

Isio insights

# Weathering the storm

## Maximising value from employee benefits

Isio surveyed<sup>1</sup> over 7,500 private sector employees and this series of papers puts the spotlight on our key insights.

<sup>1</sup> Isio'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.

In the third of our papers on employee benefits we shine a light on financial stress. Do you know what's keeping your employees awake at night? **Why should an employer support those facing financial turbulence, and how could employee benefits do more?**

**isio.**  
born to be better.

## Gathering pressure.

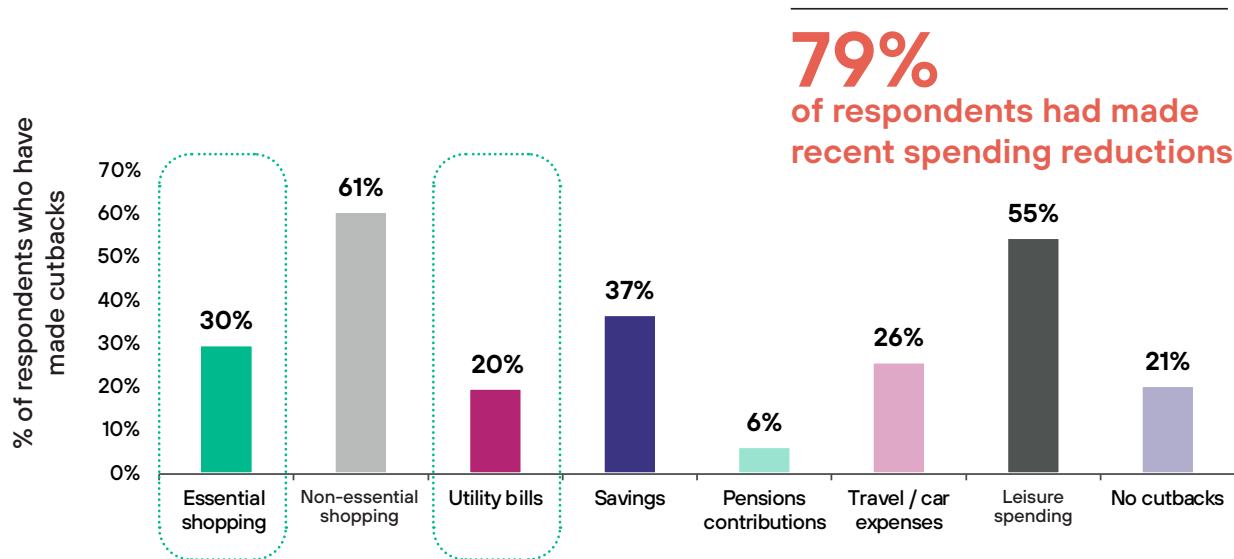
Amid peaking interest rates and continued inflationary pressures, most households in the UK are facing significant financial strain. The impact of this has seeped into the workplace as **stress-related absences are at their highest rate in over a decade** and there are calls for employers to do more to fix this<sup>2</sup>. Research has shown that those facing financial stress are less productive at work, more likely to have unscheduled time off and more likely to be searching for a new job<sup>3</sup>, so there is a direct benefit in providing some level of support – but before we launch to the solution, we need to understand what employees are worrying about and what actions they have already taken.

<sup>2</sup> CIPD calls for more open and supportive working cultures to help reduce stress related absence | CIPD

<sup>3</sup> Financial capability for employers | Strategy for the UK – FinCap

## The bleak mid-winter of 2022.

In June 2023, we asked over 7,500 UK employees<sup>1</sup> “**Have you made any cutbacks in spending since the start of 2023?**”, whereby employees could select more than one answer. The results are shown in the chart below.



Given the current economic climate, we would expect some tightening of the purse strings, however what is concerning is where cutbacks have been made that suggest employees might be going to food banks, going hungry, or getting cold – namely reductions in day-to-day basics such as shopping essentials (as reported by 30% of respondents) and utility bills (as reported by 20% of respondents).

Who has had to make these more worrying financial decisions?



Across the board, individuals with a total household **income of below £40,000** and individuals who reported to have a **disability** were more likely to have made cuts. This does not come as a surprise. Low income speaks for itself, and individuals with a disability are more likely to have significantly higher living costs<sup>4</sup>.

<sup>4</sup> Disability Price Tag 2023: the extra cost of disability | Scope UK



Individuals who live in **Wales**, people living in **rented** accommodation, those who are **divorced**, and those who **lack confidence** in making financial decisions were also more likely to report a reduction in spending across essential shopping and utility bills.



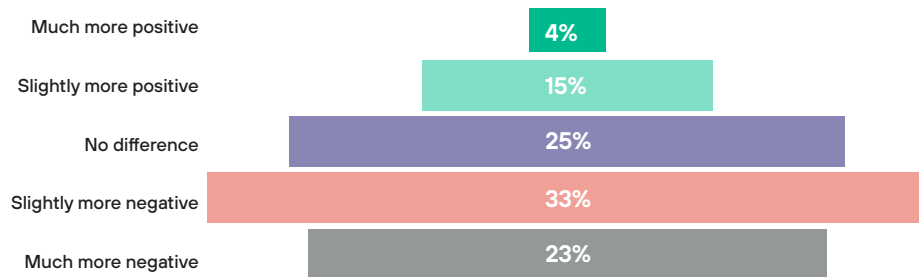
Other groups who were more likely to reduce their essential spending compared to the wider population included **females**, those with **children under the age of 5** and those who live in the **North of England**.



Taking action to reduce their utility bills was reported more frequently by the **over 45s**, **Black** individuals and individuals who live by themselves.

## Are the clouds lifting?

Looking toward the short-term future, do people feel that things will improve? We asked our survey respondents<sup>1</sup>, **How much more positive or negative do you feel about your financial situation in the next 12 months compared to the last 12 months?**



**56%**  
of respondents feel negatively about their imminent financial future

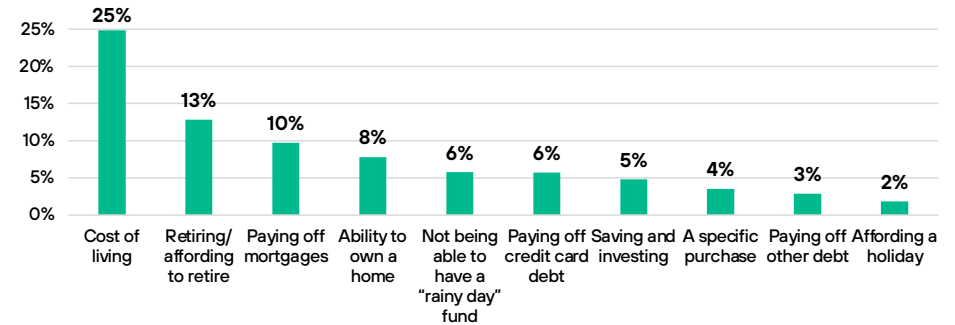
vs

**19%**  
of respondents who think it will improve

## The eye of the storm.

Employers can only give help if they know the problem. To get to the heart of people's concerns we also asked our survey respondents<sup>1</sup>, **"Which one financial issue are you currently most worried about?"**. The top 10 worries are shown below.

### Top 10 financial worries (June 2023)



Unfortunately, it doesn't look like we are out of the storm just yet. Cost of living and the costs associated with housing are the biggest culprits; with the latter set to increase as, at the time of our survey, one half of UK households with mortgages were still due to renew their rate<sup>5</sup>.

<sup>5</sup> The Macroeconomic Policy Outlook Q2 2023 • Resolution Foundation

How might these worries map to your workforce? Our analysis indicates some interesting trends:



Those with **mortgages** feel more negatively than private renters.



Younger age groups are likely to feel more positively about their future finances. However, **housing is a source of concern** for this age group, with 30% of under 35s worrying about either rent, the ability to buy a house, or paying their mortgage.



Almost 30% of those aged over 55 were concerned about their **ability to retire**.



Nearly **40% of Black respondents felt positively**, compared to under 20% within Mixed, White and Asian ethnicities. This difference in opinion could be explained by location and home ownership. Almost half of Black respondents live in London, and those in the capital were significantly less likely to have a mortgage.



**Men are more likely to be optimistic** about their future finances than women.

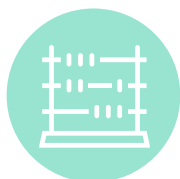
## Be the rainbow.

Our analysis suggests that individuals who have made cutbacks or have a particular financial worry are more likely to be looking for a new job than those who feel more financially secure. This makes sense – one way to improve your financial situation is to find a job that pays more.

Providing support to help address these financial worries should therefore facilitate employees being more effective and productive in their roles at work and help to foster loyalty.

The employee benefits package is the natural place to offer this support, and for some it appears to be working; our research showed that **individuals whose benefits package met their needs were 62% more likely to have made no cutbacks.**

As an employer, you have the potential to provide this light for employees and ease their financial stress. There are several ways you can implement this that don't necessarily mean spending more, as outlined below. And yes, there is a pot of gold at the end in the form of potentially improved productivity, reduced turnover and the indirect cultural benefits of being a supportive employer.



### Increase **flexibility**

Of the 79% of people making cutbacks, only 6% of these cutbacks related to the benefits package.

Where appropriate, consider making core employee benefits (such as pension contributions or PMI) flexible to provide liquidity for those who need it most.



### Support the **cost of debt**

The clampdown on pay day loans has affected a portion of the market who can't get bank loans. Others have no choice but to shoulder high interest loans to manage temporary cashflow constraints.

This could be addressed by introducing a provider for earned wage salary advances or making low-interest employer loans available.



### Increase usage of **cost saving tools**

Employee discount platforms can be a great way to help employees reduce the cost of their weekly shop, yet often go under used.

Reminding employees of discounts and illustrating potential savings via existing communication channels or seminars could help to empower those who are struggling.



### Empower with **financial control**

Help employees to develop positive behaviours through appropriate interventions.

This could include offering financial education tools (such as Isio's Money Health Check) or directly supporting saving by offering access to payroll savings schemes.

## Check the forecast.



- The forecast looks set to continue for many, with expectations that personal finances are not going to improve in the short term. In particular, as mortgage rates are still higher than they have historically been, those whose fixed mortgage rates are about to expire could be facing a greater financial strain.
- More people are resorting to more drastic cutbacks. With many having already cut back the non-essentials, any further squeeze is likely to have a more material impact on wellbeing.
- Employers are uniquely positioned to help. Apart from making a real difference to people's wellbeing, there is a bottom line benefit to be gained in the form of increased productivity and reduced employee turnover.
- Introducing flexibility in the benefits package is one effective solution to help ease financial stress.

## Next steps.

Our next paper looks at the consequences of low financial confidence and understanding among employees and how supporting them in these areas could be a superpower in unlocking value. In the meantime, consider if there is anything you could do to help your employees navigate this ongoing financial storm.



Do you know which employees are facing financial difficulties? What existing services do you have in place to support these employees? Do you promote them?



Are there any changes you could make to your benefit package to help your employees cope with their short term acute financial stress?

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



## Contact.



**Will Aitken**  
will.aitken@isio.com  
020 8154 5024



**Nic Lywood**  
nicola.lywood@isio.com  
020 8154 5010



**Sinead Heath**  
sinead.heath@isio.com  
028 9692 2983



**Claire O'Neill**  
claire.oneill@isio.com  
028 9590 9700

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