

Cost-of-living crisis

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Managing money in 2022: helping employees through the cost-of-living crisis

We've seen in the news¹ the depressingly long lists of things that will cost more this year – from food prices, petrol and energy bills to train tickets and mortgages.

So maybe it's not surprising that the number of people missing or defaulting on at least one mortgage, rent, loan, credit card or bill increased by 15% over the year to January 2022².

No matter what support the government offer, the issue isn't going away – the fact is, most employees will feel a squeeze on their finances, which undoubtedly means an impact on absenteeism and productivity at work as the pressures become acute for some.



How can employers help - is a pay rise the right answer?

One obvious answer that springs to mind for individuals is they need to be paid more.

But this isn't so obvious if you're footing the bill - organisations have to balance this against other ongoing cost pressures. Pay rises compound (and are often pensionable), and additional salary is subject to tax and National Insurance (which is also higher from April 2022), so a pound of cost to the employer doesn't mean a pound of benefit for the employee.

Offering a temporary cash allowance or one-off bonus could address some (but not all) of these issues – could the "heating and eating allowance" catch on, or is there something else employers can do?



Back to (the financial) basics

A longer-term fix might be to help your employees get more from their money.

Without cuddling pets to stay warm, as one energy supplier suggested recently... it's worth looking at spending habits that can quickly add up. How many of us have taken an initial free offer on a subscription service and forgotten to cancel? Bought an outfit that's sat in the wardrobe gathering dust? Got in the habit of buying lunch or coffee out?

Budgeting is part of the solution, but money skills go way further than that, and the lack of understanding in the UK is truly worrying – across all income levels. You'd be surprised how many people are struggling to pay off high interest debt from their income, while at the same time holding large amounts of cash in a low interest bank account.

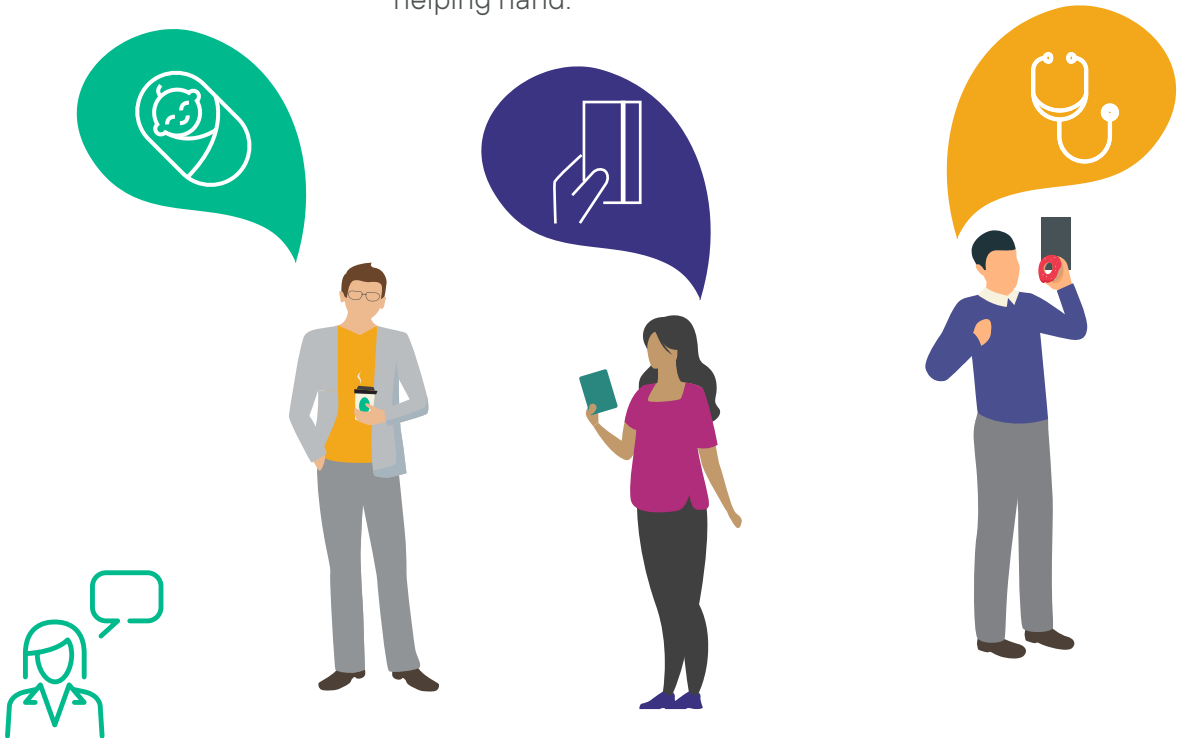
Then there are those racking up more debt just to keep food on the table or manage costs – only 60% of UK adults report they could pay an unexpected but necessary expense of £850³.

With financial wellbeing worsening, how can employers reach those who need support?



Engaging employees with their finances

Bulk communications can only go so far – the minority who are familiar with the materials and tools available are usually the most confident and on top of their finances. It's important to reach the employees who are really struggling, those who can't pay the unexpected expense for example. These people will often have a knowledge gap, a lack of confidence, or both. By identifying the main issue that is blocking better financial wellbeing for each individual, you can give the employee the specific support they need. Often this isn't more money, or access to a new financial product, but a listening ear and a helping hand.



Employee feedback on Isio financial coaching sessions

"My chat with the coach was incredibly helpful. She saved me hundreds, if not thousands of pounds!"

"Money is always a difficult topic to discuss but the consultant made me feel very comfortable during the session and highlighted areas I might want to focus on going forward. It was a very useful session to get me started on managing my finances and planning for the future."

At Isio, we work closely with clients to develop engagement strategies that help employees positively manage their own financial wellbeing, by providing access to tailored education materials, seminars and one-to-one coaching to leave them feeling confident and empowered in this area of their lives.

By educating and empowering employees in a digestible way, it's possible to make a lasting difference that will help employees get more value from their money, as well as having a better appreciation (and making better use) of the benefits you provide.

To understand what support you could provide for your employees to help them manage their own financial wellbeing, please speak to your usual Isio contact or Jen Norris for more information.



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Source:

¹ [UK households face biggest income squeeze in a generation | Financial Times \(ft.com\)](#)

² [Consumer worries, confidence and financial wellbeing in January 2022 - Which? Consumer Insight](#)

³ [Coronavirus and the social impacts on Great Britain - Office for National Statistics \(ons.gov.uk\)](#)