




The Importance of Financial Wellbeing

Invest in the financial wellbeing of your employees to create a happier, healthier and more engaged workforce.



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An introduction to financial wellbeing

We can think of financial wellbeing in a similar way to how we consider our own wellbeing. It looks at the health of our current financial situation, how we cope with unexpected expenditure and how well prepared we are for our financial future. To have good financial wellbeing is to feel financially stable and resilient, to feel confident that you can meet your expected and unexpected financial demands and to feel you are in control of your money.

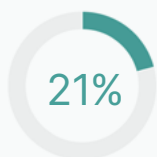
In recent years, UK businesses have been through challenging times due to the COVID-19 pandemic and the ongoing cost of living crisis. The detrimental effect of these events is still taking its toll on the nation's finances, causing a direct negative impact on our workforce's mental health, physical health and performance at work.

As an employer, you can have a significant impact on your employees' financial wellbeing. It is vital for business leaders to support their employees by educating them about financial wellbeing and working with them to improve their situation both now and in the future. It's not necessarily about how much money employees receive, but more about what they do with that money to give themselves the best chance of happiness, stability and wellness.

What's more, providing financial wellbeing education can have a great impact on your business. It can improve your business' overall performance, improve productivity, reduce absenteeism and create a better work environment, leading to better staff morale and retention. In this whitepaper, we go into these points in more detail and give you some helpful advice on how you can improve your employees' financial wellbeing.

Individual financial wellbeing in numbers

In a study of UK working age adults:



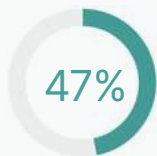
rarely or never save



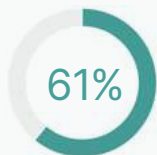
have less than £100 in savings and investments



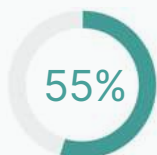
couldn't last three months without borrowing if they lost their main source of income



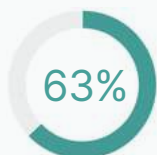
have no plan for financial goals for the next five years



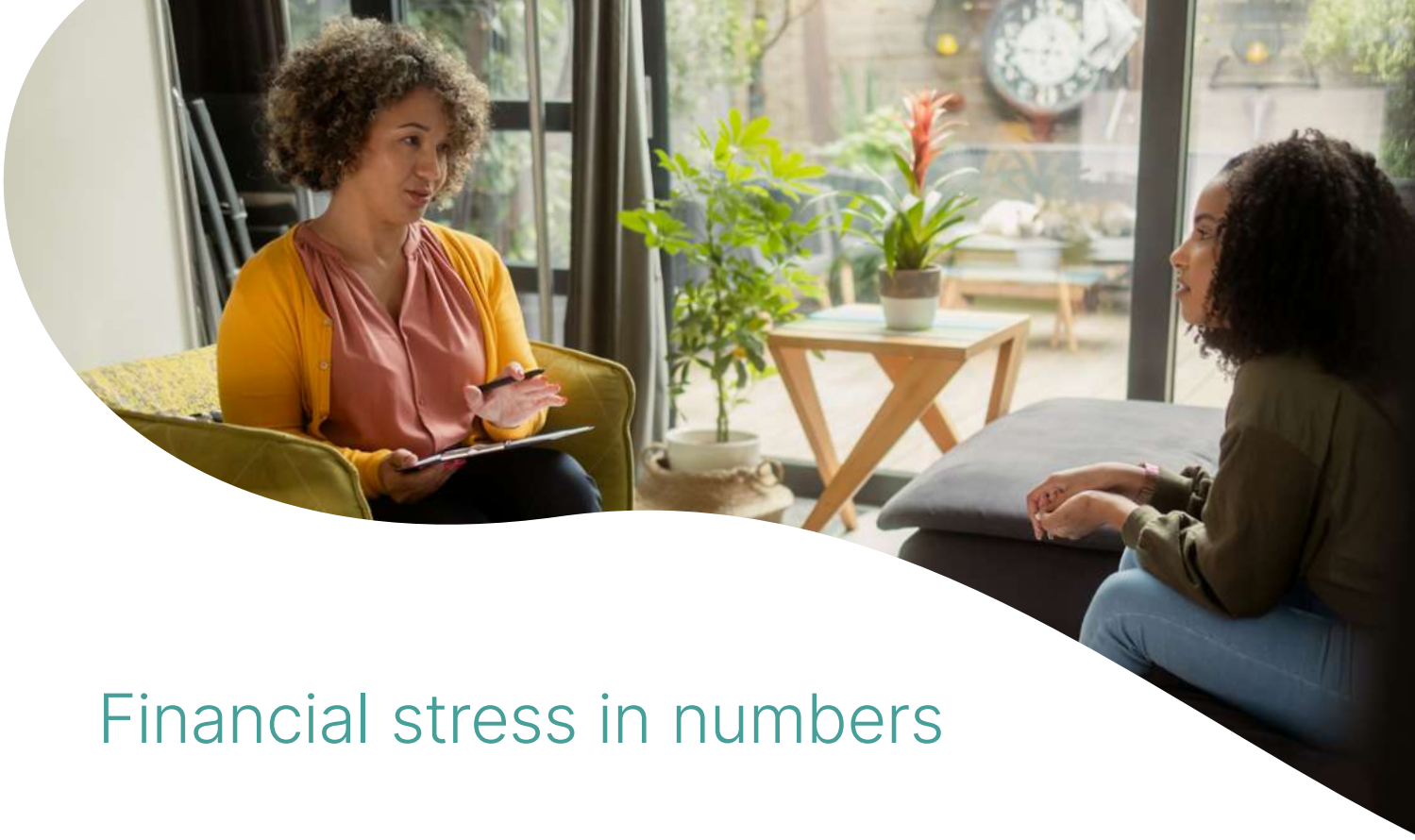
do not focus on the long term when it comes to money



do not feel that they understand enough about pensions to make decisions about saving for retirement



do not feel they can determine what happens in their lives when it comes to money



Financial stress in numbers

77%

of workers in the UK and Ireland had experienced financial stress in the past 12 months

3 in 4

of them (76%) could identify at least one instance in which financial problems were having a negative impact at work source: Zellis

Such instances might include:

- » Being very tired at work due to losing sleep over financial stress
- » Lacking the focus and concentration needed to work well
- » Becoming more error-prone in their work
- » Being less able to communicate effectively
- » Having a detrimental effect on those around them in the workplace, e.g. through low morale, unenthusiasm, absenteeism or underperformance

Giving your employees the right information and support can greatly improve their financial wellbeing, which can lead to a happier, healthier and more productive workforce for years to come.

Section One

The business impact of poor financial wellbeing

Financial stress can have a huge impact on many areas of an employee's life, including their performance at work. Most notably, financial stress is shown to decrease productivity, increase absenteeism and lead to low job satisfaction and retention rates. It is crucial, therefore, for employers to support their employees by providing financial wellbeing education programmes.



How does financial stress affect **productivity**?

When an employee is under financial stress, they may be less able to perform their tasks to the normal standard. This might be because they are distracted by worries around their financial situation or impaired by physical or mental side effects of stress, for example.

The ripple effect of low productivity can be very disruptive. When one person in a team is unable to keep up with the rate of work or expected

quality levels, everyone else suffers. People have to pick up the slack on top of their normal workload, which in turn can lead to increased stress, anxiety, low mood and fatigue across the entire team. This can then trigger a secondary round of low productivity, and so on.

Before you know it, one person's financial stress can damage the entire business' productivity and, ultimately, the company's profit.

How does financial stress affect **absenteeism**?

In the UK, the average rate of employee absence from work in 2023 was **7.8 days per employee** per year, which is over 30% up on 2019 figures (source: CIPD).

Taking into account the higher levels of financial strain across society over this period, it's possible to see a correlation between increased absenteeism and poor financial wellbeing.

Employee absenteeism can be caused by a whole manner of things. These include physical illness, issues between staff members (such as bullying or harassment), mental health problems (including stress, depression and anxiety),

issues with their personal/home life, issues to do with commuting (e.g. affordability, reliability of transport, car maintenance issues) and disengagement with or disrespect for the company managers. Also, even if people are turning up for work, they may be clocking out mentally due to one or more of these problems.

Each and every one of these causes of absenteeism can be affected by poor financial wellbeing. And, as with the impact of low productivity, the absence of one employee can quickly have adverse effects on the entire workforce. Work is either undone or not done to standard, so resources get stretched beyond sustainable levels which causes more stress, and so the cycle continues.

How does financial stress affect **job satisfaction and retention**?

If an employee is experiencing financial stress, which we know can increase their risk of decreased productivity and increased absenteeism, they are more likely to experience decreased job satisfaction and levels of engagement.

Research shows people with higher levels of financial stress have lower levels of pay satisfaction, are more likely to waste their work time and take more time off work, all of which are signs of low overall job satisfaction. When staff are dissatisfied, they are more likely to leave.

With low job satisfaction comes a lower staff retention rate and higher rates of staff turnover. It is costly when an employee leaves. First, there's

the cost of finding someone to replace them, which can quickly add up if their role is hard to fill. Then there are the costs associated with training and onboarding the new recruit.

If you add to that the losses incurred from training the former employee, the impact that employee's job dissatisfaction had on other team members and the fact that the former employee might be poached by a competitor (along with the valuable information they know about your business, its customers, projects, history and plans), you're looking at a large sum. This expenditure and risk could have been avoided if the former employee had support with their financial wellbeing.

By prioritising the financial wellbeing of your employees and providing financial wellbeing education programmes, you can:



Help alleviate employees' financial stress



Reduce the risk of low productivity, absenteeism and low job satisfaction/retention rates



Foster a positive work environment with high employee morale



Have a competitive edge in the job market due to being supportive of your employees



Improve the overall success and sustainability of the business

Section Two

The impact of finances on wellbeing

There is strong evidence of a correlation between financial stress and employee wellbeing. Financial stress can have detrimental effects on employees' mental health, physical health and job performance.

Almost

8 in 10

UK employees take their money worries to work, affecting their performance

4.2 million

worker days each year are lost in absences because of a lack of financial wellbeing, the equivalent of £626 million in lost output

Nearly

7 in 10

UK employers believe staff performance is negatively affected when employees are under financial pressure

In a poll of UK working adults by Mental Health Foundation in 2023:



31% felt **anxious** due to their personal financial situation



27% felt **stressed** due to their personal financial situation



9% felt **hopeless** due to their personal financial situation

Source: Mental Health Foundation

In a study of UK working adults by Unmind in 2023:



27% believe financial worries cause them to experience **brain fog** and make more **mistakes**



33% believe financial worries are harming their **ability to focus** at work



53% believe financial worries **reduce their ability** to do their jobs as normal

Source: Unmind

The detrimental effects of financial stress on **mental** health include:

- » Increased levels of worry or anxiety
- » Depression, low mood, withdrawal or suicidal thoughts
- » Feelings of guilt, shame or low self-esteem
- » Feeling emotionally unstable, teary or experiencing mood swings
- » Disrupted sleep, trouble sleeping, needing more sleep or feeling drained
- » Anger, frustration and communication breakdowns
- » Loss of interest in things like hobbies, friends, family or partner
- » Neglecting important things, like paying bills, eating and exercising
- » Making errors or poor decisions, such as mistakes in work or overspending
- » Struggling to focus
- » Feeling unable to face going to work, which can lead to unemployment

The detrimental effects of financial stress on **physical** health include:

- » Headaches
- » Nausea
- » Muscle tension and pain
- » Digestive/gastrointestinal problems like stomach aches and changes in bowel habit
- » Weight gain or overeating
- » Weight loss, meal skipping, loss of appetite or undereating
- » High blood pressure and other cardiovascular problems
- » Feeling panicky (racing heart, sweating, shaking, hyperventilating, panic attacks)
- » Skin problems, such as acne and rashes
- » Having too much caffeine
- » Drinking too much alcohol
- » Turning to unhealthy coping methods, such as drugs, gambling or self-harm

The detrimental effects of financial stress on **job performance** include:

- » Actual absenteeism (being away from the office)
- » Mental absenteeism (checking out mentally while at work)
- » Presenteeism (being constantly present at work despite being unwell)
- » Reduced efficiency, taking longer to complete tasks or working slower
- » Increased mistake-making and reduced ability to spot mistakes
- » Lack of focus, brain fog, poor concentration or being easily distracted
- » Feeling overwhelmed, bored or demoralised
- » Higher irritability, more potential for conflict, less interested in working with others

Put simply, we cannot afford to ignore the need for better financial wellbeing education.



Section Three

Improving your employees' financial wellbeing

We know that the effects of poor employee financial wellbeing can be hugely detrimental to both individual workers and your business as a whole. Fortunately, there are a number of simple actionable steps that you can take to help turn things around.

Providing financial education is one of the best ways to support your employees' financial wellbeing. Done well, and with regular refreshers and updates, it can empower them to make well-informed financial decisions for the rest of their lives.





There are various benefits and incentives that companies can offer through financial education, such as:

- » Advice on budgeting and debt management
- » Information around saving, growing assets and investments
- » Help with planning for retirement or other significant future financial outlays
- » Flexible work arrangements to help them improve their productivity
- » Regularly updated financial wellness resources to top up their knowledge

You could also look at implementing more supportive company policies, such as:

- » Fair compensation practices, to ensure people are paid for the work they do
- » Transparent communication about financial matters
- » Access to affordable healthcare and insurance benefits
- » Health promotion, e.g. healthier snacks, Cycle To Work scheme, gym access
- » Access to financial counselling services

The benefits of an organisation-wide culture of financial openness and inclusivity

Making small changes to encourage employees to seek support and guidance regarding their financial concerns can have transformative effects on the entire workforce. People might feel more informed about their situation, more confident to talk about concerns and more supported in their journey towards improved financial wellbeing.

Paired with financial education, it can acknowledge and reverse some of the effects of financial stress.

Potential outcomes include:

- » A reduction in financial stress
- » An improvement in staff mood and positivity
- » Improved staff engagement with company-wide activity and daily work tasks
- » An increase in employee satisfaction, staff retention levels and loyalty
- » Better financial literacy throughout the company
- » Reduced risk of employees behaving unethically in attempt to alleviate financial stress
- » A more positive work environment for everyone in the company
- » Improved outside perception of the company, its community, culture and support



Section Four

Key takeaways on financial wellbeing

It is crucial for employers to prioritise their employees' financial wellbeing.

Left unsupported, employees with poor financial wellbeing can experience physical and mental health issues caused by financial stress. This can affect productivity, absenteeism, job satisfaction and employee retention across the workforce.

By proactively investing in educational initiatives aimed at improving the financial wellbeing of their workforce, businesses can have a dramatic positive impact on their employees' health, wellbeing, happiness and financial security.

It is, in turn, a strategic investment in the success and sustainability of the business. A happy, healthy, committed and financially educated workforce is a must if you want your business to thrive.



If you wish to find out more about employee financial wellbeing education for your business, contact us today on:

☎ 02920 109222

✉ financial.wellbeing@thomas-carroll.co.uk

With over 50 years experience working with businesses, we have the resources you need to make positive workforce-wide changes for today and the future.

Appendix:

Resources and further reading

Biason, The Effect of Job Satisfaction on Employee Retention (2020)

CIPD, Health and Wellbeing At Work report (2023; 2019)

Kim and Garman, Financial Stress, Pay Satisfaction and Workplace Performance (2004)

Mental Health Foundation, Cost-Of-Living Is Still Causing Widespread Mental Distress, New Data Shows ([web article](#), 2023)

Money and Mental Health, Bond and Holkar, A Silent Killer: Breaking The Link Between Financial Difficulty and Suicide (available [online](#), 2018)

Money and Pensions Service, Financial Capability of UK Adults ([infographic](#), 2024)

Money and Pensions Service, Financial Wellbeing in the Workplace ([web article](#), 2023)

NHS, How Money Worries Can Affect Mental Health ([web article](#), updated 2023)

People Management, Financial Stress Causing A Quarter Of Employees To Experience Brain Fog And Make Mistakes, Study Finds ([web article](#) citing [Unmind](#) study, 2023)

Zellis Research, Under Pressure. How Financial Stress Impacts Employee Wellbeing and Productivity (2023)

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