



Workplace Savings

An Isio blog

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Money for nothing?

This is for Pensions Managers, Reward Managers and HRDs

"I don't understand why people don't pay more... they're giving up free money!" This is a phrase I have often heard from employers when looking at the small number of employees taking up the maximum DC pension contribution they are entitled to. I must admit, I too have shrugged my shoulders at this in the past.

Rather than not wanting 'free money' is it simply that employees need to prioritise? Understandably, employees are focussed on raising a family, paying bills, managing debt, having emergency funds available, saving for a house...

The Money Advice Service's Financial Resilience Survey in 2019 showed that 10.2m people in the UK are categorised under MAS's criteria as 'struggling'. Of those in the struggling category, 35% could not pay an expected bill of £300. Should we even be trying to encourage these people to contribute more to their pension? Or should we instead be redirecting some of the benefits budget to support them financially in other ways.

In recent years employers have increasingly taken steps to support employees with their wellbeing. Those with effective policies have seen benefits for their business through reductions in absenteeism and presenteeism. This also boosts employee engagement through feeling valued as individuals, rather than a cog in the machine.

Last year, research by the CIPD into wellbeing at work recognised financial wellbeing is the poor relation of many employer's wellbeing programmes. This has to be addressed.

Physical, mental and financial wellbeing are connected. For some, a lack of financial wellbeing may well create challenges with their mental health. Is a financial benefits package that consists only of pension provision fit for purpose for an employer wanting to support financial wellbeing?

Offering a greater range of financial products is only part of the solution. People need support and guidance to improve their financial capability, and the motivation to keep going. We need to develop the financial equivalent of 'Couch to 5K' – setting an achievable goal that is reached in gradual steps.

We believe this is what the financial benefits structure of the future looks like. We would love to hear from you if you would like to be part of this discussion.

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