

Breakthrough financial wellbeing: Why should you care?



Financial stress can erode away your mental and physical wellness

For some time now, Mental Health has rightfully been in the spotlight — and with World Mental Health Day being observed on 10 October, it bears looking at one of the key causes impacting mental health in the workplace: Financial Wellbeing (or rather the lack thereof).

Fact

Finances can be one of the single biggest sources of stress—and stress is a considerable barrier to both mental and physical wellness

For many employees, money is the number one source of stress. And if we thought employees were worried about their finances before, we can only assume that worry has increased dramatically as a result of the global COVID-19 pandemic.

Mercer's Inside Employees Minds™ report asked 3,000 workers globally questions about the extent to which financial stress affected their work, finding that 62% of those who are financially challenged identified their biggest financial concern as not being able to pay monthly expenses. Perhaps equally concerning is that 52% of employees surveyed globally¹ said they would find an unexpected expense of \$400 difficult to cover.

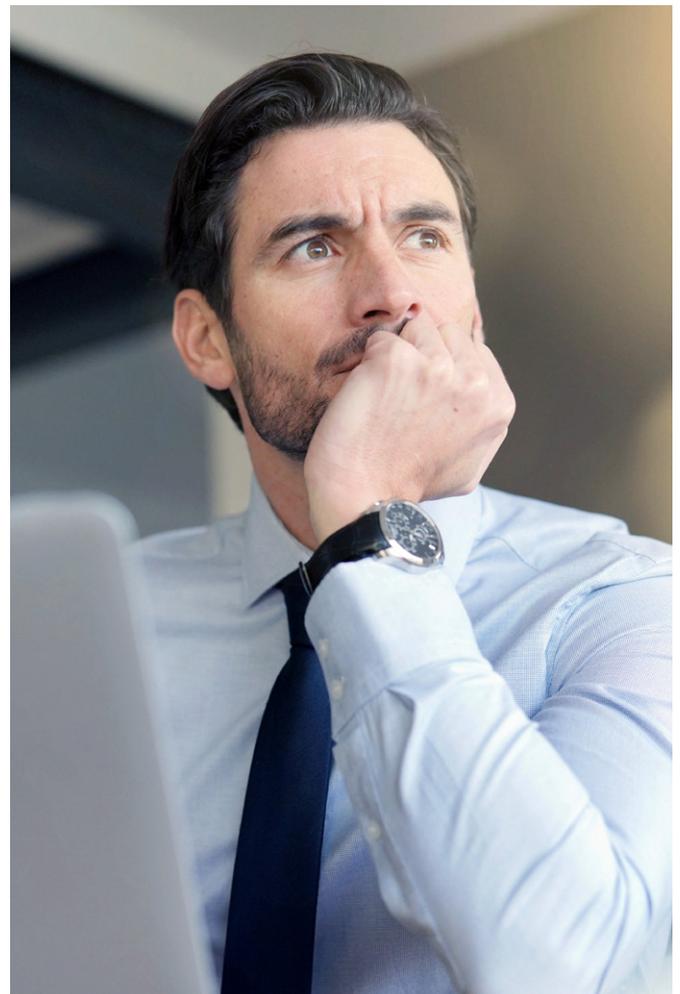
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Closer to home in the UAE, research has shown that employees are not preparing for their long-term financial security. In the Mercer *Financial Security and Savings in the UAE*² report, 61% of the employees surveyed do not have long term savings and 45% do not have plans to save, except to keep working as long as possible. The majority are relying on the employer sponsored end-of-service benefits as the main source of their savings. Unfortunately, it is not well understood that this end-of-service benefit falls materially short of what is needed to maintain our standard of living in the future.



¹ Mercer's 2020 Global Talent Trends Report (<https://www.mercer.com/our-thinking/career/global-talent-hr-trends.html>)

² <https://www.me.mercer.com/our-thinking/rethinking-financial-security-in-the-uae.html>

Employees and employers alike can agree on at least one value: financial security

Finances can affect every function of a company and, for the individual, their personal life. When employees face a difficult financial situation, it can impede on job satisfaction, attitude and performance. Financially stressed workers miss more work and incur higher healthcare costs than their peers. These factors inevitably take a toll on a company's employee engagement levels and eventually the bottom line—especially if financial hardship affects multiple employees.

At the same time, HR professionals know that people don't just work for the paycheck and that increasing salary alone won't necessarily boost job satisfaction. Workers also strive for positive company culture, flexible scheduling, recognition, learning and development opportunities, retirement plans, and other benefits. Naturally, apart from the salary figure, employees want to work for a company that values them and offers a bright future.

What will move the needle on employee financial security? What specific actions can be put in place to change employee's behavior and improve their financial wellbeing?

For all the struggles brought on by financial hardship, there is hope that financial wellbeing programs can help remedy the situation to the benefit of both employees and employers. A Gallup poll³ found financial wellbeing is closely linked with positive behavioral changes and stronger relationships, regardless of income levels.

By implementing financial wellbeing programs, employers also enjoy the benefit of having a happier, healthier and more productive workforce. A joint study from Morgan Stanley and the Financial Health Network⁴ found that 75% of employees said a financial wellbeing program is an important benefit and 60% said they would be more inclined to stay at a company that offered financial wellbeing solutions.



How does one go about creating and implementing a successful financial wellbeing strategy?

There is no one-size-fits-all solution to address all employee needs. Employers need to understand the different financial challenges their employees are facing and start building an appropriate strategy that will take into account the diversity of employees' circumstances.

There is a large spectrum of solutions that can be implemented — from providing financial education to increase the financial literacy and financial courage of employees, through to providing workplace saving plans to encourage and facilitate saving in the workplace, thereby helping employees meet their personal, short-term and long-term financial goals.

In the UAE, the DIFC launched the DIFC Employee Workplace Savings (DEWS) Plan in February 2020 — a workplace savings plan that restructures the currently defined benefit, end-of-service benefit scheme into a funded, professionally-managed and defined contribution plan.

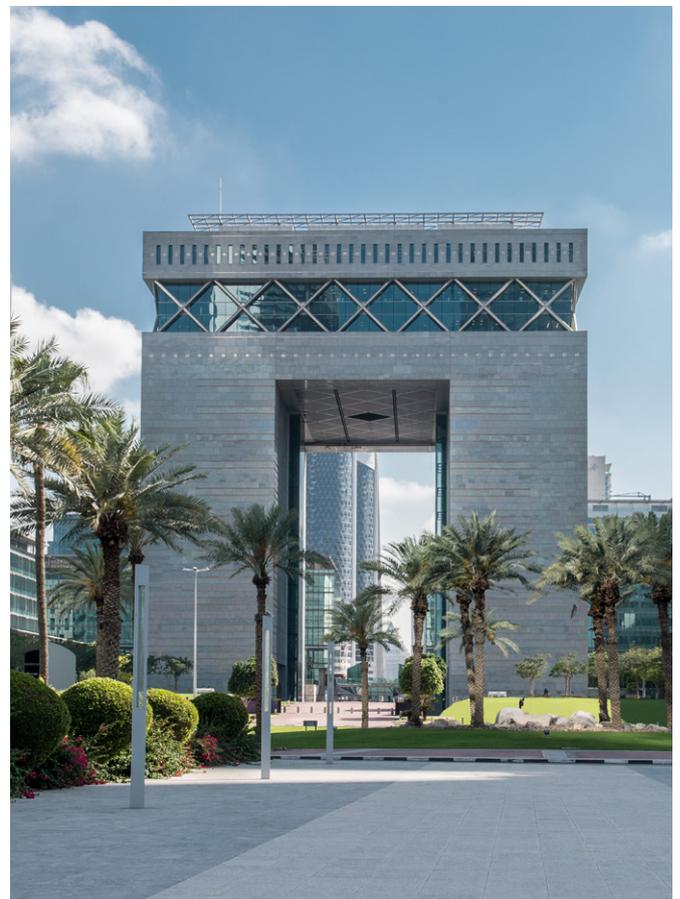
DEWS offers employees the benefit of having security and control of their end-of-service benefit entitlement, it provides them the ability and flexibility to enhance and manage their savings by being able to make additional voluntary contributions and to choose their investments.

For employers, DEWS allows for greater clarity and control of their cash flows and serves as a differentiating tool that can be used to retain and attract key talent.

The goal with any of these initiatives — be it financial wellbeing programs and / or implementing workplace savings solutions — is to make it as easy as possible for employees to put financial planning into action.

As financial stress escalates, more companies will find their employees' personal bottom lines eroding the company's bottom line. Without intervention, employees' financial stress will rise, and companies will suffer drops in productivity, increased absenteeism, and low engagement levels.

The call to action for employers is to look at ways to improve and build on their wellbeing initiatives, not just because it is the right thing to do, but also because it will result in a workforce with less stress, higher job satisfaction and greater commitment to the organization.



³ <https://news.gallup.com/poll/187616/financial-social-relationships-closely-linked.aspx>

⁴ <https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2019/05/24163214/FHN-MorganStanley-Infographic-FINAL.pdf>

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