Policy Liaison Group
Workplace Wellbeing

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The cost of living crisis and financial resilience

With Debi O'Donovan, Director at the Reward and Employee Benefits Association; Jo Phillips, Director of Research and Innovation at NEST Insight; and Brian Semple, Head of External Affairs and Income at Money and Mental Health.

Westminster


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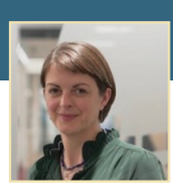
Jo Phillips


Brian Semple

Introduction

The lasting impact of the cost of living crisis has underscored the need for policy interventions to empower employers to improve workers' financial resilience and inclusion. The roundtable explored regulatory barriers, such as minimum wage compliance, that limit workplace savings initiatives and considered potential policy reforms to provide greater flexibility for payroll-based savings. Participants encouraged employers to integrate financial wellbeing strategies into their policies to support both financial and mental health. The meeting coincided with the Department for Work and Pensions' Get Britain Working green paper that will need to factor in workplace solutions employers can offer their staff.

Key takeaways

The state of the UK's workforce's financial wellbeing

- Key financial wellbeing risks for the UK's workforce include inflation, childcare costs, insufficient pension savings, high utility bills, mortgage interest rates, and financial literacy gaps (see REBA research, p. 4).
- Building savings plays a crucial role in financial wellbeing. A 2024 YouGov survey found that people with under £1,000 in savings were nearly three times more likely to report poor mental health. Atom Bank's research shows that 75% of Britons would be happier saving £1,000 than spending it.
- The UK's high housing costs pose financial risks for much of the workforce, 64% of employers cite rent and 58% cite mortgages as concerns. Housing impacts living conditions, wellbeing, and long-term stability.

Mental health and financial wellbeing

- Financial difficulties and mental health challenges are deeply connected. Two-thirds of employees in debt also experience mental health issues, and 5.2 million people are currently dealing with both — the number continues to rise. On average, those with mental health issues have £2,000 less in savings than those without.
- Employees facing financial distress are more susceptible to economic shocks, which can affect their job performance and stability. Poor financial wellbeing leads to decreased productivity, increased absenteeism, and heightened stress levels. Conversely, when employees feel financially secure, their mental health improves, directly boosting engagement, focus, and overall productivity.
- Ensuring managers are trained to recognise the link between financial and mental health issues is crucial, along with clear signposting to support services. Additionally, employers can review sick pay policies to provide better financial security during illness and proactively highlight flexible, part-time, and hybrid work options in job postings to support financial resilience.

Employer perspectives

- Most employers recognise commonplace financial wellbeing risks stemming from being a working parent or carer in addition to housing costs, but only 35% acknowledge low pay as a contributing factor.
- Pay-as-you-earn savings schemes are a preferred employer tool in supporting their employees' financial wellbeing. 17% of employers in the UK have these schemes, and is expected to rise to 29% in the coming years.

Issues raised

Barriers to employer action

Budget constraints remain the most significant challenge preventing employers from taking action. Both employers and employees often lack the willingness or financial capacity to invest in professional financial guidance. Additionally, concerns over regulatory risks related to inadvertently providing financial advice, as opposed to guidance, further discourage employer involvement. Additionally, employees may feel uncomfortable discussing financial difficulties at work. Workplace cultures rarely promote open conversations about personal finances, making employees hesitant to seek support. However, many employees express interest in impartial financial guidance through independent channels.

Approaches to financial wellbeing

A one-size-fits-all or "tick-box" approach to financial wellbeing is insufficient. Financial education alone does not always address the root causes of financial insecurity, particularly for those in unstable or part-time employment. Women are disproportionately affected, highlighting the need for financial resilience strategies that consider diversity, equity, and inclusion (DE&I). Despite the overwhelmingly positive outcomes of financial wellbeing programs, including reduced spending, cash flow management, and greater financial control, many employers struggle to fully grasp the realities of financial insecurity. Without firsthand experience, they may underestimate the challenges employees face.

Recommendations

- For employers, short-term solutions include offering flexible payroll options, low-interest payroll loans, and reducing upfront employment costs by reimbursing expenses more quickly. Long-term strategies involve fostering financial confidence, encouraging workplace savings schemes, and normalising conversations around financial struggles.
- Employer-led initiatives are important, but societal attitudes towards personal finances also need to secure lasting financial wellbeing.
- Explore policies empowering employers to assess workers' exposure to a wide range of risks — e.g. debt, low levels of savings — that they can support them with.
- To help employees start saving, the government should promote an opt-out approach to savings schemes. Nest Insight's opt-out payroll autosave trials (2021-23) found the number of people saving increased by around 50%. The trials showed that autosaving complements pension savings rather than detract from them, making payroll savings schemes an inclusive and effective approach to financial security.

Links

- REBA and Wealth at Work, **'Financial Wellbeing Research 2024'**
- Gethin Nadin, **'Why financial wellbeing in 2025 will reclaim the spotlight'**
- MetLife, **'Employee Care Perception Gap'**
- Zellis, **'How does employee financial wellbeing affect productivity and retention?'**

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