

Isio insights

The power of knowledge

Maximising value from employee benefits

Isio surveyed¹ over 7,500 private sector employees and this series of papers puts the spotlight on our key insights.

¹Isio's June 2023 survey in conjunction with YouGov of 7,674 UK private sector employees. Responses for don't know or prefer not to say answers have been removed, unless explicitly shown.

Our fourth paper dives into the detail on financial confidence and understanding.
Is there a disconnect between these two concepts and why are they so important when it comes to getting value from your benefit spend?

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Great minds.

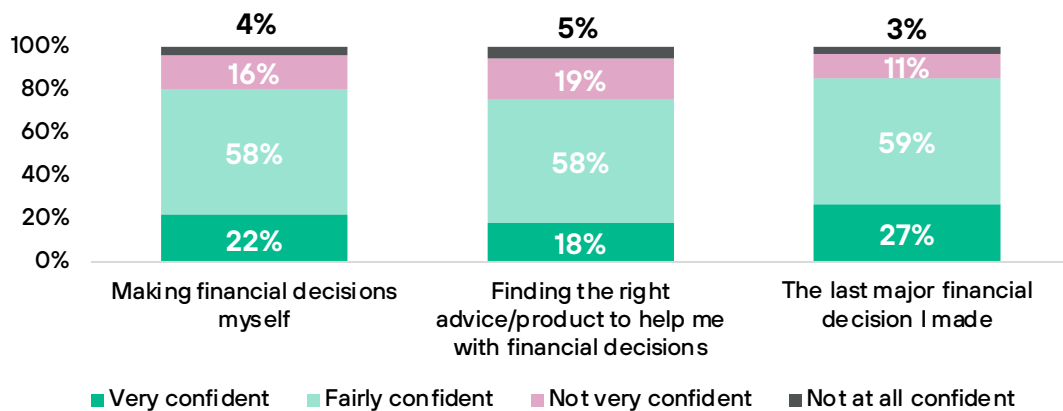
Imagine a world where your employees see and precisely realise the value of your investment in their benefits. That every £1 you spend is fully appreciated by employees and counted in their valuation of their total remuneration. Now let us introduce you to a couple of superpowers that may help you to achieve this: financial confidence and financial understanding.

Financial confidence is the belief in your financial ability. Financial understanding is your comprehension of the financial topic. These two are interwoven, but can take on different roles within any decision making process. They are both important, but financial confidence is typically easier to perceive, and can potentially mask a lack of understanding.

In this paper we uncover how financially confident employees are, and whether this translates to genuine financial understanding. We then take a leap and discuss why improved financial confidence and understanding could be key to unlocking value in your organisation.

The savvy scale.

Let's first look at financial confidence. In our survey¹, we asked respondents: How confident, if at all, would you say you are with the following...



Digging into this data further there are some revealing insights, as shown below.



Gender matters. 27% of male respondents perceived themselves as 'very confident' in their own financial decision making compared to only 18% of females.



Among those who felt the most confident were those who **own their own property, higher earners**, those working in **financial services** and those **aged over 45**.



Those who work in **education** felt that they had the lowest perceived confidence in the last major financial decision they made, with only 24% feeling 'very confident'.



Those living in **London** were more likely to feel that they have poorer financial confidence than the wider population, with 27% saying they had little or no confidence in their own financial decision making. Their North East counterparts reported having the most financial confidence.

An acid test.

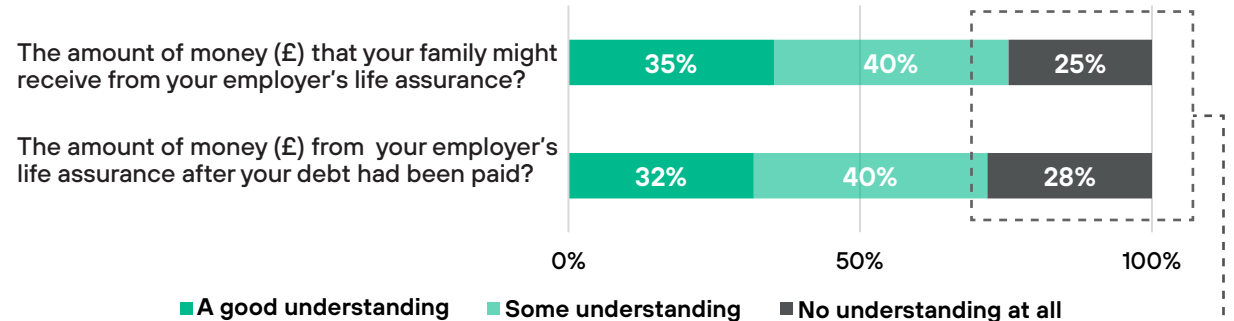
Financial confidence is important as it is a factor in how people will react toward concepts such as their benefit package and total reward statements.

Across all three measures of confidence shown on the previous page, around 15 to 30% of respondents felt very confident in their ability to make financial decisions. These are the employees that we typically assume will understand and value the benefits package.

But does this translate in practice?

We tested this with a question on benefit knowledge. We asked respondents **“What do you understand about the amount of money provided by your employer’s life assurance benefit, in the event of your death?”** Life assurance is one of the more straightforward risk benefits, and we consider it to be less complex than say, pension or income protection. Therefore, anyone struggling with understanding this benefit might find most other benefits harder to comprehend.

Understanding of life assurance benefit – Whole population

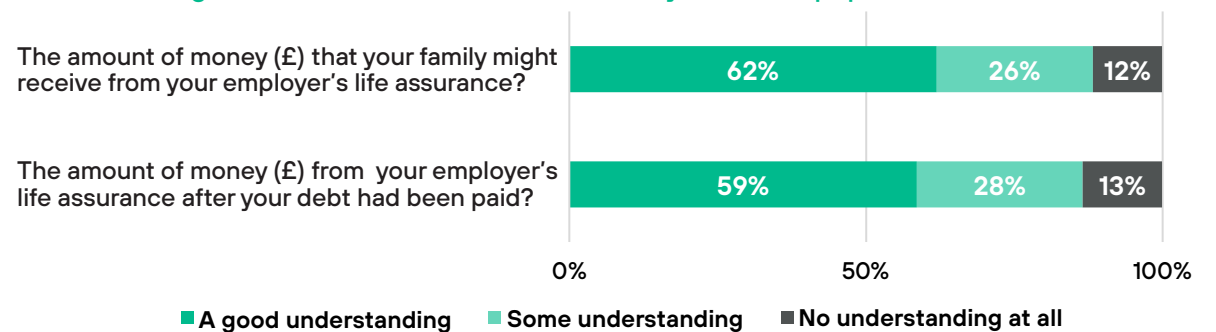


First of all, who are the people who have no understanding?

- Perhaps unsurprisingly, this group was weighted toward younger ages and lower earners (with 40% of under 35s, and 35% of those earning under £40k having no understanding).
- A higher portion of these responders were from retail and media/marketing sectors. Individuals of Asian, Black or Mixed ethnicities were also more likely to report a lower level of understanding.
- Worryingly however, almost a quarter of all other age groups above 35 – those you might expect to have a greater interest in life cover protection because they are more likely to have dependants – were in this no understanding category.

Now let’s look at this question again, but only for those who claim they are very financially confident.

Understanding of life assurance benefit – Financially confident population



The key point to note here is that only around 60% of those who claim to be financially confident understand this more straightforward benefit. This means that 40% of people who claim to be confident in their finances may have, in reality, a poor understanding of what their benefits mean. These people were more likely to be female, younger and lower earners.

What have we learnt?

As an employer there are two important learnings here. Firstly, we can infer from the life assurance test that around 1 in 4 employees do not understand the benefits they are in receipt of and therefore they will undervalue their reward package. By attaching less 'appreciation' to a benefit than it's worth, they will undermine their total reward.

Secondly, there is a subset of people within this group who would benefit from additional support but who believe they don't need it. It is this group in particular who are likely to acknowledge the employer funded amount on their total reward statement but undervalue the significance of the benefit.

Engaging with these employees might need to be done in a different way as they are less likely to respond to a helping hand. However, given their existing confidence, a relatively small investment to boost their knowledge could improve their appreciation of the benefits package.

Our analysis suggests that improving financial confidence and financial understanding could lead to increased retention and lower employee turnover.



The big idea.

Now let's explore why, as an employer, you should 'rescue' employees by aiming to increase their financial confidence and understanding.

Our analysis indicates that **those with poor understanding are 34% more likely to feel that their benefits package does not meet their requirements**. This implies that improving understanding could improve appreciation of the benefits in place, thereby improving the return on investment in the benefit spend. Essentially, if you can increase the number of employees who value the benefits that you provide, you could reduce the amount of spend that is evaporating.

We also see that **those with poorer financial confidence are 23% more likely to want to move jobs in the next 12 months**.

By translation, this suggests that improving financial confidence and financial understanding could also lead to increased retention and lower employee turnover.

Brain training.

Now that we know financial confidence and understanding have the potential to be superpowers to your business metrics, what tools can we equip employees with to unleash these powers?

This could entail an engagement programme, in a format that is best suited to your workforce, that will empower your employees to engage with and make informed decisions about their benefits (and wider finances). Our next paper focuses on how this might be delivered and which financial topics people would find most impactful to learn about.



Financial engagement



Financial understanding and confidence



Retention and profitability

Some keynote revision.



- 15-30% of employees feel financially confident in decision making. The rest need help.
- Nearly 1 in 4 employees don't understand their benefits, and hence undervalue them. This includes a good proportion of people who consider themselves financially confident.
- There is a link between poor financial understanding and confidence, and not being satisfied with your benefits package and/or wanting to move jobs.
- Alongside having the right benefits, a financial engagement programme (that includes education and support) can be important tools in helping to improve financial understanding and confidence, and we believe these may help lead to reduced employee turnover.
- By closing the measured gap between an employee's appreciation and the actual spend on employee benefits you can reduce the investment that is evaporating. We propose that financial confidence and understanding can help to close this gap. Knowledge is not only power here, it's a money saver!

The next chapter.

You can push toward the utopian version of benefits – where £1 of investment delivers at least £1 of value – by investing in financial engagement. Isio can partner with you on this journey as you empower your employees to make their own well-informed financial decisions.

A natural next step is to look at what support employees would engage with. This is covered in our next paper. In the meantime, ask yourself:



Do you have any insight into how much employees know or understand about the benefits you have in place? Are they regarded as more complex than they really are?



If 1 in 4 within your workplace are undervaluing employer spend on risk benefits due to a lack of understanding, how much of your benefit spend is 'evaporating away'?

For further insights on how to make the most of your reward and benefits, read the rest of the series [here](#).



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