Elephant in the workplace

Enormous, evident and now exposed: poor financial wellbeing is the elephant in the room.

nudge

_Contributors

Tim Perkins and Jeremy Beament, nudge founders

With a combined 30+ years' experience in HR and reward, Tim Perkins and Jeremy Beament have been at the forefront of innovation in the industry.

Prior to nudge, they were part of the team at Thomsons Online Benefits, the global benefits platform that brought benefits online. In their time at Thomsons they worked with HR and reward leaders from the world's leading companies to shape market-leading employee benefit strategies.

In the space of just three months in 2012, the UK saw not one, but two, once-in-a-generation legislative changes hit the world of personal finance. The first, Auto Enrolment changed the pay and savings of over 10m people and the second, removed access to financial advice for 20m at exactly the time they most needed it.

Jeremy and Tim recognised that people have an unprecedented level of responsibility for their money, but are lacking confidence and knowledge. People are crying out for help and that's where the idea for nudge was born - a market-leading financial wellbeing platform filling the void in financial education.

nudge has grown rapidly, supporting almost half a million people improve their financial wellbeing and creating brighter financial futures for themselves and those they love.

Susanne Jacobs MBA, Chartered FCIPD, FCMI, Founder of The Seven

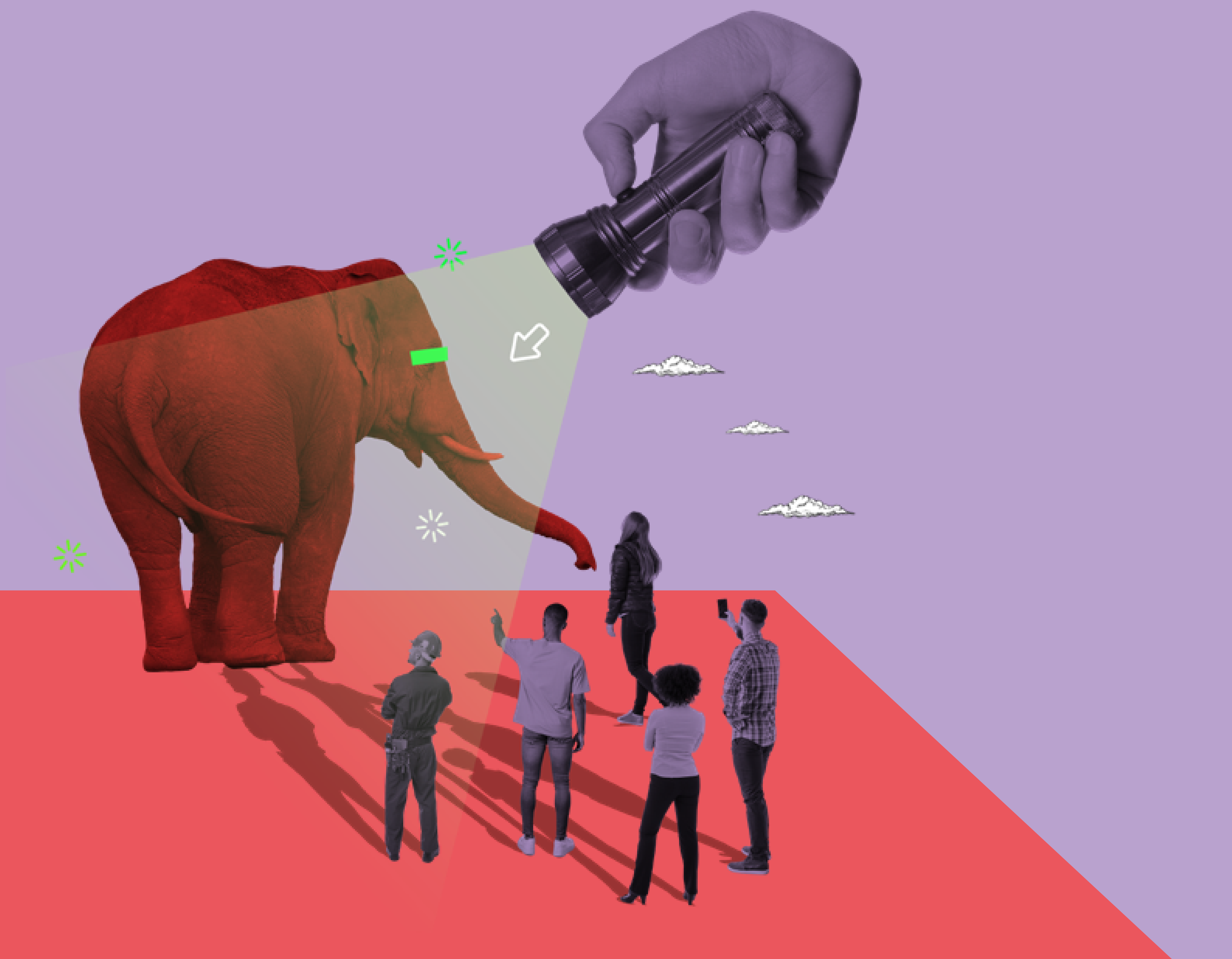
Susanne Jacobs is an organisational behaviour and performance specialist, focusing on trust and intrinsic motivation, who helps organisations create sustainable environments where people feel engaged, energised and inspired to contribute.

Susanne's work is based on over a decade of research into the neurobiology of human performance and what truly motivates people to think and act differently. Susanne delivers knowledge and practical tools that are easy to grasp and apply so an organisation can achieve cultural change and strengthen leadership capability.

Susanne was recently named as one of the top 100 Thought Leaders in the world by Trust Across America. Her work draws on over 28 years of business experience, 19 years of which were at KPMG, in leadership roles with her final role being Head of Finance Operations and People. She completed her Master's in International Business with the business schools of Edinburgh University and Paris ENPC and has Post Graduate Certificates in Organisational Development and Advanced Leadership Techniques. She is a Chartered Fellow of the CIPD and a member of the Neuroleadership Institute. She is the author of DRIVERS, Creating Trust and Motivation at Work.

Acknowledgement for Susanne Jacobs

A special thanks to Susanne Jacobs, our wonderful guest contributor. Without Susanne's extensive organisational behaviour and performance expertise, this report wouldn't have the depth of understanding or insight that is present in the finished piece. Truly deserved of her thought leadership status – the full team at nudge is appreciative of Susanne's incredible contributions and evaluations.



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Preface

From Tim Perkins,
nudge Co-Founder

When people don't have the necessary skills and 'know how' to manage their money, they bury their heads. They slip deeper into poor financial wellbeing.

It's now been 18 years that I've been helping people better understand their finances. Everyone including children to retirees, bankrupts to multi-millionaires and the vulnerable to employment-lifers, it's been a fascinating experience.

Looking back over these experiences, a couple of things stand-out:

1. Money is getting more complicated

2. People are flying closer and closer to the sun – i.e. their finances are increasingly fragile

Since Jeremy and I co-founded nudge and started providing financial education to the masses, we've always suspected a link between poor financial literacy and financial wellbeing. Whilst we've had plenty of anecdotal evidence, in this latest research, it's great to now have robust data confirming this link.

What's clear from this research (2,046 non-nudge users), as well as our general service (c.500,000 nudge users), is that when people don't have the necessary skills and 'know how' to manage their money, they bury their heads. They slip deeper into poor financial wellbeing. But over time, through financial education, this can change.

When we started planning this research back in January 2020 pre-COVID-19, the world was a very different place. Since then, what we suspected has played out – too many people are insufficiently resourced to weather a financial shock and as I'm sure you'll agree, we've never known a financial shock like COVID-19! As the dust starts to settle and we enter the worst recession in living history, people can't afford to risk more of their financial position.

This report is aimed at all of those institutions and individuals who recognise how important money is, how complicated it can be and if not understood and managed properly, how disruptive it can be.

But this isn't a simple problem to address. Our finances are dynamic with multiple influences including the Government, our employers, the financial services industry, our friends and families, and of course ourselves. That's who this report is aimed at – all of those institutions and individuals who recognise how important money is, how complicated it can be and if not understood and managed properly, how disruptive it can be. Particularly when the issue grows, right before our eyes, to elephant-like proportions.

On the flipside though, as Jeremy talks about later, there are three beacons of light:

1. The unique opportunity for the c-suite to lead on the financial wellbeing issue and the tangible returns from doing so.

2. By reading this report, you'll have a much better view of what financial wellbeing means to people – essential for creating a strategy and implementing a solution.

3. In supporting financial wellbeing, organisations are helping their people combat the largest contributor to a very hot topic of the moment – money and poor mental health.

I'm very proud of this report and grateful to all those involved in its creation. I hope you'll enjoy it and value the insight.

Introduction

This research uncovers the rising levels of financial stress taking business performance and productivity captive.

Let's begin by acknowledging the recent incomprehensible and unprecented global health crisis. The pandemic has weakened the world's health and economic defenses and aggravated much more. As society begins to emerge from the depths of physical sickness, humanity sinks deeper into the squeeze of an economic recession.

With many spiraling out of control or feeling financially ill-equipped to survive this period of global uncertainty, this research uncovers the rising levels of financial stress taking business performance and productivity captive. And c-suites haven't stepped in to take serious action. For HR and reward teams, it's simply no longer possible to ignore the elephant in the workplace.

Research and data overview

This report is generated from a survey of 2,000 employees' views on their financial wellbeing and is compared with the perspectives of 250 HR and reward professionals. The purpose of the report is to acknowledge the largely unspoken issue of poor financial wellbeing; as well as understand and address the damaging impact to businesses around the world. In doing so, employers can kickstart their financial wellbeing programme immediately, helping employees through an incredibly stressful period of financial uncertainty, and hopefully beyond.

People's inability to talk about money has grown, it's enormous, it's equivocal and it's evident. Poor financial wellbeing is the elephant in the room.

_What is financial wellbeing?

At nudge, it's our belief that when people are in control of their money, they're in control of their lives. They're happier, less anxious and more empowered – or in other words the feeling of "financial wellbeing". To determine people's level of financial wellbeing, we measured: their financial position (salary, savings, investments etc.), their confidence levels in managing their money (i.e. financial literacy) and how in control they felt of their finances.

_Address the elephant - improve financial wellbeing

Poor financial wellbeing is detrimental to business. Our data and observations reflect the current realities of employees' changing circumstances. 40% of HR and reward professionals said they have lost concentration or made a mistake because of money worries. Financial wellbeing is hindering people's ability to do their jobs. However, the future could look very different and that depends on you.

The uncomfortable fact is, without change today, for some, tomorrow will be painfully bleak. Change means opening up the conversation and speaking the unspoken truth - money worries are hurting business. Both employers and employees acknowledge the issue but seem reluctant to address it. As a result, people's inability to talk about money has grown, it's enormous, it's equivocal and it's evident. Poor financial wellbeing is the elephant in the room.

Key findings

01. Financial skills and knowledge are identified by employees as the most important factors when it comes to their financial wellbeing.

85% of people said having skills and knowledge is important for their financial wellbeing

AND **87%** said it is being in control of money.

WHERAS ONLY **64%** said earning as much as possible.

02. Those with strong financial skills and knowledge have higher life satisfaction and overall wellbeing.

People with good financial wellbeing are **23x more likely** to be satisfied with their overall life than those with poor financial wellbeing.

03. Employees have a lack of confidence in employers and don't feel work is a safe space to talk about money worries.

ONLY **33%** of people think their employer is doing enough to support their financial wellbeing.

AND JUST **7%** of those people with money worries feel they can talk about it at work.

04. Financial wellbeing in the UK appears low and has declined this year.

42%

of people surveyed say their financial wellbeing has worsened in the last six months.

05. Poor financial wellbeing seems to be having an impact on mental health and productivity in the workplace.

52% AND **18%**

of people admit to worrying about money at least once a week

every day.

25%

of those worrying about money have said their mental health has suffered.

Those with poor financial wellbeing are

7x more likely to be unproductive

8x more likely to produce lower standards of work

AND

4x more likely to be completely disengaged with the business.

06. HR and reward professionals want to help, but don't know where to start and want the board to lead from the top.

75% of HR and reward professionals feel comfortable talking about their people's financial wellbeing,

AND

70% believe it's their responsibility to help.

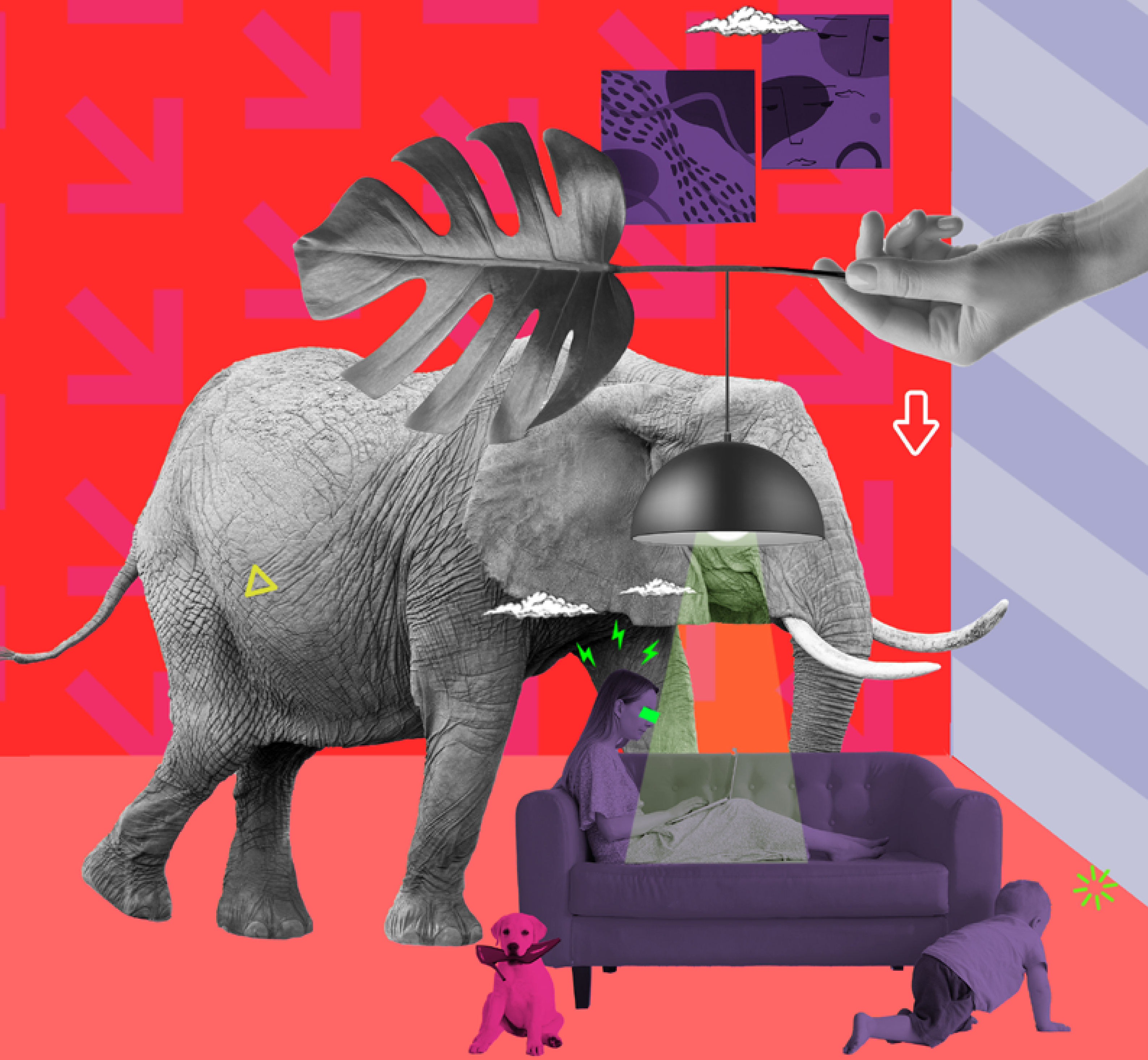
YET

88% said their board could provide better support on driving financial wellbeing at work.

Section 01

The current state of financial wellbeing

A growing realisation



There is a growing realisation that financial worries are reaching enormous, elephant-like proportions. Even before COVID-19 hit, financial wellbeing was regularly reported as an area of significant concern[1] both for health and the economy.

Factors driving poor financial wellbeing include debt, increasing living costs, and lack of savings. For example, last year Shelter[2] reported that a child in Britain became homeless every 8 minutes. That's 183 children each day. Don't be fooled into thinking it's just the unemployed that are suffering. The Bank Workers Charity report found 20% of people experience in-work poverty[3].

Too many people just don't have emergency funds or more than a month's rent or mortgage to keep afloat. In 2019, the Money Charity[4] reported that 13m households have either no savings or less than £1,500 in savings. Too many of us are balancing on the edge. As furlough draws to a close and more redundancies continue to be announced, is it any wonder that people are living in fear?

> People's inability to talk about money has grown, it's enormous, it's equivocal and it's evident. Poor financial wellbeing is the elephant in the room.

_Financial stress causes poor mental health

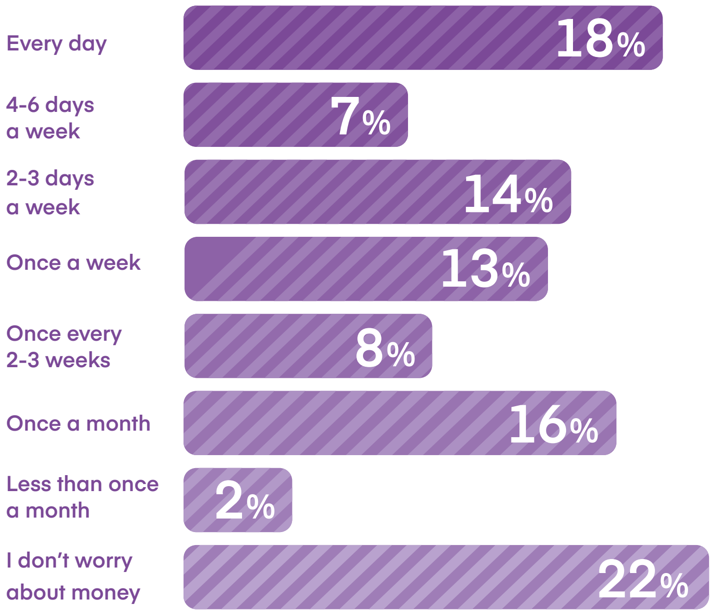
Our research shows that 49% of people do not feel relaxed about their financial situation and 24% are often, or always, stressed about it [fig1]. Moreover, 18% of people said they worry about money every day and 52% admit to worrying at least once a week [fig2, on the next page].

Fig 1. How people feel about their finances, percentage of respondents who agreed with the following statements

(2% said none of the above)

1. 'Financial Well-being in the Workplace':https://www.fca.org.uk/publication/research/fawg-financial-well-being-workplace.pdf
2. Shelter: https://england.shelter.org.uk/media/press_releases/articles/a_child_becomes_homeless_in_britain_every_eight_minutes
3. BWC: https://www.bwcharity.org.uk/time-to-do-more
4. Money Charity: https://themoneycharity.org.uk/media/Feb-2019-Money-Statistics.pdf

Fig 2. How often people worry about money, percentage of respondents against frequency of worrying



Our finances and our ability to manage our money plays a significant part in our motivation, health and ability to perform at our best.

Financial stress is the top cause of poor mental health in the UK. The Chartered Institute of Personnel and Development (CIPD)[5] reported that mental ill health and stress feature prominently as the main cause of both long and short-term sickness leave. Another CIPD report from 2017[6] found money worries were a major source of stress. Now it's the biggest cause in the UK[7] and US[8].

"Money represents so much more than simply counting the pennies in the bank account. Our finances and our ability to manage our money plays a significant part in our motivation, health and ability to perform at our best. The pandemic has amplified the inequity gap and for many has increased their worries about money and security. Self-reported symptoms of depression have increased during the experiences of COVID-19 and those who said they would struggle to meet an unexpected cost of £850 are part of those groups most likely to show these symptoms."

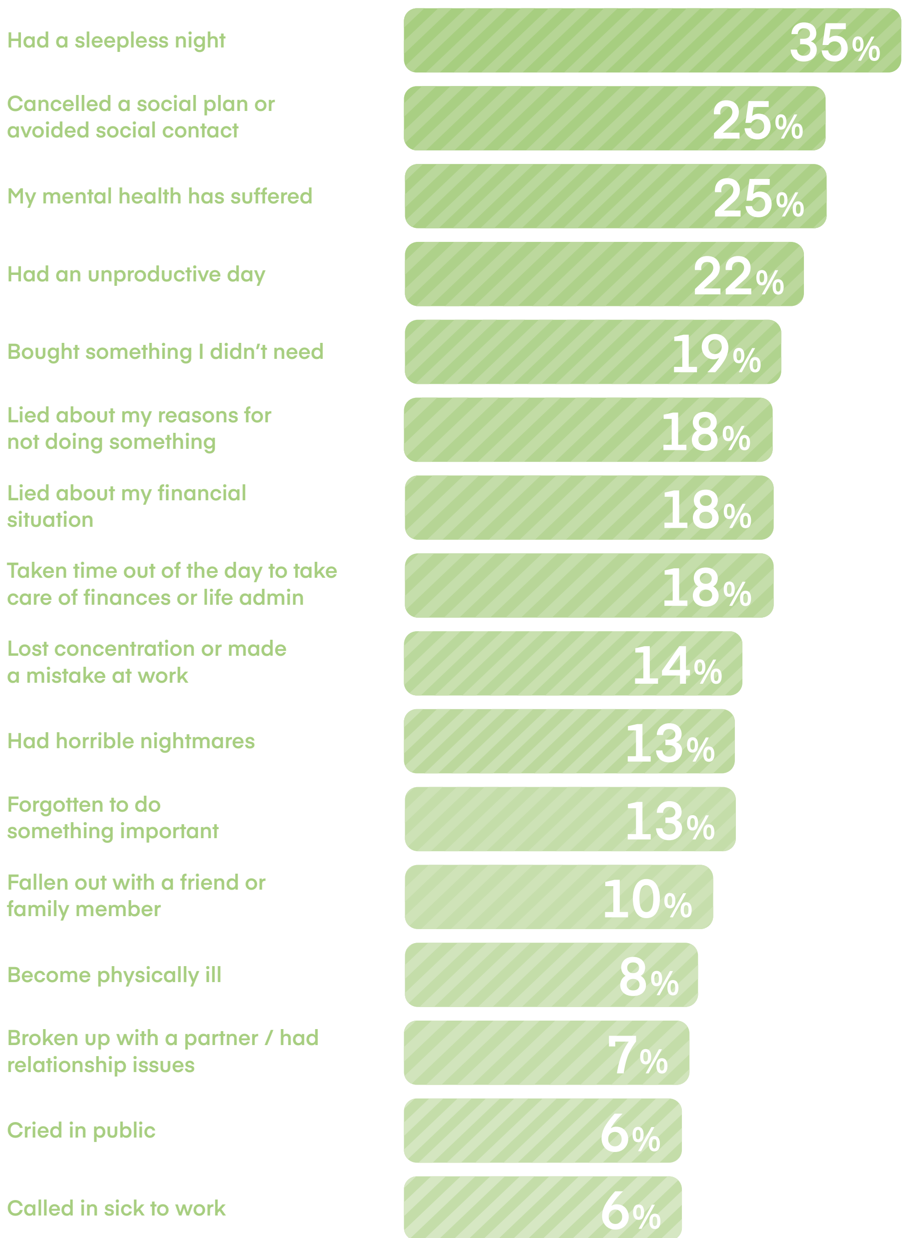
Susanne Jacobs, leading organisational behaviour and performance specialist.

5. CIPD: https://www.cipd.co.uk/Images/health-and-well-being-2020-report_tcm18-73967.pdf
6. CIPD: https://www.cipd.co.uk/Images/employee-outlook-focus-on-commuting-and-flexible-working_tcm18-10886.pdf
7. Perkbox: https://www.perkbox.com/uk/resources/blog/financial-wellbeing-survey
8. Blackrock: https://www.blackrock.com/corporate/insights/investor-pulse#intro

_Money worries change how we behave

Our research uncovers that money concerns are stopping people from: sleeping [fig3], socialising, concentrating, being productive and at times, stopping them from working at all. 25% of people have said their mental health is suffering as a result of money worries [fig3]. What specifically about money matters is making individuals so stressed?

Fig 3. What people have done as a result of money worries, percentage of respondents who agree with the following statements

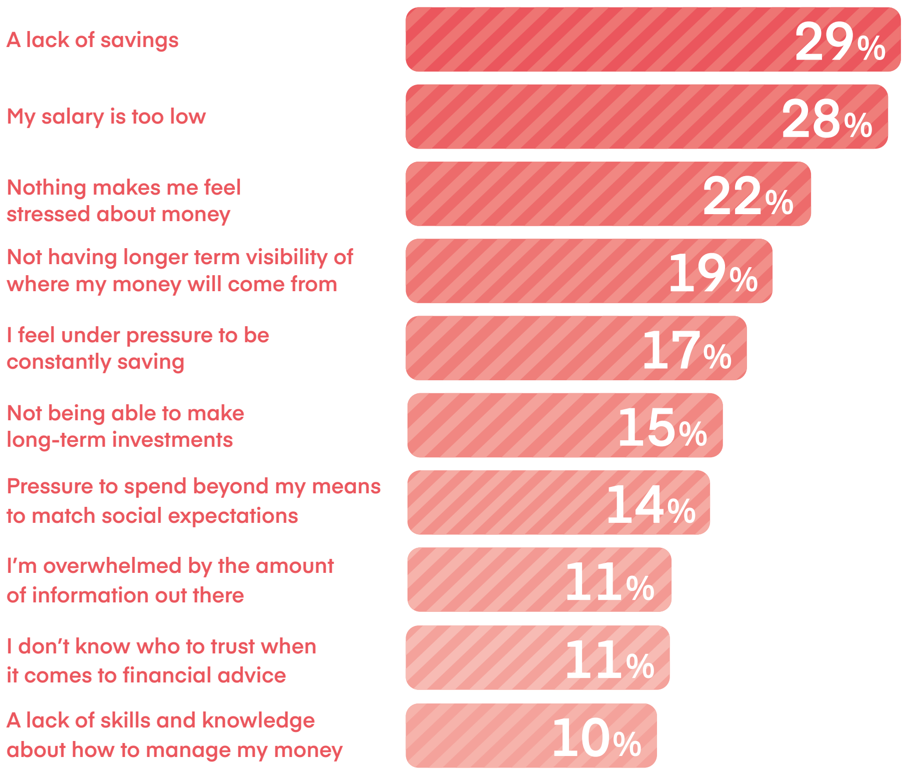


25% of people have said their mental health is suffering as a result of money worries.

Analysis of the data tells us a worrying story around people's money management aptitude. The biggest cause of financial anxiety is people's savings, or lack thereof, and fear of their financial futures. What's stopping people from saving? Well, many don't know how to manage money. Some say they're overwhelmed by financial information; others don't know who to ask or trust, and too many just don't have the skills. Interestingly societal pressures play a big role in the spending habits of the younger generations, where 14% feel pressured to spend beyond their means [fig4].

> Analysis of the data tells us a worrying story around people's money management aptitude.

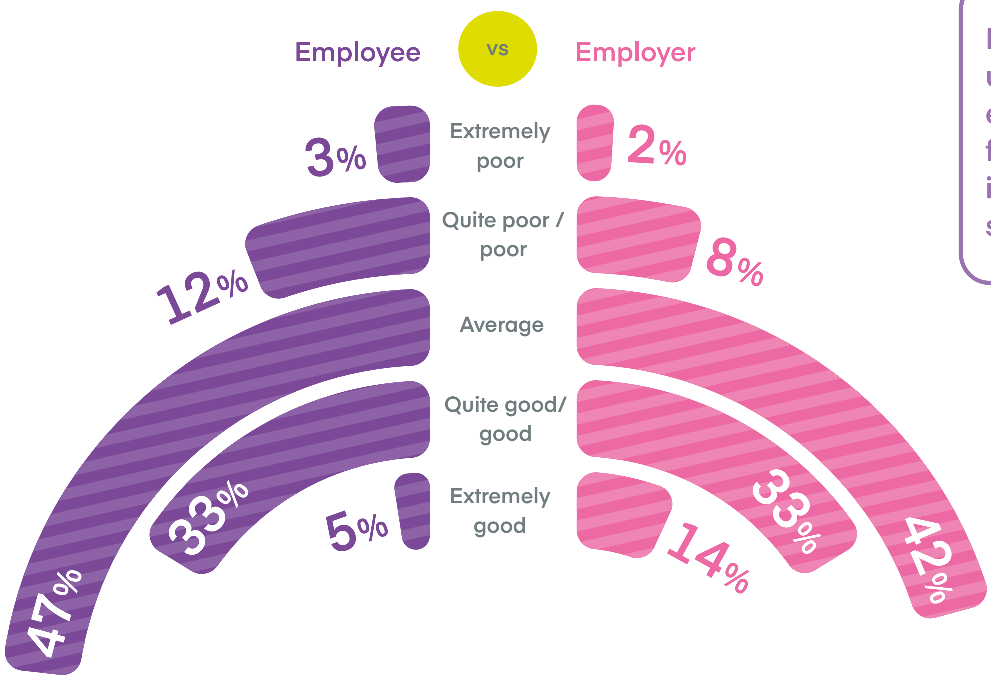
Fig 4. What causes people to feel stressed about money, percentage of respondents who agree with the following statements



_Employer-employee disparity

Overall, the financial wellbeing landscape is bleak for many. Worst of all, there's a significant disparity between what's assumed by employers - and the reality. HR and reward professionals don't know the true extent of their people's poor financial wellbeing [fig5].

Fig 5. Employees' financial wellbeing rating compared to the assumptions of employers' financial wellbeing rating for their people



Employers are underestimating the enormity of poor financial wellbeing's role in their organisation's success.

Perhaps that's why numerous industry bodies are continuously producing research to highlight to employers why financial wellbeing must be prioritised. 'The Health and Wellbeing' report from CIPD in March found that "More organisations are trying to take a holistic approach to support people's health and wellbeing, with mental health being the most common priority, but financial wellbeing is still neglected as a priority area by most employers[5]."

Employers are underestimating the enormity of poor financial wellbeing's role in their organisation's success. It's an ever-growing presence in the background of the current conversation on wellbeing - defiantly awaiting acknowledgement. But what's shone the spotlight on the elephant in the workplace?

5. Health and wellbeing at work, CIPD: https://www.cipd.co.uk/Images/health-and-well-being-2020-report_tcm18-73967.pdf

Section 02

The catalyst for change

The writing is on the wall

The events of 2020 have aggravated people's already deteriorating financial wellbeing[9]. Many are struggling with redundancies, reduced pay, being furloughed and concerns over job security. Some can't pay their bills - while others have saved and made more money than ever before.

The poor are getting poorer and the rich richer.[10] One thing's for sure, too many were financially unprepared for the fallout from COVID-19, and the unfolding recession is just salt in the wound. What's happening to people who are operating in a state of anxiety and confusion as a result of the pandemic?

Too many were financially unprepared for the fallout from COVID-19, and the unfolding recession is just salt in the wound.

"It's the primary role of your brain to survive. We are wired to spot danger, so we can stay out of harm's way and move towards safety. When your brain perceives threat, it informs you via your emotions. The thoughts and feelings you get are signals, information to act.

These signals can be negative to catastrophic thinking and aversive sensations such as irritation, anxiety, sadness, thirst, hunger – are all designed so you will take action for your own survival. When the brain perceives you are safe, it can trust your surroundings and the events taking place, it triggers our reward system.

Just as the name implies the neurochemical rewards we receive are the feel good sensations. Joy, calm, connection, excitement and happiness. And the reason they feel good is simple - to motivate you to move towards, and stay, in safety. It is why the brain's trust state, psychological safety, is the seat of intrinsic motivation, engagement, performance and wellbeing. Financial freedom sits at the heart of safe."

Susanne Jacobs, leading organisational behaviour and performance specialist.

9. intrum: https://www.intrum.com/ecpr2020-whitepaper/
10. Institue for policy studies https://ips-dc.org/wp-content/uploads/2020/04/Billionaire-Bonanza-2020.pdf

_Declining financial wellbeing

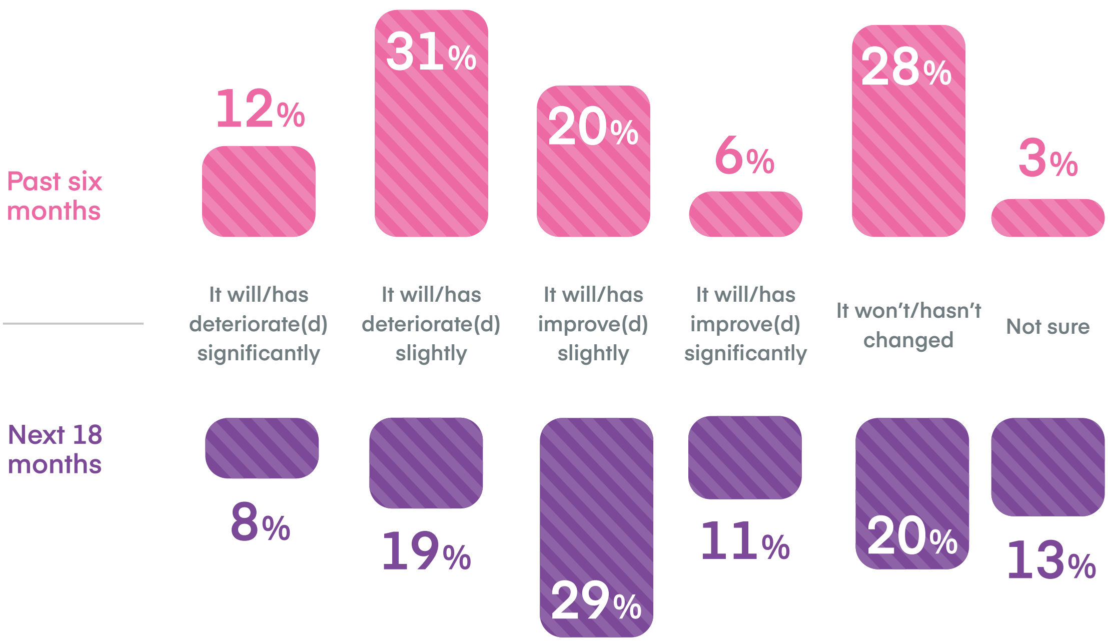
At the end of April, ONS data[11] found that 63% of people reported feelings of stress or anxiety and 37% rated high anxiety levels (rating of 6+ out of 10). Another ONS report[12] released at the same time, reported that people with reduced household finances, because of COVID-19, had 16% higher anxiety on average.

This report mirrors the ONS findings and consolidates the story. 43% of people said their financial wellbeing has declined over the past 6 months and this is having a detrimental impact on their lives - and therefore their performance at work [fig6].

Our data uncovers individuals' heightened awareness of their financial circumstances and a change in spending habits, with 66% of people cutting back on luxury purchases [fig7,on the next page]. All positive outcomes. On the other hand, many are surviving on savings, 26% [fig7] said they're eating into their future funds. Worryingly 15% of people in the UK, and 25% in the US, have no savings at all.[13]

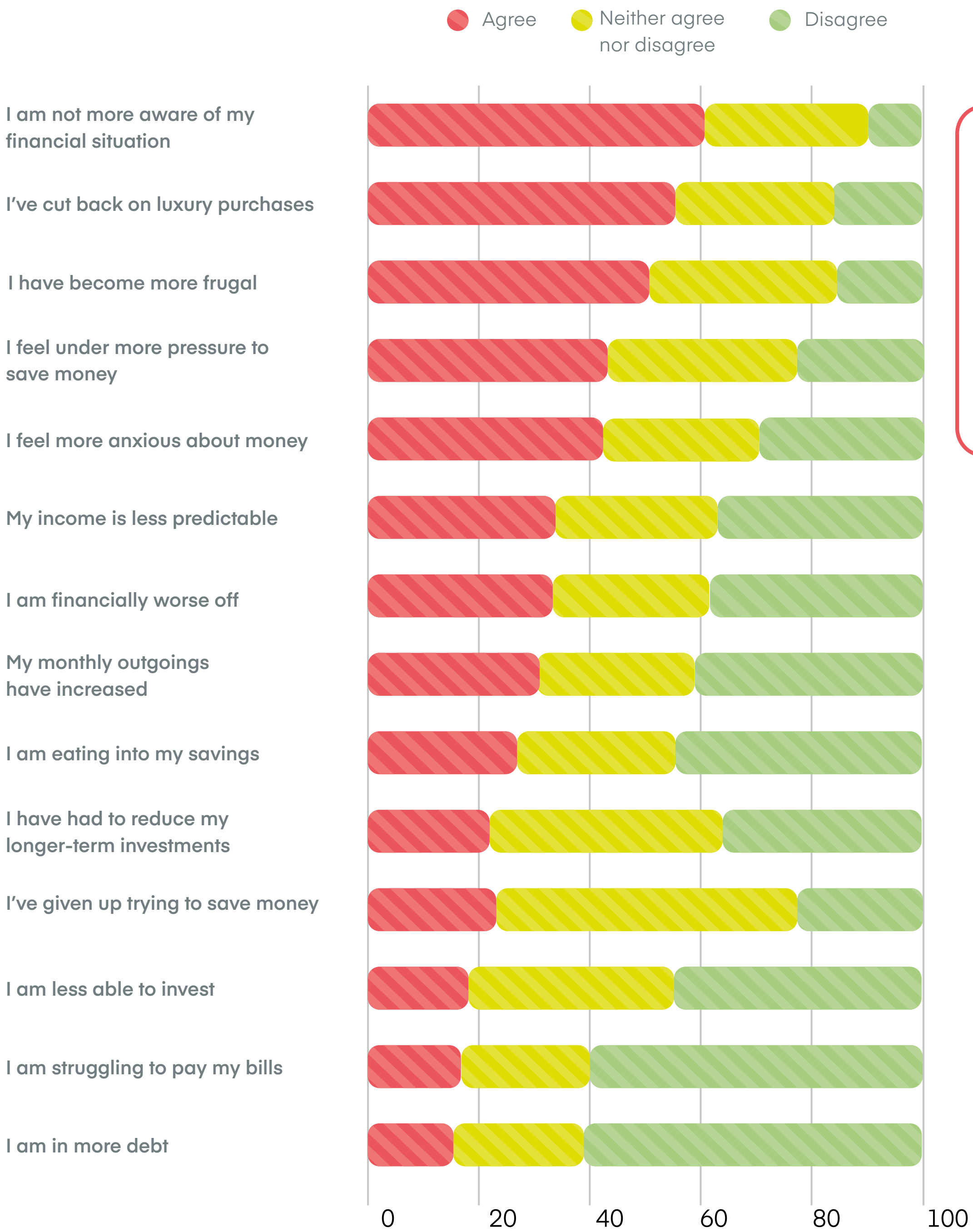
43% of people said their financial wellbeing has declined over the past 6 months and this is having a detrimental impact on their lives - and therefore their performance at work.

Fig 6. The extent to which people have said their financial wellbeing has changed over the last 6 months and will change over the next 18 months



11. ONS (section 8): https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/bulletins/coronavirusandthesocialimpactsongreatbritain/7may2020
12. ONS (section 1): https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/may2020
13. Statista: https://www.statista.com/study/12283/personal-savings-in-the-united-states-statista-dossier/

Fig 7. How people's financial wellbeing has changed over the last 6 months, percentage of respondents agreeing with the following statements



Our data uncovers individuals' heightened awareness of their financial circumstances and a change in spending habits.

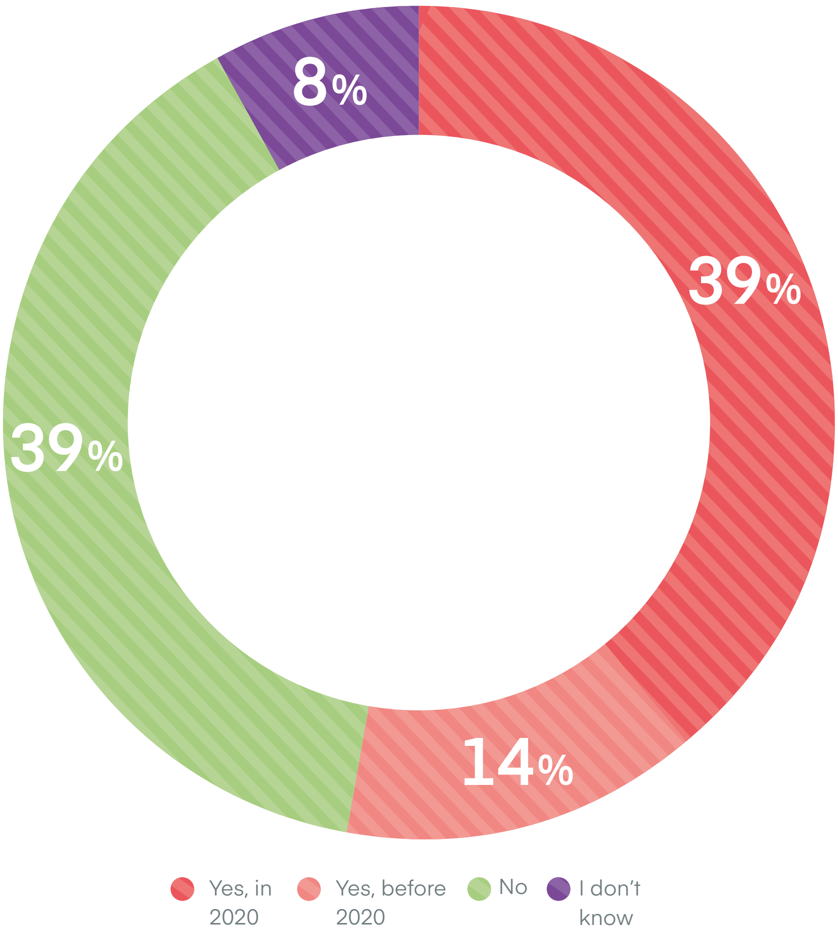
_Workplaces notice the impact of financial stress

When exploring the impact of money worries on business, many employers report drops in productivity, missed workdays and confirm that financial stress is a detriment to business performance this year. Put simply employee financial wellbeing is a major risk to business.

It seems the message is getting through to employers. In fact, 39% of HR and reward professionals think financial stress has had a negative impact on employees this year [fig 14]. And 53% of employers are concerned about the impact of this year's economic environment on employees' financial wellbeing [fig 8]. As a result, employers agree that financial wellbeing needs to be a priority [fig 9, on the next page]. Now more than ever.

53% of employers are concerned about the impact of this year's economic environment on employees' financial wellbeing

Fig 8. Employers observation on whether financial stress amongst employees has had a negative impact on their businesses



_Financial stress is impacting business

The question is - how long can businesses leave the issue without taking action - before it's too late? 67% of employers have voiced concern over the impact poor financial wellbeing could have on business in the future [fig14]. Since employers are now raising concerns over the long-term impact of financial wellbeing - will this emphasise the financial wellbeing elephant? Will businesses activate open conversations and implement financial wellbeing strategies for their people?

The writing is on the wall - and in this report. Poor financial wellbeing is hurting business. 40% [fig9] of people have reported making a mistake at work or losing concentration. Many have had unproductive days, some have had to take time out or even a sick day [fig9].

Poor financial wellbeing is hurting business. 40% of people have reported making a mistake at work or losing concentration.

Fig 9. What employees have done as a result of being worried about money, percentage of employers who have observed the following symptoms

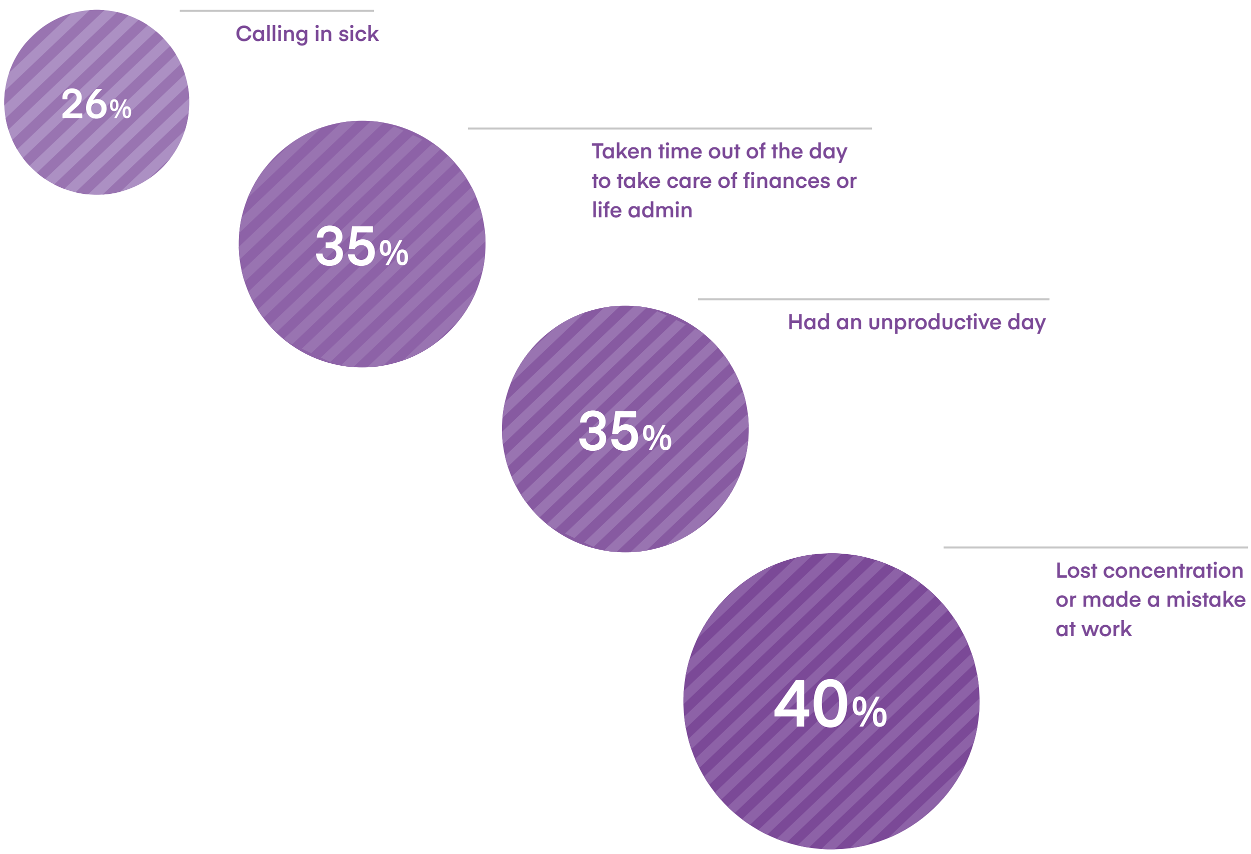
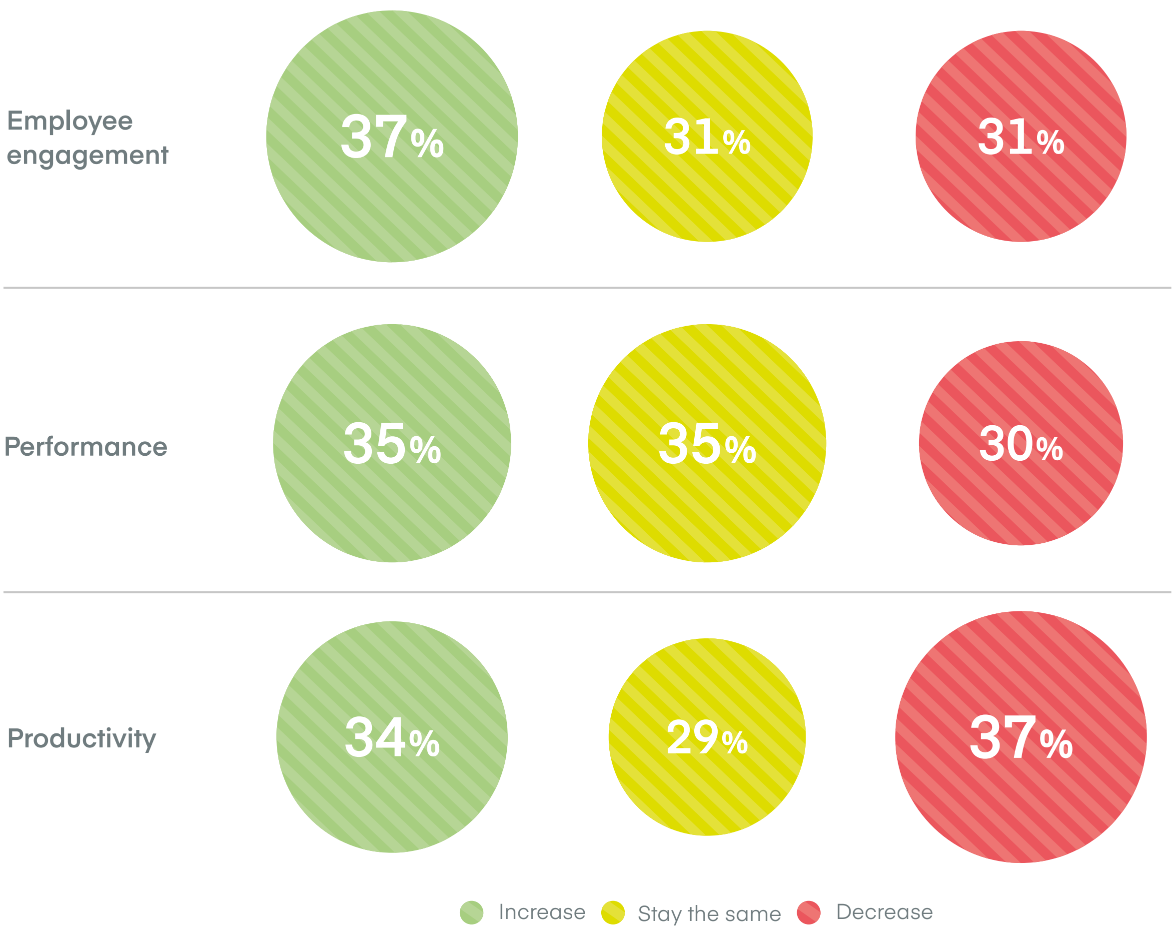


Fig 10. Percentage of employers who have seen the following business outcomes increase, decrease or stay the same over the past six months



The data ultimately draws attention to the link between financial wellbeing and declining employee performance, productivity and engagement. 37% of employers have seen a decrease in productivity over the last six months [fig10].

"Looking through the lens of neurobiology to the DRIVERS® of trust and intrinsic motivation we can see why our finances are so vital to our ability to engage. And why financial literacy and freedom plays such a large part in our capacity to perform at work and stay well."

Susanne Jacobs, leading organisational behaviour and performance specialist.

37% of employers have seen a decrease in productivity over the last six months.

_Employee engagement, productivity and performance are all impacted as a result of financial stress

Employers who reported employees with low financial wellbeing were four times more likely to have seen a drop in employee engagement this year [fig11].

When it comes to productivity, a major concern for businesses, employers who reported poor employee financial wellbeing are seven times more likely to have produced significantly less work this year [fig11]. The quality of work has suffered too, as the data depicts those with fragile financial wellbeing are eight times more likely to let their performance slip this year [fig11].

Fig 11. Comparison of organisations with good and poor employee financial wellbeing to percentage that have reported a drop in engagement, productivity and performance this year.

HR and reward professionals don't need to look far to find a growing body of evidence, in addition to this report, that clearly connects poor financial wellbeing to deteriorating business outcomes.

What else is needed to bring attention to the uncomfortable and unsaid threats living clear as day in the workplace. Do employers see the elephant in the room?

HR and reward professionals don't need to look far to find a growing body of evidence, in addition to this report, that clearly connects poor financial wellbeing to deteriorating business outcomes.

Employers who reported poor employee financial wellbeing are seven times more likely to have produced significantly less work this year.

Section 03

Tale of the diverging perspectives

A cry out to leadership

Divergence in opinion is always going to exist between employers and employees. It's inevitable because people see and understand things differently. The issue is when feelings are left unsaid, problems unacknowledged and dilemmas undisputed.

There continues to be a disconnect between what employees want from work[14] and what businesses provide. This is particularly evident when it comes to financial wellbeing. Mercer's 2020 Global Talent Trends[15] found that employees are asking employers to give them a path to financial security, "but employers just aren't listening." The report says that 65% want financial education targeted to different groups, whereas only 23% of companies actually offer financial education today.

Maybe businesses think they are listening, but it's more complicated than that.

_Lack of confidence in employers

Our research clearly highlights the scale of support needed for employees and the direct conflict with how distrusting they are of employers to support them. Currently only 10% of people trust their employer enough to talk about their financial wellbeing [fig12]. People prefer to discuss money with family, banks and financial advisors [fig12]. Or by doing their own research online [fig12]. The question is, are people getting the right information? Will advice from family be biased. Will banks sell them more products? Does searching online give people the right guidance? Credible sources of information on finance aren't easy to come by. Frankly, the real worry is the people not talking about money at all [fig12].

Fig 12. Who people trust for financial advice, percentage of respondents agreeing with following statements

14. ADP: https://uk.adp.com/resources/adp-articles-and-insights/articles/a/attracting-employee-strategies.aspx
15. Mercer (page 11, fig 8): https://www.mercer.com/content/dam/mercer/attachments/private/global-talent-trends-2020-report.pdf

"We are social creatures first and foremost. We need others to survive. Exclusion is a major threat for the brain. When we are unable to fit in, to be included, our brains light up areas associated with physical pain. To be in a different financial situation to our peers and/or our community, we can find ourselves on the outside.

This is further exacerbated if we believe we can't turn to anyone for help or advice. Talking about money carries stigma and a level of cultural taboo. Our stress in facing financial worry will increase in the face of perceived shame and/or lack of social support to help us find a way out."

Susanne Jacobs, leading organisational behaviour and performance specialist.

Despite the complications - behaviour is changing. People are starting to admit they need help[6] and it's open, relevant and supportive information that's got them there.

_Talking about money is complicated

People's relationship with money is complex[16]. Change means battling societal attitudes and psychological limitations. Despite the complications - behaviour is changing. People are starting to admit they need help[17] and it's open, relevant and supportive information that's got them there.

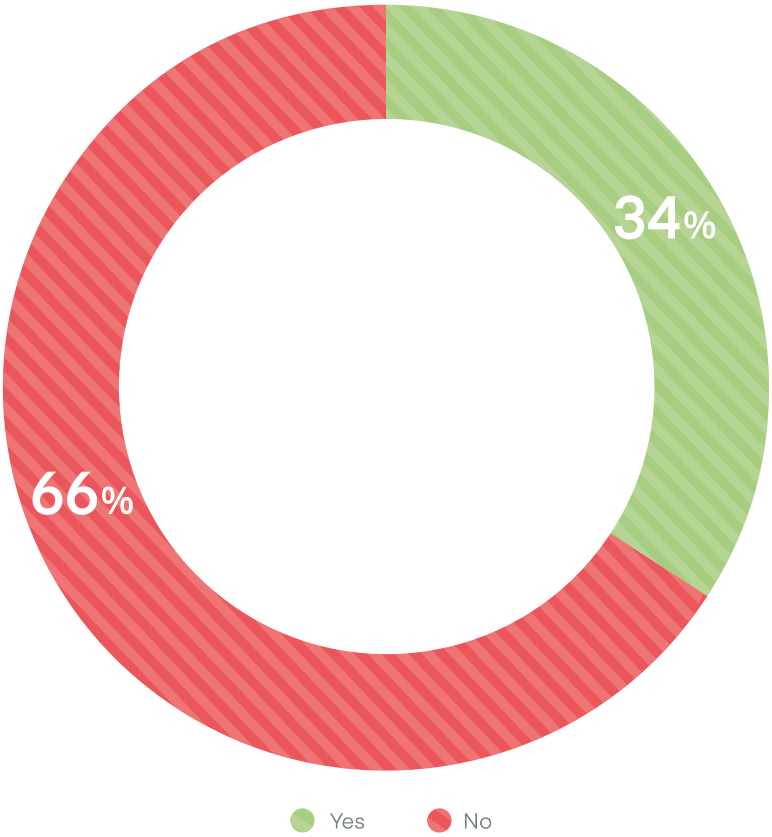
We will explore later how important talking openly about money is for improving financial wellbeing [fig19]. Everyone is different of course. Many want to talk but don't feel like they can. For the people that want help, only 34% [fig13, on the next page] of people said their employers were providing them with enough financial wellbeing support.

The people who feel like they can't talk to anyone about their financial wellbeing [fig12] - are the individuals that need the most support. When comparing this data to the impacts of financial stress covered in section one, there is a real risk here that people are suffering in silence. And this needs to be addressed before urgency mounts.

Let's face it, breaking the norm isn't easy. But it is possible. When it comes to discussing money worries at work - it's a culture thing. If people are shown it's ok to speak out - by leadership speaking out[18]. Then they will.

16. Blackrock: https://www.blackrock.com/corporate/insights/people-and-money#barriers-to-access
17. CIPD: https://www.cipd.co.uk/news-views/cipd-voice/issue-24/why-should-employers-concerned-financial-being-staff
18. Mental Health at Work 2019 report: https://www.bitc.org.uk/wp-content/uploads/2019/10/bitc-wellbeing-report-mhawmentalhealthworkfullreport2019-sept2019-2.pdf

Fig 13. Percentages of people who feel their employer provides enough support for their financial wellbeing



Only 34% of people said their employers were providing them with enough financial wellbeing support.

_Employers want to help and they're taking ownership

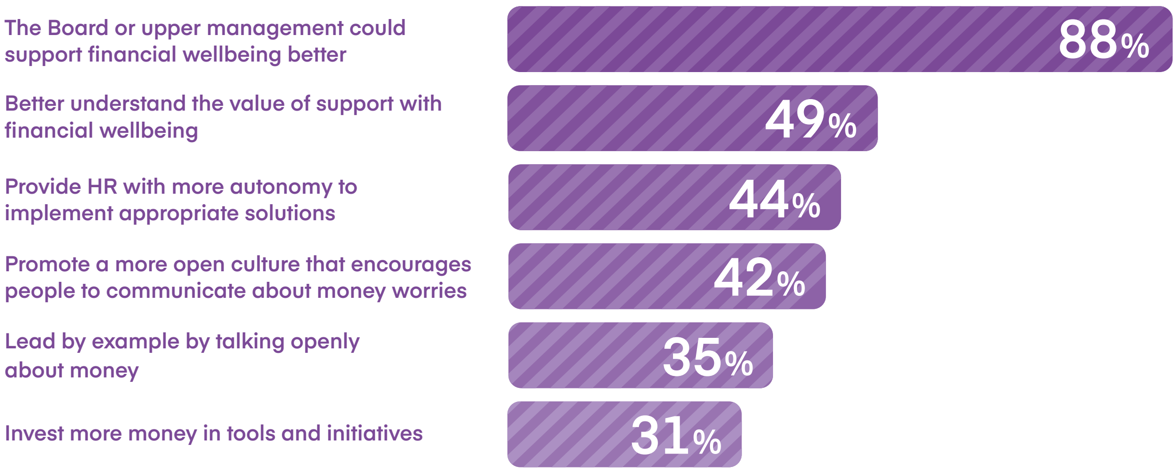
The great news is, most employers do want to help. 75% of HR and reward professionals said they feel comfortable having the money conversation with their people [fig14, on the next page] and many see it as the businesses' responsibility to support employees' financial wellbeing. Perhaps most notably, employers are aware they don't do enough and need to do more [fig14].

HR and reward professionals have noticed that their people struggle to speak up about money matters [fig14]. Equally, they agree that their businesses would benefit if their people became more financially savvy [fig14]. So why do we not see more companies effectively supporting their people's financial wellbeing?

Employers are aware they don't do enough and need to do more.

Fig 14. Percentage of employers who agree with the following statements on their organisation's approach to financial wellbeing

Fig 15. How HR professionals believe the c-suite could better support driving financial wellbeing in the workplace, percentage of respondents who agree with the following statements



_Employers don't know where to start

The problem is HR and reward professionals don't know where to start [fig 14] and they need direction, empowerment and support from the top. A staggering 88% [fig15] of HR and reward professionals say that the board could do more to support in driving employee financial wellbeing.

Most HR professionals want the board to better understand the value of imparting financial wellbeing support [fig 15]. Whilst many want more autonomy for HR and an open culture to move the needle [fig15].

Despite wellbeing moving up the agenda[19] for many companies, the distinct lack of open culture from the top is limiting employees' financial wellbeing. There aren't enough leaders taking ownership[20], driving the conversation on money worries and leading by example.

Ultimately, there needs to be gigantic behaviour change in the workplace - led from the top. Where can employers start to see and address the enormous task at hand?

A staggering 88% of HR and reward professionals say that the board could do more to support in driving employee financial wellbeing.

19. Deloitte: https://www2.deloitte.com/content/dam/insights/us/articles/us43244_human-capital-trends-2020/us43244_human-capital-trends-2020/di_hc-trends-2020.pdf
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Section 04

Money can't buy you love or financial wellbeing

Financial literacy has a noticeable impact on wellbeing

People are realising that money isn't the answer to improve their financial wellbeing - it's skills and knowledge. Research from OECD 2020 International Survey of Adult Financial Literacy[21] found that too many people are money illiterate - worldwide.

34% of those with poor financial literacy are in more debt now than six months ago.

Only 61% of respondents scored a basic level of financial understanding (12.7/21), across knowledge, behaviour and attitude. In the UK alone, 93% feel undereducated[22] when it comes to personal finance. Lots of people are financially illiterate - so if employers are looking for a place to start supporting their people's financial wellbeing, they need look no further.

"We are intrinsically motivated by a sense of purposeful direction. Capital opens doors to opportunity whereas a lack of it diminishes our capacity to pursue our goals, shifting our attention and energy to focus solely on physical survival. In this space we deplete our bandwidth for collaboration, creativity and innovation – all crucial skills and strengths needed for the 4th industrial age of work.

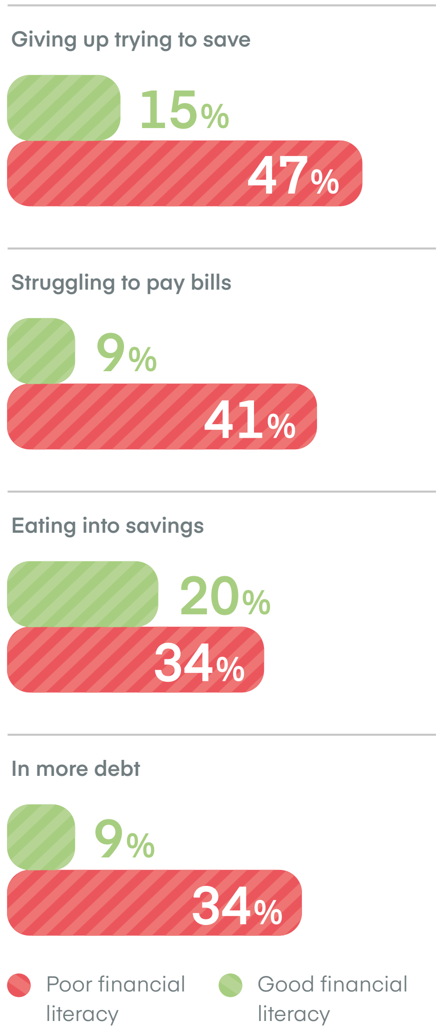
Research shows us however, that we only need enough money. At a certain point of wealth gain there is a satiation after which there is little to no gain in incremental happiness. We need to maintain our focus on our sense of meaning derived from what we do and how we serve others."

Susanne Jacobs, leading organisational behaviour and performance specialist.

_Financial literacy has a noticeable impact on wellbeing

There is an undeniable link between poor financial wellbeing and financial illiteracy (i.e. an individual's lack of knowledge to effectively manage their money). 34% [fig16] of those with poor financial literacy are in more debt now than six months ago. When people don't have the necessary skills and 'know-how' to manage their money, they bury their heads. They slip deeper into poor financial wellbeing.

Fig 16. The extent to which good/poor financial literacy has had an impact on people's financial wellbeing through COVID-19



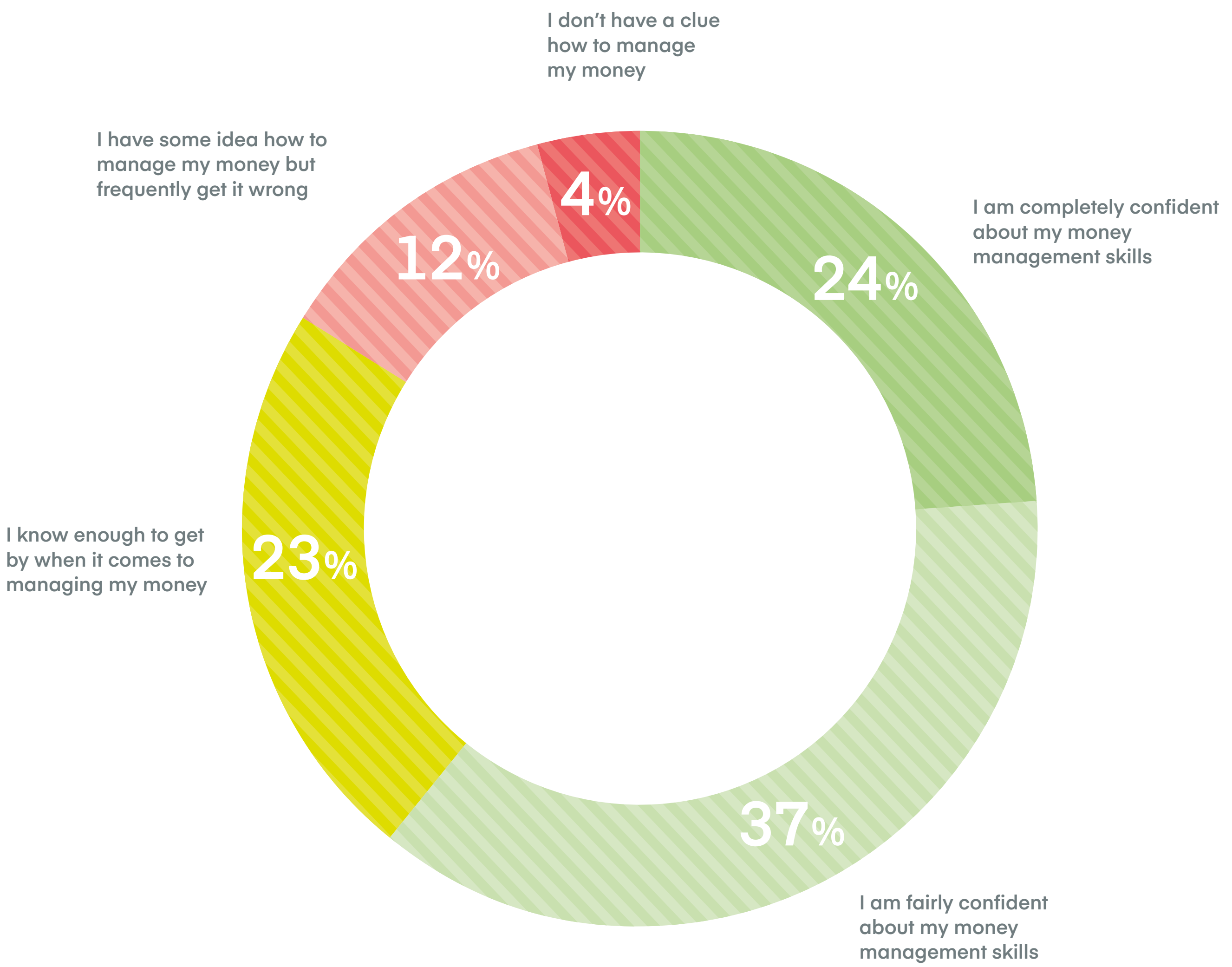
21. OECD: https://www.oecd.org/financial/education/oecd-infe-2020-international-survey-of-adult-financial-literacy.pdf
22. Finextra: https://www.finextra.com/pressarticle/81060/bank-leumi-brits-lack-financial-literacy

Right now, we are entering the worst recession in living memory. People can't afford to risk more of their financial position. Our research shows people are already eating into savings [fig7], taking money from pensions and struggling to pay their bills.

People's financial wellbeing is damaged and it's cut deep. Our data states only 24% [fig17] of people feel completely confident in money management - this shouldn't be a luxury afforded only by some. Completely confident is what everyone should feel when managing their finances. This means 76% of people are lacking in confidence and in need of support.

76% of people are lacking in confidence and in need of support.

Fig 17. People's confidence in their money management skills



Many don't want to discuss finances with their employer, however those that do want guidance, resources, money management training and tools [fig18]. This talks to the fact that employers aren't creating the open space to talk. That's the mindset and behaviour we need to change so people do feel comfortable and confident asking for support. Employers must seize the opportunity to improve their people's competence, confidence and contentment.

A lack of financial literacy could lead to more stress and confusion, that may result in ill-advised financial decisions, or worse.

Employees want guidance, resources, money management training and tools.

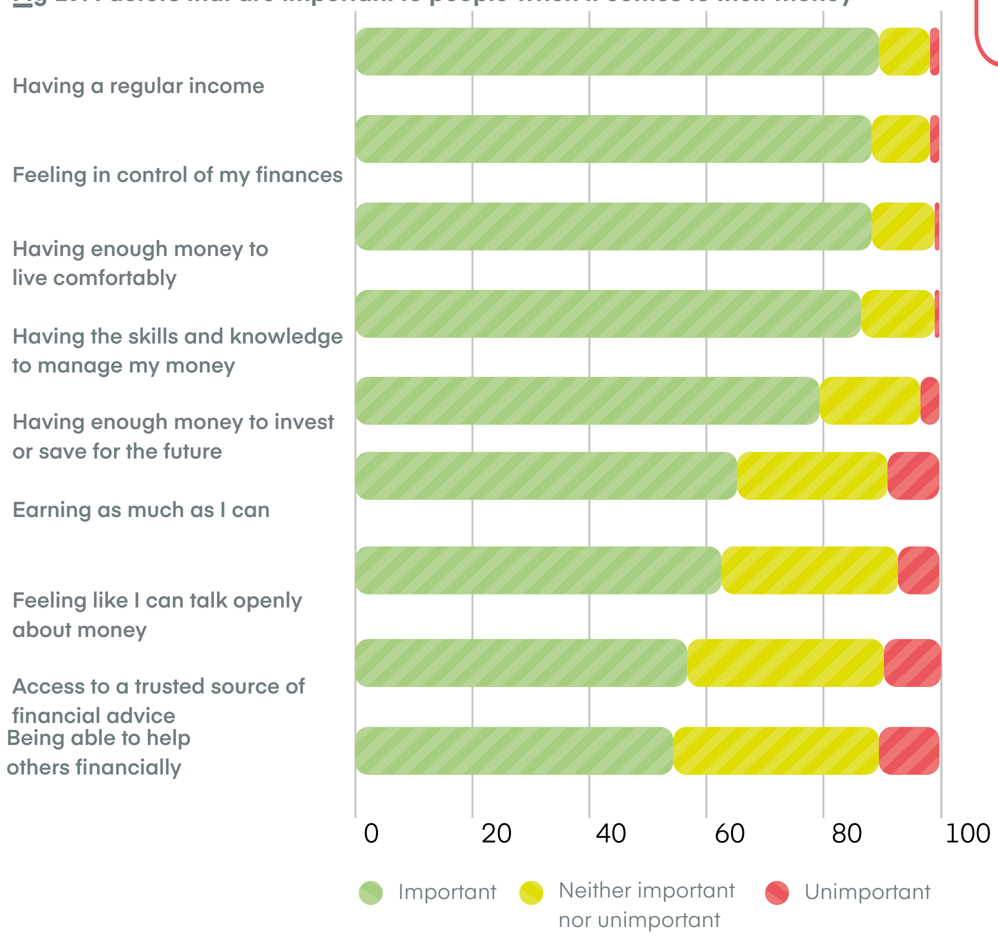
Fig 18. How people would like their employer to help with their financial wellbeing, percentage of respondents agreeing with the following statements

_ Money isn't everything - financial wellbeing is!

What is undeniable from the research is people who are confident in their ability to manage their finances have peace of mind and control. In fact, 85% of people said having skills and knowledge is an important factor for their financial wellbeing and 87% said being in control of their money. Whereas only 65% said earning as much as possible was important [fig19]. This is progress - this is behaviour change.

85% of people said having skills and knowledge is an important factor for their financial wellbeing and 87% said being in control of their money. Whereas only 65% said earning as much as possible.

Fig 19. Factors that are important to people when it comes to their money



Our research has shown that confidence in managing money leads to better overall life gratification. People who are confident in managing personal finances are: twice as likely to report better financial wellbeing and five times more likely to report high life satisfaction [fig20]. Those with good financial wellbeing are 23 [fig20] times more likely to be content with their overall life. It's true. Without worrying about money - people have more mental energy to focus on living a happy life.

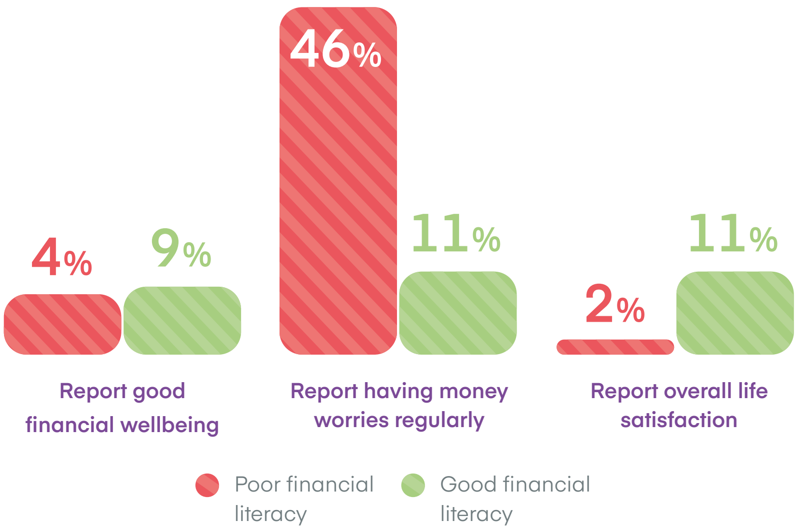
"Our finances can offer us freedom of choice. Financial literacy and enough money supports our autonomy. Without these core elements we can be trapped by our circumstance. We have little to no voice or say in carving out our path or to influence our future. This can lead to a state of mind that depletes energy, motivation and performance."

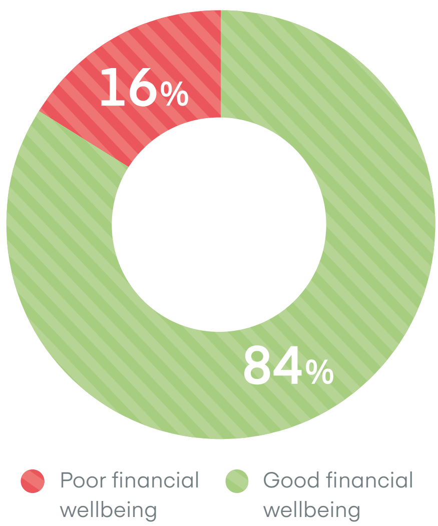
Susanne Jacobs, leading organisational behaviour and performance specialist.

Strong financial wellbeing means happier people. Gratified people are a business imperative and it's within c-suite's grasp to take. HR and reward teams are calling for support from the board to hear the unspoken truth, to see the undeniable and to keep their people happy, retained and engaged.

People who are confident in managing personal finances are: twice as likely to report better financial wellbeing and five times more likely to report high life satisfaction.

Fig 20. The impact people's financial literacy levels have on their wider wellbeing and the percentage of respondents with poor/good financial wellbeing who said they had overall life satisfaction.





_Conclusion

This research demonstrates that poor financial wellbeing has an impact in the workplace through distracted, disengaged, and drained employees. Fragile financial wellbeing is linked to anxiety, stress, and poor mental health. Those employees worrying about finances are producing lower volumes and standards of work, they have less capacity and therefore less focus to make clear decisions.

The reality is people operating at 60% can't drive profitable businesses. The report findings are backed up by many other industry whitepapers and reports as cited in references.

The reality is people operating at 60% can't drive profitable businesses. The report findings are backed up by many other industry whitepapers and reports as cited in references.

This growing body of evidence makes the elephant in the room easily seen.

Who can help? Everyone has a responsibility to advocate strong financial wellbeing. But employers have the biggest opportunity to influence significant behaviour change today. It's clearly in the business interest to do so but change needs to come from the top down. It's in the hands of the c-suite to listen to evidence, open-up the conversation and take affirmative action.

The benefits of improved financial wellbeing are endless.

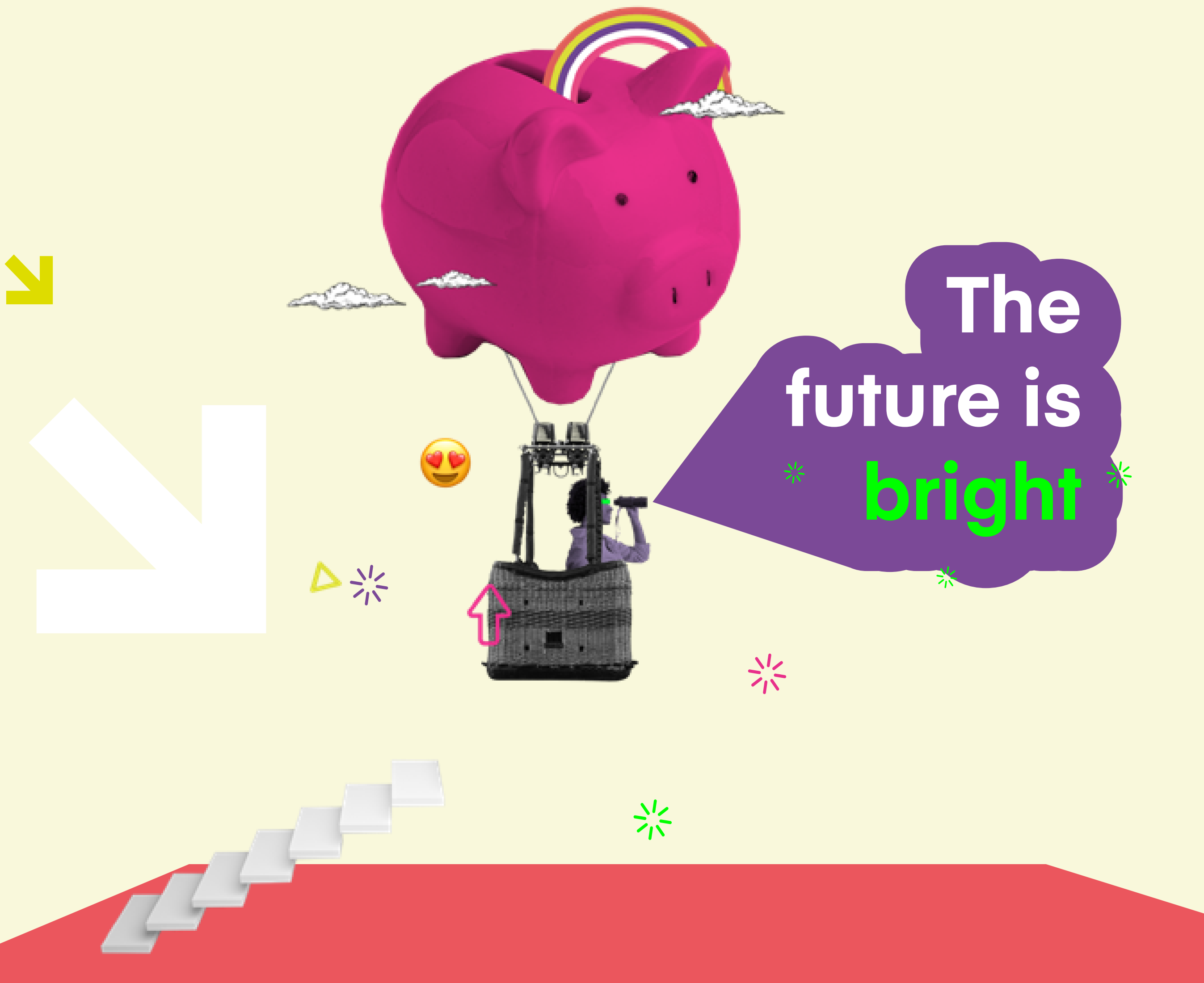
Improved financial wellbeing means happier, healthier employees - operating at optimum performance. Better performance means more revenue. More revenue means more to invest in resources, tools, and salaries. All of which equal happy, productive, and engaged employees. Happy employees mean less absences and medical support through poor mental and physical health. Less medical support means less strain on healthcare providers and more revenue to build a stronger economy. The benefits of improved financial wellbeing are endless.

To enhance the experience of our employees. Supporting individuals to take (back) control of their money through deepened knowledge of finances and practical tools will pay dividends in performance and health.

"Financial worry and stress affect our cognitive capacity and performance at work. As we ease out of lockdown we emerge into a new landscape. A territory strewn with more change, uncertainty, and financial insecurity for so many yet to come. But it is also a place and time that offers us a unique chance to do work better.

To enhance the experience of our employees. Supporting individuals to take (back) control of their money through deepened knowledge of finances and practical tools will pay dividends in performance and health. Creating human fit workplaces must be driven from senior leadership, sit as part of the organisation's strategy and will be the source of cognitive and competitive advantage."

Susanne Jacobs, leading organisational behaviour and performance specialist.



Closing remarks

From Jeremy Beament,
nudge Co-Founder

> By improving the financial wellbeing of their people, leaders can increase engagement, boost productivity and support the communities they operate in.

Although this report reveals the worrying state of financial wellbeing, there are three beacons of light as we peer through the gloom.

Firstly, the glaring opportunity for the c-suite to lead on the financial wellbeing issue. The data shows that those with poor financial wellbeing are four times more likely to be disengaged with their employer, seven times more likely to be unproductive, and eight times more likely to produce lower standards of work. By improving the financial wellbeing of their people, leaders can increase engagement, boost productivity and support the communities they operate in. The result will be increased shareholder value, as well as enhanced internal and external company perception.

Secondly, we have a much better view of what "financial wellbeing" means to people. With 60% now more aware of their finances as a direct consequence of Covid-19, what is important to them has also become clearer. 87% state 'control' is the key, 85% say 'skills and knowledge', versus only 64% wanting 'more money'.

For concerned CEOs, CFOs and CHROs worried that supporting financial wellbeing means inflation busting pay rises, this finding is incredibly important. It shows organisations can help solve the financial wellbeing puzzle at a fraction of the cost they imagine.

Thirdly, by providing financial wellbeing support, organisations are also helping their people combat the largest contributor to poor mental health – money worries. With 25% of those affected by financial concerns saying it has been detrimental to their mental health, this is an issue well worth addressing. As the report correctly summarises; "people operating at 60% cannot drive a profitable business."

Despite the rocky road ahead of us, I am more optimistic than ever that there is a solution for companies to address one of their most pressing yet rewarding challenges. The time is now!

Against this backdrop, what does the future of financial wellbeing look like? In my view, there will be three key financial wellbeing trends in 2021:

1. The c-suite will grasp the opportunity

The business benefits of supporting employee financial wellbeing are undeniable and now also provable. I fully expect the c-suite to recognise their responsibility and the open goal in front of them.

2. Data insights will drive evidence-based decision making

Perhaps the most exciting opportunity in delivering a financial wellbeing programme, is truly understanding employee wants and needs. Data enabled management information provides companies with the evidence to make the best decisions on how to support their people.

3. Global consistency will be a priority

Financial wellbeing is a global problem, with the need for a global solution. The World Bank forecasts GDP contractions in almost every country and region in 2020, with Europe expecting a decline of 4.7%, LATAM 7.2%, South Asia 2.7% and the US 5.6%. The opportunities are significant. From supporting a globally mobile workforce, to creating a consistent global employee experience, addressing financial wellbeing is a win, win all over the world.

In conclusion, despite the rocky road ahead of us, I am more optimistic than ever that there is a solution for companies to address one of their most pressing yet rewarding challenges. **The time is now!**

Raring to go?

Here's 5 tangible steps to take today to support your people's financial wellbeing tomorrow.

DOWNLOAD YOUR COPY

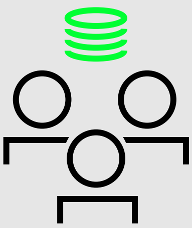
About the data

nudge commissioned Censuswide to conduct two surveys: one of 2,046 UK employees, which ran from 29th July 2020 to 3rd August 2020, and one of 251 HR managers, which ran from 3rd to 7th August 2020. For the purpose of these surveys, financial wellbeing was defined as having the knowledge and skills to control and make the most of your income and enjoy a comfortable and contented quality of life.

About nudge

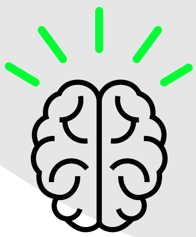
#1 global financial wellbeing platform.

nudge combines financial education with personalised, timely, unbiased prompts to help your people plot a path to prosperity. By offering nudge, you can help your people maximise financial opportunities, overcome financial problems and make managing money stress free. nudge also enables you to:



Understand your people's financial needs

Cultivate a globally consistent experience



Grow maximum understanding and utilisation of employee benefits

_Appendix

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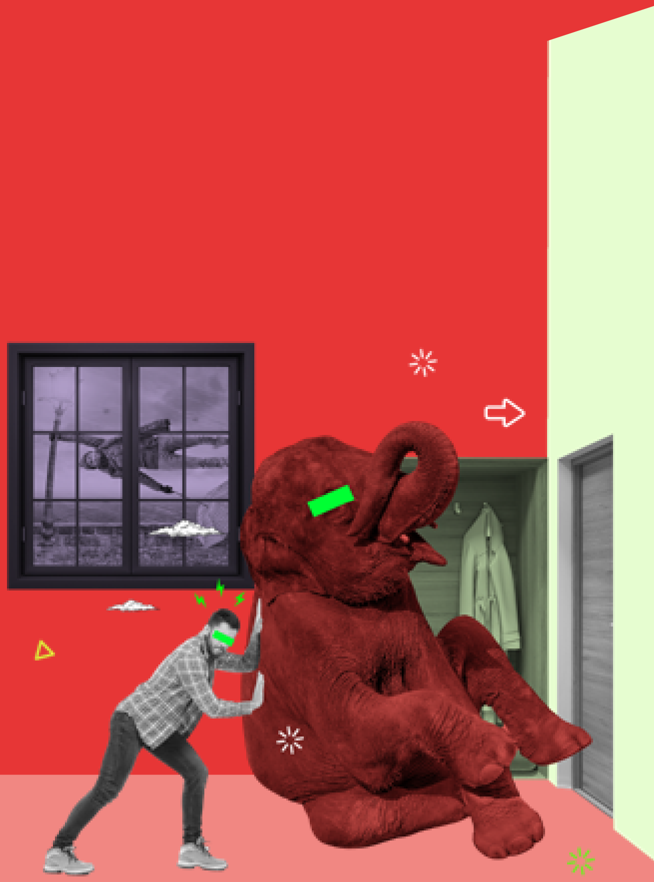

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