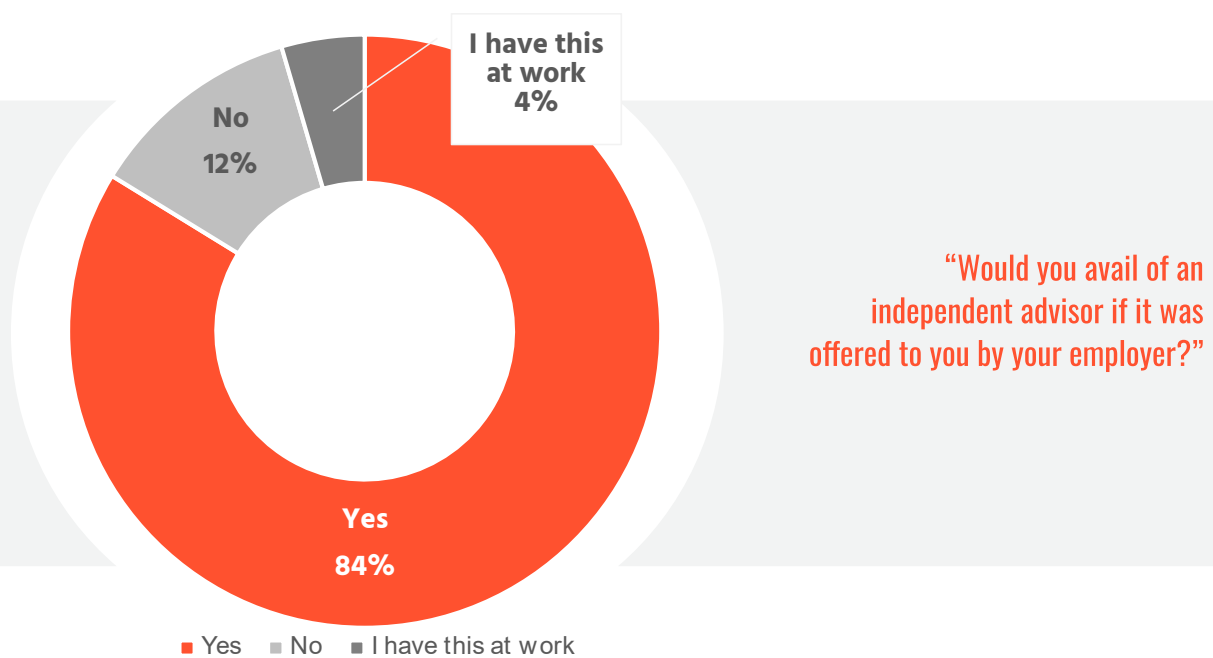
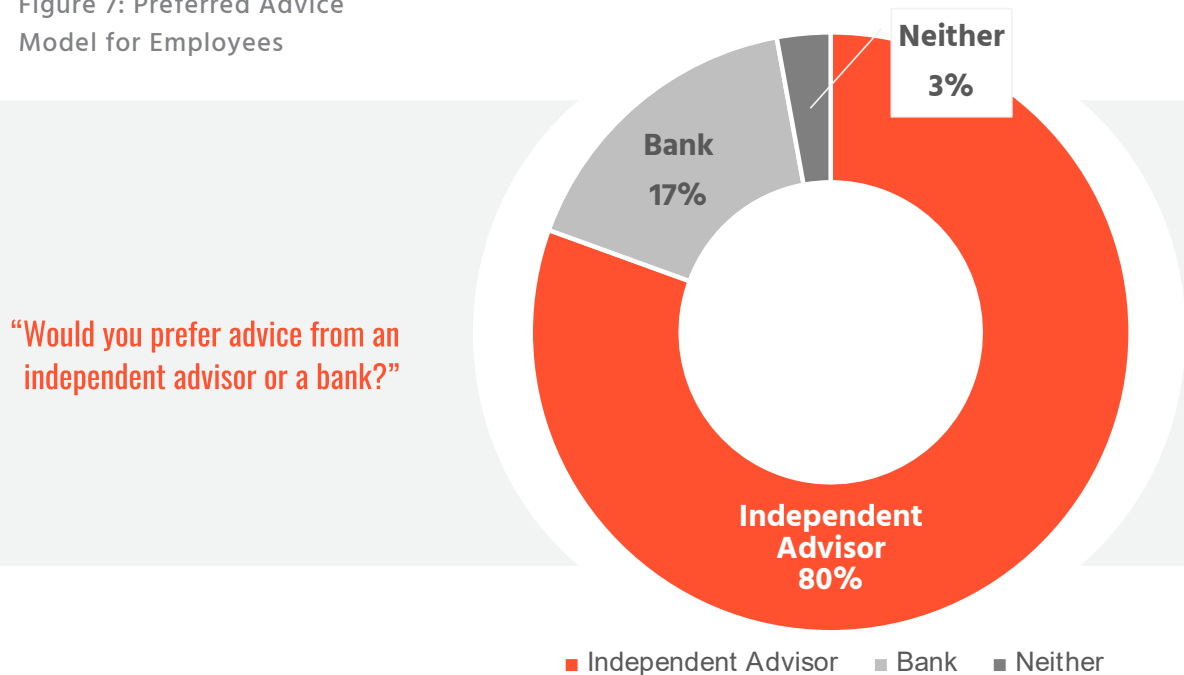
"Would you say that your employer is doing enough to support your financial well-being beyond your annual compensation?"

As we move into a hybrid working model, subsidised gyms, canteens and company cars are now less compelling for employees. The economics for employers begin to look questionable at best. Attention will soon turn to the home office, mortgages, rapidly increasing energy bills and other aspects of financial rewards which are better aligned to remote working.



As an example, respondents overwhelmingly want advice to be provided by an independent advisor with 80% preferring this versus a bank, who can only advise on their own products. We also highlight that over 80% of employees said they would use an independent financial advisor through work if available but only 5% were offered one⁵.

Figure 7: Preferred Advice Model for Employees



⁵ Financial Wellbeanz & Bounce Survey Insights, January 2021



EMPLOYER FINANCIAL WELLNESS PROGRAMS

Improving financial wellness is about changing behaviours and instilling financial disciplines into your routines. In practical terms this means making budgets, saving regularly, planning for the future, monitoring rates and switching providers etc. Some people are naturally wired this way and wellness comes easily. For most others this is not the case and employers can help their employees by providing the right solutions to support them.

We believe this is best achieved through a combination of financial education and access to solutions and independent advice.

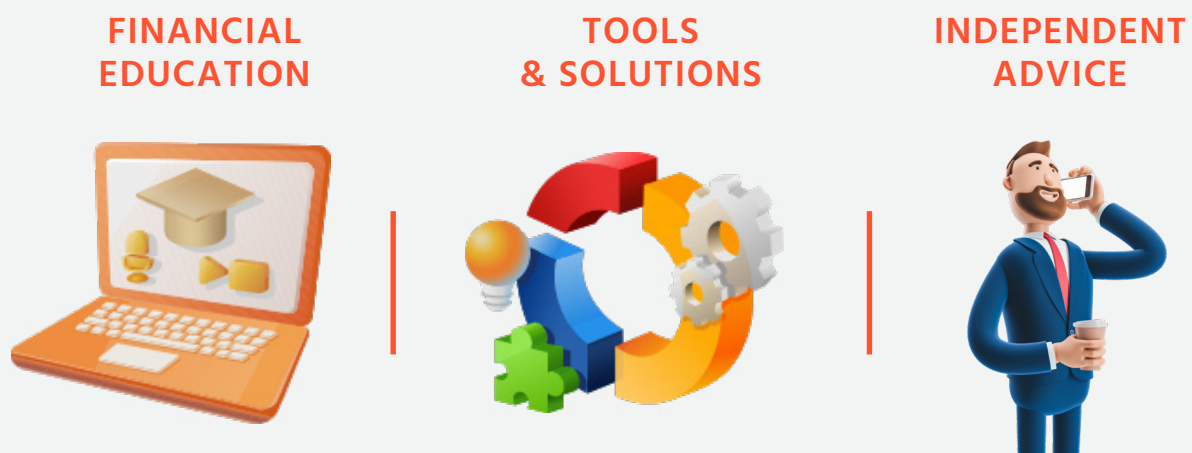


Figure 8: Improving financial Wellness through behavioural change



From our work with clients in Ireland, we have found that financial wellness programs are not as mature as other elements of wellness such as mental health or physical wellness.

For some it still feels too complex an undertaking, despite the clear employee demand. For others there are legal and regulatory concerns. These are valid concerns and employers should be wary of running financial wellness programs without the domain expertise from regulated firms to cover the relevant topics. There is a corporate responsibility to supporting employees' wellness, but this responsibility should not be resourced part time with unqualified or unregulated employees.

We see three archetypes of firms and how they are addressing financial wellness within their organisation:

- **Leaders:** Executive level sponsorship of a programme with systematic delivery of independent financial wellness solutions available to the entire organisation.
- **Learners:** Fully aware there is a problem and possibly have a financial wellness pillar within a programme. However, sponsorship is not at the executive level and so it remains a side of desk role for someone without any real resources to make an impact.
- **Laggards:** Organisation is still misunderstanding the problem and its impact on employees. If it's not affecting the C-Suite, then it must not be a problem anywhere in the organisation.

Aside for the ethical and cultural reasons for ensuring that Employee Wellness is a key pillar of any People strategy, Wellness has a compelling business case. In simple terms, a happy team is a productive team. While this simple adage rings true, there has been extensive research on financial wellness which provides evidence and key insights into the impact this has on employees and their work life.

If we look at the US as a lead indicator of how programs may evolve, we see that the uptake in financial wellness services has increased significantly over the past 5 years. In 2016, 68% of employees used financial wellness programs offered by their employer in contrast to 88% in 2021 ⁶.

⁶ 2021 PwC Employee Financial Wellness Survey



That's an increase of 20% These figures alone highlight the demand and engagement impact financial wellness programs are having with employees.



Employee engagement in financial wellness programs has increased from 68% in 2016 to 88% in 2021

The pandemic changed how we view the workplace and for many the potential of remote working was seen as a silver cloud in the most difficult of times. While many will return to work in some form of hybrid model, this will inevitably impact rewards programmes.

As we return to the office in the various forms of hybrid and remote models there is a need and unique opportunity for firms to rethink their approach to wellness and rewards. There is an easy win for employers who can get on the front foot and leverage their wellness programmes to deliver a more impactful and relevant rewards package.



GET IN TOUCH

Did you find this report useful?

Are you thinking about starting or redesigning your financial Wellness programme?

WE CAN HELP!

Email us:

Hello@financialwellbeanz.ie

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