CIPD

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FINANCIAL WELLBEING

An evidence review

Practice summary and guidance

November 2021

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Practice summary and guidance

Financial wellbeing: An evidence review

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This report was written by Jonny Gifford, Charles Cotton and Jake Young of the CIPD. It is based on the scientific summary produced by Barbara Janssen, Eric Barends and Denise Rousseau of the Center for Evidence-Based Management (CEBMa).

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1 Introduction

A broader view of employee wellbeing

Employee wellbeing continues to rise up the corporate agenda, in particular since the start of the COVID-19 pandemic. There is also growing interest in the more specific area of financial wellbeing, but it still remains relatively neglected compared with other aspects of wellbeing.

A recent CIPD survey of employers found very clearly that the main focus of wellbeing strategies is mental wellbeing.[1] Substantially less common are strategies for job design and work–life balance, personal relationships and employee voice, values such as inclusion and diversity, physical health, and lifestyle choices. Financial wellbeing is the least common area: among employers with health and wellbeing strategies, only 11% actively focus on financial wellbeing, compared with 57% that actively focus on mental wellbeing.

> *Among employers with health and wellbeing strategies, only 11% actively focus on financial wellbeing, compared with 57% that actively focus on mental wellbeing.*

However, as we show in this review, financial distress has important implications for both wider employee wellbeing and performance. It's a relatively common phenomenon that has worsened during the COVID-19 pandemic, and is something that employers can help address (and not only by increasing salaries). In short, there is plenty of good research evidence to show that financial wellbeing is an important aspect of HR strategy.

Research focus and approach

This evidence review summarises the best available scientific research on what the nature of financial wellbeing is, why it's important, and what employers can do to help. We explore how financial distress – that is, poor financial wellbeing – relates to workplace performance.

In an age of information overload, it's a particular challenge to cut through the speculation and anecdote, avoid cherry-picking research that supports our preconceptions, and identify what we can most reliably say about what works and what doesn't. The approaches of evidence-based practice help us achieve this. We undertook a rapid evidence assessment (a short, systematic review) to give a solid view of the best available research evidence, in particular on how we should understand financial wellbeing and what employers can do to promote it.

To see our methodology, technical information, and study references, see the accompanying scientific summary at cipd.co.uk/evidence-financial-wellbeing

2 What is financial wellbeing?

Financial wellbeing is an established area of research that is labelled in various ways, including 'economic stress', 'economic hardship', 'economic strain', 'economic pressure', 'perceived financial wellbeing', 'financial satisfaction' and 'financial wellness'.

Components of financial wellbeing

Financial wellbeing is broadly seen as having four broad elements:

- **Objective financial status:** one's income, assets, and debt, as *'unbiased and quantifiable aspects of a person's economic position'*.[2]

- **Subjective financial status:** this can include how pleased, satisfied, happy or fortunate one feels about one's wealth; alternatively, it can be one's financial concerns in the here and now or worries for the future. It will vary according to people's expectations as well as their objective financial position.
- **Financial attitudes and knowledge:** also labelled 'subjective perceptions', these can include having a healthy, positive attitude toward credit, following a budget or spending plan, and being relatively risk-averse.
- **Financial behaviour:** how we manage economic aspects of our lives. Good practices include making sensible use of income and credit, paying bills on time, not carrying outstanding balances on credit cards (being a 'convenience user'), spending less than one earns, reducing living expenses, and contributing to a retirement plan and flexible savings accounts.

There is some inconsistency in what are considered aspects of financial wellbeing and what are its core drivers. Some scholars take a narrow view of financial wellbeing – for example, treating it purely in terms of specific objective measures (such as the 'financial ratios' between liquidity, debt and assets[3]) and then consider closely related factors such as income, attitudes and behaviour. It is easy to see why this is justified – for example, how one's attitudes to risk will inform one's use of credit cards, which in turn influences one's objective financial wellbeing; and thus, how these things can be distinguished as separate concepts. But other scholars consider financial wellbeing much more broadly, to include both objective aspects (income, assets, and debt), as well as subjective aspects (like satisfaction) and behaviour (such as following a spending plan).

In practical terms, all these aspects are clearly important parts of the picture and HR professionals should include them all in financial wellbeing strategies.

Financial distress

To understand the body of knowledge, it helps to appreciate how concepts are operationalised or measured. Academic studies on financial wellbeing often look more specifically at the extent to which people experience, or are free from, *financial distress*. This is similar to how scientific research often treats mental wellbeing – as the absence of mental ill health – in particular, stress and anxiety (see our evidence review on this).

> *Financial distress describes the poor state of wellbeing when people struggle with their current finances or feel insecure about their future finances.*

Financial distress describes the poor state of wellbeing when people struggle with their current finances or feel insecure about their future finances. It can be gauged by the intensity or frequency of people's concerns or worries about money, how much time people spend thinking about or dealing with financial issues, or how hard they find it to make ends meet (see Section 7: *Can we measure financial wellbeing?*).

Are you in control?

A closely related factor is the control people feel that they have over their finances. This may be a question of being able to cover unexpected costs, or how worried people are about their finances. One UK study of young workers and families with young children found that having control over their finances was even more important for financial wellbeing than the amount of money they had.[4]

How much we feel in control of finances can clearly relate to various aspects of personal contexts, and solutions are likely to be similarly multifaceted. For example, employers could help workers feel more in control of their finances not only through paying a fair and a liveable wage, but also with benefits that reduce living costs or give financial protection, and financial education and guidance that help people plan more effectively for the future.

Recommendations for practice

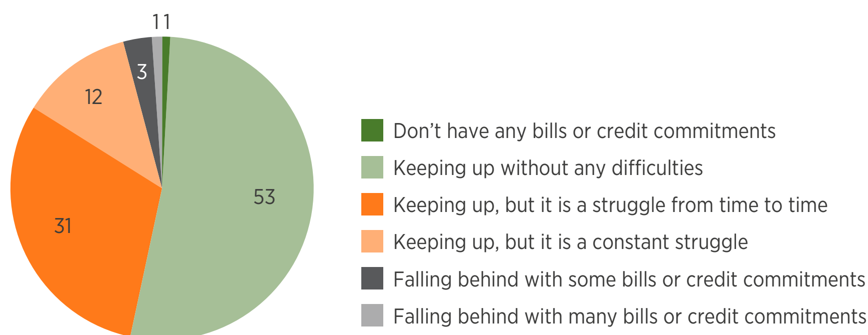
- Remember that there are multiple strands to financial wellbeing or distress. It is a psychological condition describing one's mental response to one's financial situation, behaviour, or attitudes.
- Help build a common understanding among people managers and HR colleagues that appreciates the dynamics of financial wellbeing.
- Financial wellbeing is closely linked to people's income, so employers should link financial wellbeing strategies to pay policies that set ambitions for fairness. For example, see our factsheet on pay fairness and reporting.
- Develop a financial wellbeing policy to help people feel in control of their finances. As well as paying liveable wages, this could include in-work progression, providing financial education and offering benefits that reduce living costs or give financial protection.

3 How common is financial distress?

Financial concerns affect many of us at work, with recent research suggesting that personal finances take up a considerable amount of our time, both in terms of what we think about and how we spend our time. In 2018, the CIPD's Good Work Index found that almost half of UK workers (47%) experienced financial difficulties to some degree, and one in six (16%) were constantly struggling or even falling behind with bills (see Figure 1).

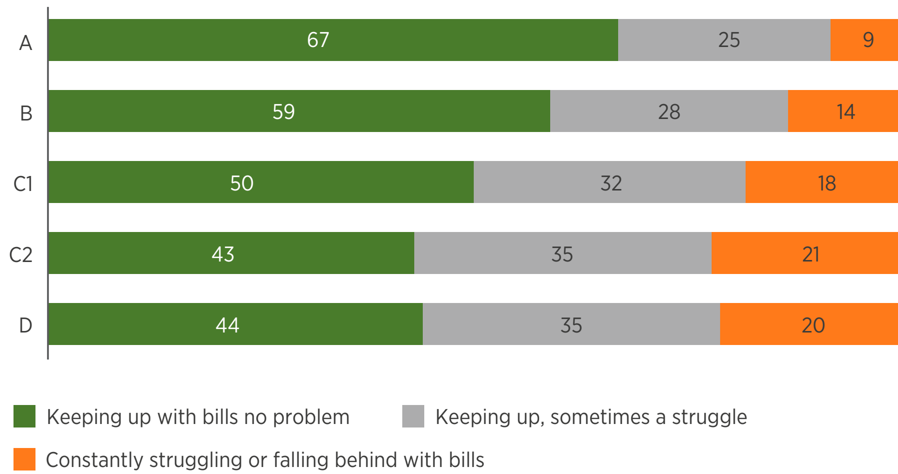
Figure 1: UK workers' financial stability (%)

How well are you keeping up with your bills and credit commitments?



Source: CIPD/YouGov *UK Working Lives* survey, January 2018, n=5,890; see www.cipd.co.uk/goodwork

Figure 2: Financial wellbeing by NRS social grade (%)

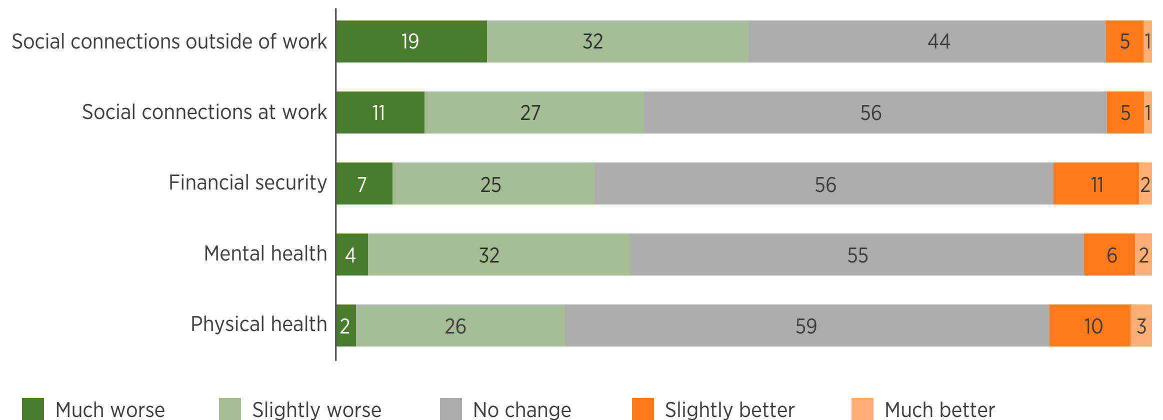


Keeping up with bills no problem
Keeping up, sometimes a struggle
Constantly struggling or falling behind with bills

NRS social grades: A – Higher managerial, administrative and professional; B – Intermediate managerial, administrative and professional; C1 – Supervisory, clerical and junior managerial, administrative and professional; C2 – Skilled manual workers; D – Semi-skilled and unskilled manual workers. Source: CIPD/YouGov *UK Working Lives* survey, January 2018, n=5,836; see www.cipd.co.uk/goodwork

Figure 3: UK workers' views on how the COVID-19 lockdown has affected them (%)

As a result of the COVID-19 lockdown (the following have become worse or better):



Source: CIPD/YouGov COVID *Working Lives* survey, July 2020, n=2,104; see www.cipd.co.uk/covidwork

This clearly marks out financial wellbeing as an important issue for the UK working population as a whole, but for certain groups of workers it is even more commonplace. For example, as shown in Figure 2, one in five workers in manual and low-skilled jobs (21%) were constantly struggling or falling behind with bills, more than double the proportion of senior professionals (9%).

In addition, difficult economic times can evidently lead to challenges for employees, who can face job insecurity or increased workload from demands to do more with less. So, it's not surprising that financial wellbeing has worsened for many since the start of the COVID-19 pandemic. Similar challenges are likely to exist elsewhere, but if we take the specific context of the UK, there are some concerning figures. A CIPD/YouGov survey of UK workers found that the lockdown seriously affected financial security more often than it did mental or physical health, with 7% reporting that their finances had become 'much worse' (see Figure 3). Other UK indicators suggest that the consequences of financial distress have grown, such as the rise in incidence of domestic[5] or financial abuse,[6] and the growth in the use of food banks.[7]

At the time of writing, some indicators suggested that the UK labour market was expanding, and job shortages were resulting in wage hikes, so any reduction in government support would be compensated by a booming jobs market. However, other predictions were that workforce financial wellbeing could get worse, due to the rapid increase in the cost of living, the rise in National Insurance contributions, and the removal of several types of government support, such as the temporary uplift to Universal Credit or the removal of furlough.

Recommendations for practice

- The COVID-19 pandemic has led to worse financial wellbeing for many. Now is a time for policy-makers and employers to increase their focus on this important issue.
- Financial wellbeing can in principle affect anyone, but look out for those who are more at risk of being low-paid, especially those in manual, more junior or less skilled jobs.

4 Why is financial wellbeing an HR issue?

As a sign of material insecurity and potential poverty, financial wellbeing is self-evidently an important societal and political issue. But it should also be seen as an important employment and HR issue: as we now discuss, there is clear evidence linking financial wellbeing to both employee wellbeing and performance.

Impacts on wellbeing and absence

Research consistently shows that financial distress relates to health outcomes, including dysregulated production of the hormone cortisol, key to dealing with stress, and self-reported health. In turn, these can influence performance and absenteeism.

To an extent, the relationship between financial and broader wellbeing is reciprocal, potentially creating a vicious circle. On the one hand, financial distress evidently directly affects people's mental health because it is a stressful experience. On the other hand, chronic mental and physical ill health can affect employees' capacity to work and reduce their earnings, leading to or exacerbating financial distress.

This reciprocal relationship is highlighted further in a large-scale study of smokers, which found that financial stress reduced smokers' ability to give up.[8] Smoking then contributed to their financial stress and the cycle continued.

Those who experience financial stress are more prone to absence from work. Financial stress manifests in several ways, including needing time to handle personal finances, or more serious issues such as emotional exhaustion and stress-related illness. For example, one study found that personal reasons typically caused two days' absence per year, with workers experiencing higher financial stress levels reporting more days absent.[9]

Impacts on performance

Sickness absence is a health and wellbeing issue that clearly affects performance. When employees fail to attend work as scheduled, organisations suffer losses to both productivity and finances because in many instances replacements must be hired, and, of course, some work simply doesn't get done.

Financial distress can also lead to *presenteeism*, in which employees attend work but, because of health problems or other personal issues, don't perform to their usual standards. Financial stress can impact many areas of our lives, so it's no surprise that employees often bring these issues to work. This can lead to employees either using work time to deal with financial matters or spending time and energy worrying about money.

This can have a significant impact on productivity. One study showed a correlation between financial stress and presenteeism; it showed that almost one in three employees who reported lost productivity in the past month also reported financial stress.[10] In this study, women experienced a higher productivity loss than men, because they were more susceptible to financial distress.

Another study of innovative industries mapped the drop in the number and quality of patents produced during the 2008 global crisis.[11] This loss of productivity was more pronounced for workers with lower-priced houses and fewer labour market opportunities, who likely had greater financial worries before the crisis.

Recommendations for practice

- Financial wellbeing is an important workplace issue, as well as a wider societal and political challenge. HR leaders should not ignore its implications for both employee wellbeing and performance.
- Integrate a financial wellbeing strategy into your wider health and wellbeing strategy.
- Use the links with general mental wellbeing, exhaustion, sickness absence, presenteeism and productivity to make the case for and promote a financial wellbeing strategy.

5 What factors influence financial distress?

We get a good idea of what contributes to financial distress by unpacking the components of financial wellbeing: wealth, knowledge of and attitudes towards finance, and financial behaviour are all critical aspects (see Section 2: *What is financial wellbeing?*). But these can be related to other factors, so in important ways, some employees have a greater chance of experiencing financial stress than others.

Individual differences

A consistent finding in research is that financial wellbeing is related to gender, with several studies indicating that women report higher levels of financial distress and, relatedly, absenteeism and presenteeism than men. Studies don't provide consistent explanations for this but do give some clues as to the possible reasons. For example, women may be under greater financial pressure due to earning less, so might turn up to work even though they are stressed; or they may be more aware than men that finances aren't going well, if they handle family finances more often.

Research also gives us insights into how mental health conditions and personality relate to financial wellbeing. For example, one study, which tracked individuals over many years, showed that adolescents who had attention deficit hyperactivity disorder (ADHD) were three times more likely than their peers to experience high financial stress later on (in their late 30s). Another study looked at the impact of locus of control, which relates to

how confident we are that we can affect things in our lives. It found that students with an external locus of control (that is, they attributed outcomes or events to external forces rather than to themselves) had poorer financial behaviours.

In more general aspects of personality, the main insight from research is that conscientiousness – one of the Big Five personality traits – is consistently related to lower levels of debt and financial distress. Apart from this, the evidence is weaker or more mixed. Some research suggests that, conversely, people with high levels of extroversion, agreeableness, neuroticism and openness to experience (the other Big Five traits) are more likely to experience financial distress. However, other research indicates that extroverts are in fact less likely to be financially distressed.

Finally, we have evidence that certain attitudes relate to financial wellbeing. In particular, people who are more materialistic are more likely to buy compulsively, and relatedly have greater financial worries and lower money-management skills.

Life stage and personal context

Education has been related to financial distress in general, and more specifically, reduces the chances that job insecurity leads to financial distress. This is the case both for financial literacy and educational achievement more generally.

Research evidence on the relationship between age and financial wellbeing gives a mixed picture. This is perhaps not surprising, as age and life events can affect us in different ways for better or for worse. In general, some studies suggest that our financial difficulties lessen as we get older, but others find no significant relationship. At a more detailed level, there is evidence for an 'inverse-U' pattern, with middle-aged respondents being more likely to feel the impact of financial problems on their health, and younger and older people less so. It is a similar story for presenteeism, which increases with financial stress in younger age groups, peaks during middle age and then drops.

Family status can also be related to financial wellbeing. People who are separated, widowed or single tend to have higher levels of absenteeism and presenteeism; and divorcees are the most likely to experience financial difficulties. Further, there is evidence that those with more family members to support can experience more financial distress.

National context

Financial wellbeing is relevant regardless of national context. For example, we found studies conducted in countries across Europe, the US and Canada, Asia, Australasia and South Africa. However, there is evidence that levels of financial wellbeing, and perhaps its nature or character, can vary by national context. For example, one study found that employees in Europe were less prone to financial concerns than those in the US and Canada.[12]

Various cultural and economic factors – such as the levels of taxation and the cost of living – probably help explain national differences in financial wellbeing, but one of the most likely influences is social welfare policies on expensive areas such as health and education. As one study notes:

> *Unfortunately, one in seven American families has problems paying health-care costs, which can lead to 'juggling' of medical expenses with basic living costs and negative patient behaviors such as delaying necessary medical treatment and forgoing the use of prescription drugs.*[13]

Implications for financial wellbeing strategies

Employees face a range of financial decisions. These include how much to contribute to a pension or which benefits to select, as well as potentially risky decisions such as cashing in their workplace pension or taking out a high-interest loan.

The range of individual and contextual factors that could affect financial wellbeing means that some people, or people at certain life stages, are likely to be in more need of support than others. By the same token, some people – for example, those who are generally less conscientious or who are distracted by major life events – may be less responsive to guidance and support than others.

This means that as well as tailoring guidance and support and making them flexible to suit individual needs, employers should be canny in how they communicate them. When providing guidance on financial matters or asking employees to make decisions, it's important that people are in the right frame of mind, so they can process the information and optimise their decisions and actions.

For example, if someone is suffering from poor mental or physical health, they may benefit from flexibility in case they need more time to respond to financial support or need to change a poor decision that compromises their financial situation. HR or internal communications professionals might also need to communicate the same information several times, through several channels, to raise awareness across the organisation and help people take in information in ways that suit them.

Finally, organisations operating internationally may find that a single policy is less relevant for workers in some national contexts than in others. A degree of differentiation or flexibility may be appropriate.

Recommendations for practice

- Tailor your financial wellbeing strategy to reflect the diversity of your workforce and design it flexibly so that it continues to meet people's changing needs. Certain groups and people at certain life stages may benefit both from *more* financial guidance or support and *different types* of guidance or support.
- Be aware of these particular personal differences:
  - Differences in personality and mental health may make some people naturally poorer at making financial decisions than others.
  - Employees going through life changes or traumas – for example, separation or divorce, illness or bereavement.
- Communicate financial guidance and support through a range of channels and do so regularly, to help reach all who need them.
- Multinational organisations should consider how best to adapt their financial wellbeing strategy in the different countries in which they are located.

6 What works in financial wellbeing strategies?

There is a good body of research on what practical steps are most effective in helping people prevent or deal with financial distress.

Financial education

Training programmes in how to better manage one's finances are an obvious place to start looking. They might cover areas such as understanding financial abuse, financial fundamentals and mastering credit, and approaches to budgeting and saving.

In general, however, research evidence shows only a very limited impact from financial education. Indeed, a meta-analysis of 201 studies found that financial literacy interventions accounted for a minuscule (0.1%) change in financial behaviour.[14] Moreover, the small scale of any impact is particularly evident in the more robust, convincing studies that do a better job of showing cause-and-effect relationships.

Nonetheless, several studies offer some encouragement. It is clear that the content, quality and delivery of financial education is critical.

First, financial education should aim to develop 'soft skills' of attitude, judgements and behaviour – for example, making people be more inclined to plan or save, and building their confidence to take a proactive and balanced approached to risk. It seems that these skills are more important to emphasise than technical financial knowledge – for example of bonds, interest or pensions.

Second, as with other learning and development, the length and intensity of programmes makes a difference. Still, financial education tends to be forgotten over time: even large-scale interventions with many hours of learning have negligible effects on behaviour 20 months later. A potential solution is just-in-time or on-demand learning linked to particular financial decisions. This should help employees put new learning to use quickly, increasing its relevance and minimising information loss.[15]

Recommendations for practice

- Ensure that financial education is topically relevant to the various needs of employees or the particular financial decisions that they need to make. Learning content should also be based on insights from behavioural science, accurate and up to date, and presented by knowledge experts.
- The format of programmes should include experiential learning through classroom activities and give relevant examples to accompany assignments.
- Consider how you can deliver on-demand, just-in-time learning so that it is more likely to be used in financial decisions or otherwise put to use quickly.

Credit counselling and debt management programmes

Credit counselling, also called debt counselling or debt management programmes, helps people currently struggling with debt to manage and pay it off. It can involve support in negotiating with creditors to agree a debt management plan, as well as advice and support in financial planning and behaviour.

Research shows that debt counselling can directly reduce financial distress and indirectly influence perceived financial wellbeing and broader health over sustained periods (for example, 18 months). It can make participants more likely to engage in positive financial behaviours; make those behaviours more effective and, as a result, make negative financial events less frequent; and improve people's overall finances – both in paying off debts and more broadly, for example in improving their income.

However, debt counselling has inherent limitations. First, workers experiencing financial distress who are at or below the poverty line have been found to benefit only marginally, it seems because they need more intensive financial support services than counselling can provide. In short, if financial distress is driven by very low wages, improved money management skills may make no difference. In addition, even if people do need to improve how they manage their finances, it can be difficult to persuade them to take part in development programmes that support this.

Recommendations for practice

- Debt counselling can be very effective in helping those struggling with finances, so it should be included in financial wellbeing strategies.
- Two important steps for debt counselling to be effective are getting it to the people who really need it and persuading them that it is worth their while engaging with it.
- Recognise the limitations of debt counselling on its own, in particular for employees who are on a low income. Paying a fair and liveable wage and providing secure working hours should also be seen as important priorities.

Financial wellness programmes

Research shows that organisations are increasingly offering employee financial wellness programmes (EFWPs), which provide integrated support in the form of financial coaching, pay advances and online financial management tools, among other services. For example, a recent US survey found that 11–15% of employers offered these services.[16]

EFWPs are generally seen as a way to help employees, boost their performance and ensure they are committed and stay in the organisation. Employee views bear this out. The same survey found that employees with access to EFWPs reported feeling more positive about being part of their organisation, better about coming to work and more focused on the job.[17]

Research assessing the effectiveness of EFWPs is limited to date, but it is a promising area. For example, one notable case study at an American media conglomerate added financial wellness to the overall health and wellness programme. This intervention was seen to result in several improvements, including reduced financial distress and cash flow problems, as well as increased use of pension and health plans and improved self-reported scores on family relations.

Whether employees make use of EFWPs depends on various factors, however, such as income, level of financial difficulty, size of employer, and management support. It's therefore important that employers understand their employees' personal context and provide different services to successfully meet their needs.

Recommendations for practice

- Most employers do not offer integrated financial wellness programmes, but they should consider them. There is clear potential for various services to help employees who fall into financial distress – including hardship loans, earned salary access, occupational sick pay and being paid more frequently.
- However, evidence is lacking on how effective EFWPs are in fostering financial wellbeing and what the success factors are, so employers would do well to trial these interventions. This directly benefits employers themselves, and if they work with academics to publish evaluations, they can also help others by contributing to the body of knowledge.

7 Can we measure financial wellbeing?

Collecting data on employees' financial wellbeing – as well as related areas such as absenteeism and presenteeism – allows employers to establish the need for support and track its impact. If employers are introducing new financial wellbeing practices, it's best to collect data before interventions to establish a baseline.

It may be possible to use existing surveys to get some of this information, but ideally, we would suggest using bespoke, robust measures of financial wellbeing. Just as financial wellbeing is understood and defined in different ways, so too there are a variety of measures used. Because financial wellbeing is multifaceted and people react differently to financial situations, most researchers recommend using a mix of types – for example, both objective and subjective measures.

Below we summarise some of the validated and reliable measures, all of which collect sensitive information so should be used with care. For more detail on measuring financial wellbeing, see the accompanying scientific summary.

Objective financial status

A recommended way to measure objective financial status is to assess aspects such as monthly income, total assets and total debts.

Subjective financial status

Financial distress and wellbeing is most often measured on a continuum, ranging from negative to positive feelings about, or reactions to, one's financial condition. One established measure is the Personal Financial Wellness Scale,[18] which consists of eight questions on a ten-point scale, including:

- *What do you feel is the **level** of your **financial stress today** (1 = overwhelming stress, 10 = no stress at all)?*
- *How do you feel about your **current financial situation** (1 = feel overwhelmed, 10 = feel comfortable)?*
- *How often do you have to worry about being **able to meet** normal monthly living expenses (1 = worry all the time, 10 = never worry)?*

Subjective financial status can also often be measured by asking for an individual's perception of their financial situation. One survey measure[19] includes items such as:

- *I am satisfied with my present financial situation.*
- *My income is enough for me to meet my monthly living expenses.*
- *I am satisfied with the amount of money that I am saving and investing for retirement.*

Financial behaviour

Measures of financial behaviour explore a range of behaviours related to personal finances, including contributing to savings, paying bills on time, cutting down or limiting expenditure, personal debt, following a budget, and cutting down living expenses.

Recommendations for practice

- Put measures in place for financial wellbeing, replicating the measures, such as those above, that are tried and tested. This will help you to identify which groups of employees are struggling with financial wellbeing and to evaluate the impact of interventions such as financial education and debt counselling.
- Use objective measures (such as pay levels) as well as subjective measures (such as satisfaction with financial situation) and measures of behaviours to obtain a full picture of financial wellbeing.
- Staff surveys can also highlight particular issues that are causing financial distress, such as an increase in the cost of energy or transport. This information will help you plan and develop a financial wellbeing policy that helps deal with these pressures.

8 Conclusions

Financial wellbeing, and more specifically financial distress, is an important area of HR and L&D practice. It is evidently important for a stable society and for individuals, but it is also an aspect of people's lives that affects their work – in performance, absence and potentially their loyalty and how strongly they identify with the organisation (termed organisational identification). At the same time, employers clearly have roles to play in supporting employees' financial wellbeing. But, although financial wellbeing is an area of growing interest for employers, it still remains relatively neglected compared with other aspects of wellbeing.

One of the challenges is that it's a sensitive area. This is not only because of the stigma surrounding debt and the fact that, more generally, many of us don't like disclosing aspects of our finances. It's also because it relates to other sensitive issues of mental wellbeing and, potentially, absence. As a result, it can be challenging to get people to engage with financial wellbeing interventions. So, one thing that business leaders can do is demonstrate their support for their employees and encourage open discussion about financial issues – for example, by talking openly about the money worries they have confronted or even the organisation's financial situation more generally, to help normalise conversations about money. HR teams can also use communications channels and encourage people managers to signpost employees to sources of financial wellbeing help with a view to reducing stigma – this will hopefully make employees more likely to access help when they need it.

However, the most obvious role employers can play in supporting financial wellbeing is to make sure they pay everyone a fair and liveable wage to help prevent them from falling into difficulties in the first place. In the UK, becoming an accredited Living Wage employer is a good start.[20] As this evidence review shows, various factors affect financial

wellbeing – including individual differences and employees' behaviour or financial management – but these factors do not negate the overwhelming importance of a liveable wage. Employers must not assume that financial distress is due to employees' financial mismanagement. Interventions like financial education cannot be the only answer – especially for the low paid.

With that proviso, research shows that employers can be effective in taking a wider and more active role in supporting employees' financial wellbeing. We recommend providing financial education, debt counselling and holistic EFWPs as part of a financial wellbeing policy. There are limitations to these practices and the research on what works in EFWPs is still nascent, but we have enough evidence that we can broadly recommend them.

The limitations arise mainly because financial wellbeing is a complex area. One size rarely fits all in HR policy and practice, but this is certainly the case for financial wellbeing. There are various factors of influence at play, both in terms of who is most likely to experience financial distress, and what makes interventions effective. Interventions should be pitched to employees' understanding and awareness. This means assessing employees' financial wellbeing to understand their priorities and learning needs, and then signposting the most relevant information and support through the most effective communications channels. Interventions should also be delivered so that they are relevant to employees' current needs – either by being tied in with particular decisions (for example, on pensions contributions) or being made on-demand for just-in-time use. 'Sheep-dip' training or 'injection education' (giving everyone the same standard learning to tick a box) is never likely to be successful: employees need to be met where they are at.

Finally, employers should find ways to involve employees in developing a financial wellbeing strategy and interventions. For example, programme participants could feed back what they found helpful or unhelpful, and could help promote the support on offer to encourage those who are hesitant about using them. This takes us back to the importance of challenging stigma in this area. The idea that nothing substantive can be done to deal with financial distress, or that it is none of an employer's business, should be combatted head on.

9 Endnotes

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CIPD

Chartered Institute of Personnel and Development
151 The Broadway London SW19 1JQ United Kingdom
T +44 (0)20 8612 6200 **F** +44 (0)20 8612 6201
E cipd@cipd.co.uk **W** cipd.co.uk

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