



For employers only

Financial wellbeing in the workplace

A summary of the Aegon and Centre for Economics and Business Research report.

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Money and mindset

We found that financial wellbeing is made up of two parts, both of which play an important role in building a full picture of our financial resilience and our future self.



1.

Monetary elements like debt, long-term savings, safety nets – in short, things that currently (or might in the future) happen in people’s bank accounts – or financial resilience.

Mindset elements like a strong connection to their future selves, intrinsic motivation, a long-term attitude even in times of crisis – in short, things that happen in people’s heads.

2.



In their latest research, economic think tank, The Centre for Economic and Business Research (CEBR) quantified the costs of poor financial wellbeing for employers.

They found that monetary concerns – such as debt, lack of emergency savings and low retirement savings – resulted in high costs due to employee absenteeism and presenteeism. This research also suggested that the cost-of-living crisis could further challenge people’s financial resilience.

The analysis also found that mindset aspects are much more expensive for employers. A lack of direction, being bogged down by social comparisons or not feeling joy and purpose could result in higher costs for employers. This suggests that, to improve financial wellbeing, we need to improve an employee’s financial resilience.



The costs of low financial resilience

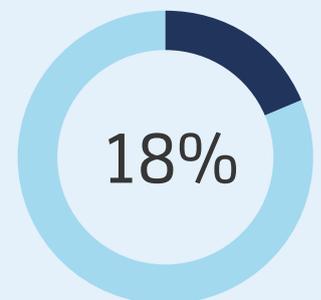
Money issues can generate considerable levels of stress and disruption, which in some cases can lead to absences from work. From workers losing several hours of concentration and engaging in less labour-intensive tasks, to physical symptoms such as headaches, sleep issues and stress – money issues can have a significant impact on employees and by extension, the workplace.

Here are some key findings from the CEBR on the cost of hours lost due to financial stress, the impact on employers and practical tips for improving financial wellbeing in the workplace.

- **10% of full-time and part-time employees** missed days at work due to financial worries, with an average of 4.9 worker days lost per year. This suggests that over 2.5 million private sector workers have had to take time off, roughly translating to 13 million worker days lost.
- **18% of full-time and part-time workers** noticed a decline in productivity at work due to financial worries. This implies that approximately 4.9 million full-time and part-time employees have experienced a fall in productivity at work due to their financial condition.
- Absenteeism due to financial distress is estimated to cost UK employers up to **£2.5 billion per year**. Meanwhile, presenteeism due to financial worries is projected to be higher, at **£3.7 billion**. As it stands, the total cost of absenteeism and presenteeism, due to financial worries is expected to be **£6.2 billion**.
- The estimated average annual cost of absenteeism and presenteeism due to financial troubles for small, medium and large firms is predicted to be **£4,544, £22,746, and £323,390** respectively.



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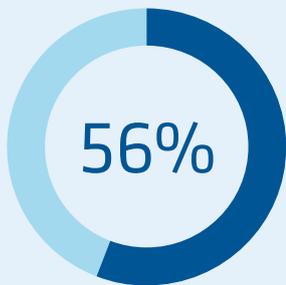


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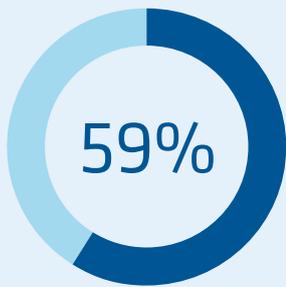


The costs of a poor money mindset

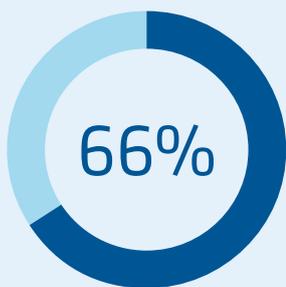
Although we can sometimes focus on the impact of poor financial resilience, having a poor money mindset is significant too.



56% felt like their work is meaningless/lacked purpose.



59% felt underpaid compared to their colleagues/others.



66% felt like they had no clear idea where their life was headed.

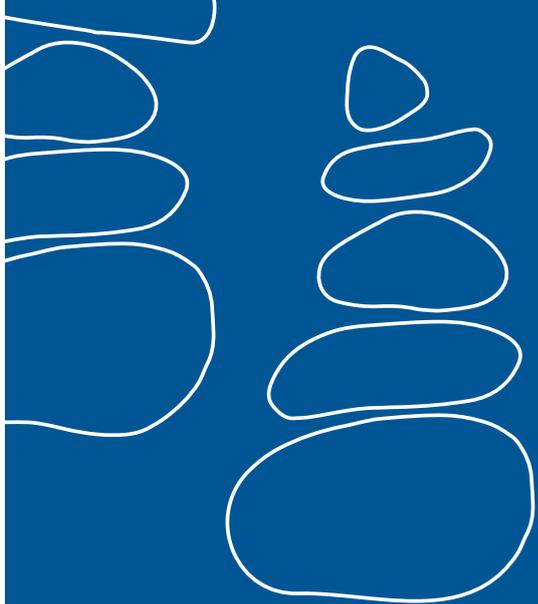
- **56% of the working population in the UK** felt like their work is meaningless/lacked purpose, **59% felt underpaid** compared to their colleagues/others with similar levels of experience and **66%** felt like they had no clear idea where their life was headed. This roughly translates to **14.8 million, 15.5 million and 17.5 million of full-time and part-time employees** in the private sector respectively.
- The estimated annual costs for small businesses when employees are distracted by thoughts on meaningless work, an uncertain life path, and being underpaid come up to **£9,379, £10,340, and £9,917** respectively.
- Meanwhile, medium-sized businesses are projected to lose **£46,945, £51,755, and £49,637** annually when their employees are distracted by thoughts on meaningless work, an uncertain life path, and being underpaid respectively.
- Finally, the annual costs for large businesses when employees are distracted by thoughts on meaningless work, an uncertain life path, and being underpaid amount to **£667,451, £737,838, and £705,714** respectively.

The right mindset in a cost-of-living crisis

The frequently cited cost-of-living crisis (as a consequence of higher energy prices, increased food bills, tax rises) is likely to further strain many people's financial resilience.

Examining money and mindset combined, as outlined in our Financial Wellbeing Index, is the key to improving overall financial wellbeing.

This survey suggests that there are significant costs for employers but also that, to achieve better financial wellbeing, we need to address people's minds, rather than just considering what's happening in their bank accounts.



In our research, **56% in the UK population** felt like their work is meaningless/lacked purpose, **59% felt underpaid** compared to their colleagues/others with similar levels of experience and **66%** felt like they had no clear idea where their life was headed. This roughly translates to a whopping **14.8 million, 15.5 million and 17.5 million of full-time and part-time employees** in the private-sector respectively.



How to support your employees with financial wellbeing

Financial wellbeing is a topic of increasing importance for both employees and employers.

Understanding workers' financial needs is crucial for those who want to attract and retain the best talent and to help workers achieve better financial wellbeing both now and in the future.



Here are some of our top tips for supporting your employees:

 **Take a look at our research**

We have a wide range of research tools and insight to help you better understand financial wellbeing and support your members.

Our ground-breaking **financial wellbeing tool** offers everyone the chance to take part and measure their financial wellbeing. Animated and interactive, our customers will receive a suite of recommendations, podcasts, articles and links, tailored to them. From financial literacy to rainy day saving, our tool offers support that's suited to the member, helping them to reach their financial goals and plan for retirement.

Future thinking for better outcomes – **Picture your best life** gives a snapshot into the life our members want. Whether eating out is top of their list or jetting off with the family, our digital vision board will help members build a concrete picture of their future to help keep them focused as they save.

The most effective education programmes provide practical help – such as access to financial experts for advice and one-on-one help with budgeting and other financial tasks. Consider talking with your scheme adviser if you have one – or partnering with a local financial planner to offer personal financial sessions.

 **Create a space for wellbeing**

Financial wellbeing and mental health are related. Both poor financial wellbeing and poor mental health have a stigma attached to them – making it difficult for some people to get the help when they need it.

As an employer, you can help reduce this stigma by providing training for managers to identify and support people with their financial concerns and mental health. Talking about better financial wellbeing in your internal communications can make it feel more normal – and show it's ok to speak out. Our financial wellbeing hub has useful material to help you have those conversations with your employees – your pension provider and relevant bodies like the MoneyHelper will also have reputable sources for you to use.

 **Get talking about pensions and wellbeing**

Workplace pensions are a significant investment for most employers, yet they can also be a valuable benefit to both attract and retain talent. Being able to save for the long-term and towards retirement is a key part of good financial wellbeing, so helping them understand their workplace pension and what you contribute towards it is beneficial.

From webinars to videos, there are now even more ways to communicate with employees about their financial wellbeing – in a creative and engaging way. Covering tax relief, accessing online services and contributing to a pension are some great topics to introduce – helping employees take control of their finances and think about the future.