REPORT

Why financial wellbeing is so important in the retail sector

+ an action plan for your organisation

WAGESTREAM

Retail TRUST

1832 ONWARDS

Contents

THE LOWDOWN

Financial wellbeing is important in the retail sector for two reasons: firstly, financial stress is a widespread problem with a big impact on individuals and organisations and therefore affects retailers just like any other type of business. Secondly, there are sector-specific features of retail that magnify the impact of poor financial wellbeing on individuals and organisations. This report examines both – and tells you how to improve financial wellbeing to mitigate the impact of financial stress on retail employees and organisations.

Introduction

Our journey supporting retail employees started in 1832 and every day we look to push the boundaries to create healthier and happier workplaces filled with individuals that thrive both personally and professionally – because when individuals thrive, organisations thrive.

Wellbeing is at the heart of this formula and financial wellbeing a critical pillar. We are all financial beings and make financial decisions every day. Whether we like it or not, money is central to how we run our lives. There is an intrinsic link between a person's financial wellbeing and their mental health. Poor financial health can lead to stress, anxiety and depression. To focus on wellbeing without financial wellbeing is therefore missing a key part of the picture.

So, not only are we pleased to partner with Wagestream and applaud the work they do to improve the financial health of employees, but also we're pleased to see that financial wellbeing is increasingly recognised across UK employers, with a fresh focus and vigour surrounding improving the financial health of employees. Organisations have a central role to play and should embrace it because the returns from investing in financial wellbeing are considerable.

Many retailers have launched and continue to launch focused and intelligent financial wellbeing programmes designed to empower individuals to improve their financial health in the long-term. As the impetus behind financial wellbeing grows, we're excited to see this trend accelerate and stand by to support employees and organisations so that investments in financial wellbeing truly create happier and healthier employees and more successful businesses.

CHRIS BROOK-CARTER

CEO, RETAIL TRUST

01
How financial wellbeing affects individuals & organisations

Understanding what financial wellbeing is and how it affects individuals is critical to understanding why it's up to organisations to act.

The universality of financial wellbeing

We all have financial wellbeing: it is our relationship with money and how this relationship shapes our emotions and the ability to live life as we wish. Financial wellbeing exists on a spectrum (just like mental health) and can change day-by-day due to factors within our control (spending, saving) and factors outside our control (recession, redundancy).

This means that everyone has the capacity to experience poor financial wellbeing, just like anyone can acutely experience poor mental health. Some may be predisposed to it and some may experience it more than others, but like mental health most of us will at the very least experience acute financial strain at some point in our lives.

How many people **experience financial stress?**

Financial stress occurs when people have poor financial wellbeing and its more widespread than you might think.

Almost half the UK population (48%) are distracted by money worries at work, while 50% of UK households don't have enough saved to cover an unexpected bill of £300. And further research from the Royal Society of Arts characterises 70% of the population as "chronically broke."

The reality is that lots of people do struggle with managing their money on a regular basis and this leads to poor financial wellbeing on an individual level and, collectively, on an organisational level.

Why are the **effects of financial stress** on the individual and workplace?

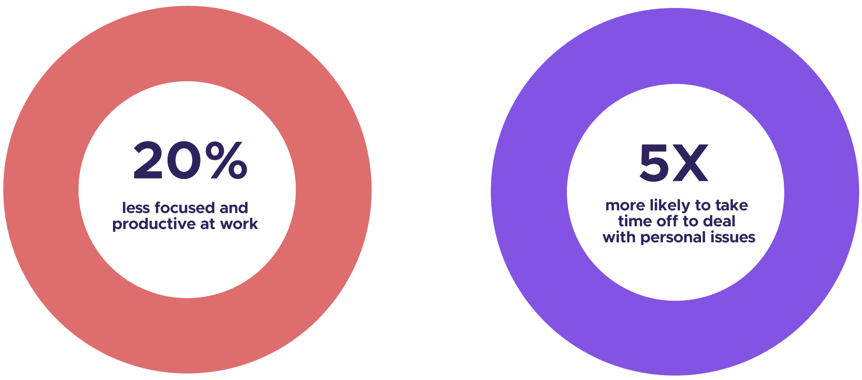
Financially stressed employees are more likely to have poor social relationships with colleagues, are five times more likely to take time off to deal with personal issues and are 20% less focused and productive at work (according to the Dutch National Institute for Budgeting Advice).

When you combine the number of employees in the UK suffering financial stress with the effects of financial stress on the individual, you begin to see the impact on organisational effectiveness. Just the costs of absenteeism and presenteeism related to poor financial wellbeing have been estimated at £1.56bn a year (PDF).

Impact of poor financial wellbeing

Financially stressed employees are...

(source: Dutch National Insistute for Budgeting Advice)



02
Why poor financial wellbeing specifically impacts the retail sector

As we saw above, poor financial wellbeing causes financial stress and this negatively impacts the individual and the organisation. Now let's look at the retail environment as there are some specific features that can magnify the effects of poor financial wellbeing

Shift-based industries can make it **more difficult** for people to budget effectively

Salaried workers know exactly what they have coming in every month, but this is not true for hourly workers. This makes budgeting difficult for a few reasons. Firstly, budgeting is a daily process based on expected monthly income – *"I can afford to spend X today if I have Y coming in at the end of the month."* Shift workers can't easily know what Y is, making daily budgeting decisions difficult.

Secondly, earnings tend to fluctuate between months, meaning that decisions that make financial sense one month may not make sense the next month. This makes longer-term financial management harder because it's harder to save or plan for future expenditure.
Finally, irregular earnings can impact cashflow and the ability to maintain liquidity throughout the month. A six-week pay cycle for overtime compounds the issue.

Absenteeism and presenteeism disproportionately affect customer-facing environments

The costs of absenteeism and presenteeism from poor financial wellbeing collectively cost UK businesses £1.56bn a year [PDF].

Presenteeism is coming to work when you should really be absent from the workplace, but don't feel comfortable taking time off work. It has an emotional toll on the individual, which can make it harder for customer-facing retail staff to perform, impacting customer satisfaction.

And if frontline employees are present with contagious illnesses, not only could they infect customers but also colleagues. This can make rostering hard when absence becomes inflated by a case of presenteeism, particularly in times where recruitment is challenging and shifts are already hard to fill.

When it comes to absenteeism from financial wellbeing, the main impact is to shift filling and rostering, from both prolonged absence from chronic financial stress and shorter absences from acute financial stress.

The **diverse workforce** presents opportunities for cohorts to be missed

Retailers operate both hourly-based workforces in a roster system and one or several office-based contingents, either solely at Head Office or at Head Office and at satellite sites.

Retailers are also known for having a workforce that spans every life stage – and financial wellbeing needs and focuses can be very different depending on where an individual is in their life.

With limited time and focus, it can be easy with a diverse workforce to implement plans relevant to the majority but that fail to tackle the needs of one or several cohorts. However, it's important for financial wellbeing strategies to be fully inclusive to ensure that you're not missing pockets of financial stress.

If you want to be inclusive, you need to choose the right solutions – the ones that appeal to 100% of colleagues are those based around providing empowering tools that allow individuals to use them in the way that most suits their individual circumstances.

Any **interpersonal breakdown** disproportionately affects retailers

As discussed earlier, strong financial wellbeing tends to correlate with stronger social bonds, whereas poor financial wellbeing correlates with poorer social relationships and a lessened ability to relate to others.

A lot of operational effectiveness in retailers – both internal and external – is driven by prosocial behaviour and strong interpersonal relationships. Weak relationships within teams (and customers) have a significant negative effect on the organisation's ability to prosper.

For example, internally there's shift allocation – you need to be able to relate to others to be flexible when it comes to taking and swapping shifts. Externally, there's dealing with customers daily. Frontline workers need to be able to deliver good customer service.

Interpersonal relationships will become even more important because retail experiences are increasingly experiential and focused on customers really feeling the brand experience. This makes maintaining and nurturing strong relationships a key focus for retailers going forwards, which is harder when individuals feel isolated by financial stress.

03
How organisations can impact the financial wellbeing of their colleagues in retail

Improving financial wellbeing is about driving behavioural change: doing something differently, doing something new or stopping doing something. Retailers looking to improve financial wellbeing must therefore focus on a strategy that drives behavioural change at the individual level.

Behavioural change through **transparent information**

Effective budgeting is essential to good financial wellbeing, otherwise how can you make sure you spend less than you earn? But for hourly staff on fluctuating pay, not having transparency on expected earnings each month makes it nigh-on impossible to set a budget and make rational spending decisions on a day-to-day basis. So, the first step is giving staff access to transparent information that allows them to budget and feel more in control.

This transparency also helps staff get a better view of how effective their shift patterns are in keeping them financially healthy. They know early in the month if their forecasted monthly earnings are down on the previous month, so can initiative discussions with colleagues and managers and take extra shifts to smooth out monthly fluctuations in pay. Without transparency, it's very hard for retail staff to know if the number of shifts they're taking is enough to build long-term financial health.

Behavioural change through **savings nudges**

Where budgeting is difficult, saving can feel impossible. As well as transparency of pay information, employees need simple ways to save that scale up and down depending on cashflow, income and out goings for that month. This allows them to build financial wellbeing in the long-term and increase their savings to bolster financial resilience.

Without this, saving is a manual task that inevitably falls to the bottom of the priority list as other, more time-sensitive expenses, come due. It also becomes a lot of manual effort because employees need to work out a) if they can afford to save that month and b) how much they can afford to save. Without transparent information, as above, this is difficult.

Savings nudges are the best way to get more colleagues on the road to resilience because they make saving feel achievable and manageable - or for some, completely effortless. Wagestream offers a 'Save the Pennies' feature, for example, within its workplace savings accounts, which rounds down spare change earned through shifts and automatically moves them to an employee's savings pot. It's one of the platform's most popular features, because it makes saving feel possible for many who never thought they'd even be able to start a savings habit.

Behavioural change through **a non-locked pay cycle**

Most pay cycles in the UK are locked: they happen once a month and there's no way for employees to access their earned pay at other points in the pay period. This is even though outgoings and income aren't always aligned – expenses may come due in the week before payday, for example, when a significant proportion of income has already been spent. Because of this mismatch, it's not surprising that six out of 10 employees run out of money before payday.

Unlocking the pay cycle and allowing staff to access a proportion of their earned pay at any time during the month allows them to better match income and expenditure and reduce the chances of needing to turn to expensive forms of borrowing to 'bridge the gap.' Flexible access to pay also helps mitigate the effects of fluctuating earnings because employees can smooth out cashflow issues between pay periods.

Behavioural change through **accountability and personalised support**

Retail is a very diverse industry: because of this, organisations looking to support employees to build their financial wellbeing with financial education will find it hard to succeed with a one-size-fits-all approach. Research suggests that financial education has a weak correlation with improved financial behaviours for a few reasons.

For example, it's offered at times that aren't suitable: one study found that within 20 months of taking a financial literacy class, almost everyone had forgotten what they'd learnt. To use an obvious example, if you're going to teach someone about getting a mortgage, it needs to happen when they want to buy a house.

Financial coaching (now available on a one-to-one basis via smartphone for every employee) addresses a lot of the issues with financial education. It's personalised to the individual, it creates peer-to-peer accountability, and it is offered just-in-time – conversations happen at the point of need. It's education, but it's purpose-driven, which makes all the difference to its ability to change behaviour.

Conclusion

Financial wellbeing affects everyone differently. We make financial decisions from the minute we enter the workplace to the minute we leave and we spend our lives being financial animals.

Like mental health, financial wellbeing exists on a spectrum and external and internal factors change our financial wellbeing as we go about our lives. The most effective way to stabilise and support employees to build their financial wellbeing is providing them with the fundamentals - things like knowing how much they will be paid each month and being able to save 100% of the time.

If you're a retailer looking to build colleague financial wellbeing, hopefully this report has helped you understand how poor financial wellbeing can specifically impact retail employees and how you can make a real difference by incorporating financial wellbeing into your broader wellbeing strategy.

Wagestream partners with The Retail Trust because they share a mission in improving the wellbeing of retail workers. We'd love you to come on board: our world-leading financial wellbeing experts are standing by to better understand your organisation and how we can help you empower your team to improve their financial wellbeing and productivity.

To find out more, visit: **www.wagestream.com/en/sectors/retail**

About Wagestream

1,000 employers make work more rewarding, by offering financial benefits through the Wagestream platform.

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3 million of their team members use Wagestream to build a better financial future. They can get paid, manage budgeting, start saving, chat to a coach, save on bills and access fairer credit - all in one place.

Wagestream is a B Corporation, built with the Fair By Design financial inclusion campaign.

Find out more at www.wagestream.com

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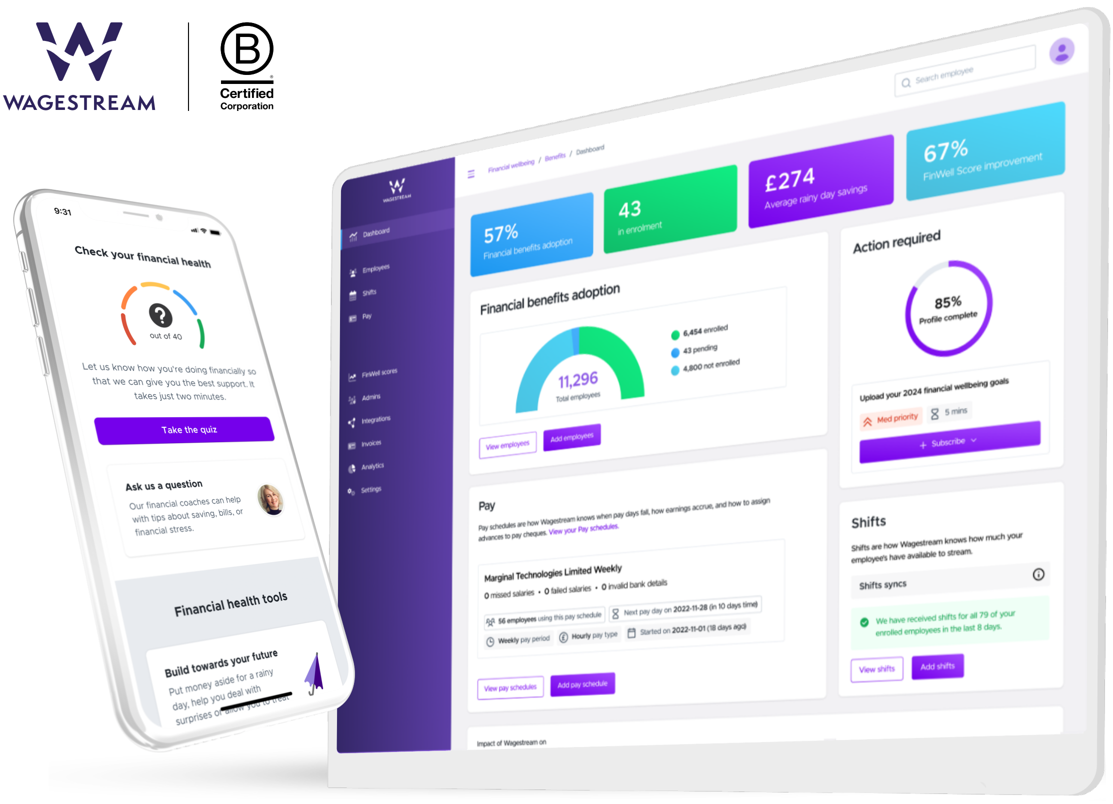

About the Retail Trust

From 1832 onwards, the Retail Trust has been caring for and protecting the lives of people working in retail through access to career-changing learning and development; emotional, physical and financial wellbeing services, and supported-living estates.

The Retail Trust represents the diverse and dynamic world of retail. We put people at the heart of everything we do, from colleagues just starting out, right through to those at the end of their careers.

Our charity has become a movement with a very clear cause: to create hope, health and happiness for everyone in retail. We believe the health of our colleagues is the foundation they need to flourish in both work and life, creating a more sustainable and successful future for retail.

Find out more at **www.retailtrust.org.uk.**