



Insights into Financial Responsibility



David Nish,
Group Chief Executive Officer, Standard Life

The role of the employer

Standard Life is one of the UK's leading providers of corporate pensions. We have long understood the crucial role that employers play in helping employees plan their financial futures

This role has become even more important due to the ongoing trend of migration from Defined Benefit to Defined Contribution schemes.

This is set against a context of sustained lack of engagement. This has been caused by historical personal financial issues and a loss of trust in the financial services industry. It makes clear the challenge ahead. How do we re-engage and empower individuals to prepare for their future?

I believe part of the answer rests in the role employers must take. They can provoke, empower and guide employees to change their attitude to long term finances. In the process, employees can develop the skills needed to take control of their future financial management.

In turn, employers will find they have a workplace benefits scheme that becomes a valuable means of attracting and retaining talent. Consequently they will be in the best position to grow as the economy improves.

We sought to better understand the relationship between employers and employees. To do this we partnered with leading Occupational Psychologist Emily Hutchinson to develop Insights into Financial Responsibility. Our aim is simple. To define how employers can best support employees achieve long term financial stability.

Insights into Financial Responsibility reveals a very different workplace landscape to the one we know. It's a landscape that I expect to change at an ever increasing pace. This is driven by legislative change, technological progress and the demands of a more diverse, dynamic workforce.

To help employers respond, we're proud to launch our innovative new employee benefits platform, **Lifelens** by Standard Life. This next generation benefits platform will enable employers to better meet the needs of their employees. And in the process provide a means of navigating financial responsibility to the benefit of both.



Gerry O'Neill

Gerry O'Neill,
Managing Director, Corporate Solutions, Standard Life

Engaging with employees

Meeting the challenge of a fast changing workplace is no easy feat. Employers and employees need the necessary tools to help promote dialogue and sustain engagement.

Fundamentally, this requires employees and employers to better understand their respective expectations regarding provision of long term support. The extent to which financial planning is delivered by an employer and the responsibility they take for establishing financial security is crucial.

Our new research, *Insights into Financial Responsibility*, reveals a workplace where employees want to stay with their employer for an extended length of time. But there is a lack of awareness of the benefits available. More guidance on their future finances is needed but is often not forthcoming.

It also shows that employers think they have increased the level of communication with their workforce. But they acknowledge there is some way to go before they are fully engaged with their employees.

The findings of *Insights into Financial Responsibility* reinforce our sense of how benefit systems are currently used and what is needed. This insight has been incorporated into the development of our new benefits platform, **Lifelens**, which is launched this month.

Lifelens will provide employers and employees with a level of access and detail not possible before now. Employees will be able to access all of their benefits alongside their savings, in one place. This allows complete transparency, improved understanding and above all control. Employers will have a 'real time' understanding of how their workforce is engaging with benefits, and can respond accordingly. For example, by running workshops or education sessions to improve take up.

We believe **Lifelens** will bring employers and employees closer together. It will improve the take up and provision of benefits to the advantage of both. *Insights into Financial Responsibility* defines the changing dynamic of this relationship. It will become our benchmark for understanding workplace needs into the future.

Roles and expectations

I am delighted to have been involved in developing Insights into Financial Responsibility. It gives much needed insight to the role and expectations that employers and employees have of each other around financial behaviour and financial management.

The following gives a review of our research approach along with my interpretation of the findings.

Employee/employer relationship

A term that has been around for a number of years is the Psychological Contract. This refers to the mutual beliefs and expectations that exist between an employer and an employee. These are generally unwritten (in contrast to those formally written into an employment contract). But have been shown to influence aspects such as job satisfaction and employee engagement. So we explored perceptions from both the employer and employee and also looked at the nature of the relationship.

A lot of recent research has focused on the need to sometimes help people to make decisions or lifestyle choices that will benefit them (Thaler and Sunstein, 2008). This is based on the fact that people are often not rational decision makers (especially not with anything where the gain may not be realised until sometime in the future). Therefore they do not always make the choice which will benefit them the most. We were interested in how 'parental' an organisation might be viewed. And what kind of role people felt that they should be taking in helping individuals to financially plan.

We explored the type of relationship that was perceived by using a model from Transactional Analysis. This enables relationships to be explained in terms of either party behaving as a parent, adult or child.

Emily Hutchinson

Emily Hutchinson,
Occupational Psychologist



Across all of the data, there was a fairly even split. Employers thought that their organisation was behaving towards their employees like a:

- ▶ Nurturing parent (an organisation who looks after their staff but allows them to develop), or
- ▶ Controlling parent (clearly defined jobs and boundaries), or
- ▶ An adult (treated as equals with shared responsibility for their work)

Employees' perception was different in that they tended to perceive their employers as being predominantly controlling. There was fairly consistent agreement that employers and employees would like their organisation to behave in either a more nurturing (especially in the younger age group) or adult way. Employers also felt that this type of relationship would make their organisation more attractive to new staff.

This theme of employers becoming more nurturing or adopting more of a shared responsibility model with their employees was reinforced by some of the other responses. Employers think that providing support and security for their employees is more important than five years ago. Almost half of employees agree (this is also pretty stable across age ranges). Employees feel that employers have a role in helping them secure their financial future (as do employers). And that this kind of support would attract them to an employer.

Financial responsibility

Both employers and employees largely agree that individuals are primarily responsible for their own financial security. Government is not seen as responsible by most, indicating that both parties realise they need to address the issue of long term savings themselves, with the state no longer helping as it once might have done.

In spite of this perception of being responsible, almost a third of individuals have no idea of how they will ensure their security in the future. They are not confident about how secure they'll be when they are 60. More than half also say that they worry about finances.

Employers feel a responsibility towards individuals. And that they have a part to play in helping individuals secure their financial future. As mentioned above, employees would also like that support from employers.

Conclusion

The headline finding is both employers and employees recognise the benefit of a relationship where there is more shared responsibility of financial responsibility. Employees value extra support from employers in managing their personal financial positions. And that that would attract them to an employer. They do however recognise their personal responsibility. But as highlighted by other research, employees are likely to benefit from being 'nudged' towards financially responsible behaviour. Similarly, employers recognise they have a role to play in supporting their employees in this area.

These findings are crucial to the debate on benefits provision and improving financial engagement. They give a clear call to action for how employers need to change to meet the needs of their employees into the future.

The results

Overview

Insights into Financial Responsibility was developed to provide a view of the role of employers and how they support employees in developing long term, sustainable financial behaviour. Its aim was to better understand the relationship between employers and employees. In particular how this has changed and will develop in the future.

To achieve this, the research considered five specific areas:

1. Employer/employee relationship
2. Financial responsibility
3. Financial support
4. Benefits uptake
5. Peer influence on financial behaviour

Research methodology

The fieldwork was conducted by YouGov and combined a survey of employers and employees. Organisations had at least 1,000 employees across public and private sector. Larger organisations were selected because they were most likely to have in place workplace benefits systems. Fieldwork was undertaken between the 11 and 14 January 2011.

To ensure powerful insight into employer attitudes to benefits provision and financial planning, the survey went to 247 respondents from senior management roles including:

- ▶ Owner/ Proprietor
- ▶ Partner
- ▶ Chairman
- ▶ Chief Executive
- ▶ Managing Director
- ▶ Non-Executive Director
- ▶ Other board level manager/director
- ▶ Other senior manager or director below board level

The employee survey was completed by 1,014 people in the following roles:

- ▶ Junior manager/ team leader/ supervisor
- ▶ Executive/ clerical/ other worker with no managerial responsibilities

Summary of findings

Insights into Financial Responsibility depicts a workplace which sees employees crying out for more help with financial planning. They see their employer as crucial to helping secure their long term financial future.

Employers have started to improve their engagement with employees. Yet there is a clear disconnect between employers' and employees' perception of how much has been achieved to date.

Employees do not want to have everything handed to them on a plate as in some cases in the past. Yet they do expect holistic financial support from their employer.

It is clear that the dialogue between employer and employee is continuing to change. Employees look to employers as never before. Answering their questions into the long term rests on having the right tools and educational support available.

1. Employer / employee relationship

This is the broadest area of the research. This section looked into communication between employers and employees. Most worryingly, there is a mismatch between employers and employees perceptions of their dialogue. Employers think it has improved while employees think nothing has changed in five years.

Interestingly, when asked about the personas that employees and employers wanted to have when they engaged, there was agreement. Employers and employees equally wanted the employer to be a nurturing parent (the organisation takes care of its staff whilst allowing them to develop). Currently employers were divided between thinking they behaved in this way or as a controlling parent or adult.

64% 64% of employers claim to have more dialogue with their employees than five years ago. But almost exactly the same number (65%) of employees say nothing has changed

38% 38% expect their employees to spend more than 10 years at their organisation. 68% of employees expect to spend more than a decade with their employer

- ▶ 45% of private sector employees expect to stay in their current role for more than a decade
 - ▶ 49% of public sector employees expect to stay in their current role for more than a decade
 - ▶ Over half (51%) of public sector employers expect more than a decade's service from their employees. This compares to 27% of private sector firms
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56% 56% of employers think the role of providing support and security to employees is more important than five years ago

33% There is an even split between how companies feel they engage with their employees (33% nurturing parent, 34% controlling parent, 33% adult to adult)

- ▶ Public sector employees feel like their employer is a controlling parent (62%). Only 22% feel like they are treated as an adult
 - ▶ Employees in the private sector feel more independent, with 31% feeling as though they are treated as adults/equals by their employer. Only 48% say their employer is a controlling parent
 - ▶ Private sector employers believe they treat employees as adults (41%). This compares to a quarter (25%) of public sector employers
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42% However, 42% of employers would prefer to be a nurturing parent, 52% an adult and only 6% as a controlling parent

47% Employees were most interested in being treated as an adult (47%). This compares to 43% who wanted a nurturing parent

The results continued

2. Financial responsibility

This section looked at who employers and employees attribute the most responsibility for financial security.

Overall, employers continue to feel responsible for their workforce. Especially in the current economic climate. Clearly employers are responding to the challenge that their employees face in their wider lives.

87% 87% of employers agree/strongly agree that individuals are primarily responsible for their own financial security. Virtually the same as 88% of employees

63% 63% of employers disagree/strongly disagree that the government is primarily responsible for individuals' financial security

22% Almost a quarter (22%) of employers agree/strongly agree that they are primarily responsible for their employees' financial security. The same number of employees feel employers are responsible

59% Six in ten (59%) employers believe they are responsible for their employees' financial security to some extent

▶ 62% of private sector employers believe they are responsible for their employees' financial security to some extent. This compares to 54% of public sector employers

3. Financial support

There is a clear call from employees to be provided with more financial planning support from employers. And employers acknowledged the potential retention and recruitment value. This provides an opportunity for employers. They can do more to meet the need of employees and potentially create stand out from competitors.

75% Three quarters (75%) of employees would value more support from their employer around financial planning

64% Almost two in three employers (64%) agree or strongly agree that "an employer who offered help with financial planning would be attractive"

4. Benefits uptake

Benefits clearly attract employees. But there appears to be misunderstanding on both sides of the value of these benefits and take up levels. Private sector employees in particular are not maximising those on offer.

Engagement can be increased by communicating the value, monetary or otherwise, of their combined benefits package.

81% 81% of employers agree that providing benefits increases how engaged employees feel at work. 66% of employees agreed that benefits increases motivation at work

90% 90% of employers believe benefits are important or very important to employees. This compares to just 64% of employees who believe them important or very important

63% 63% of employers do not believe their employees understand the total financial value of their benefits 48% of employees claimed to understand the package

40% 40% of employers believe over half of their employees take full advantage of the benefits available to them. But 30% have no idea on the level of uptake. Only a quarter (25%) of employees say they make full use of their benefits

- ▶ Those on a salary of £30k-£39k (the 'squeezed middle') are most likely to make full use of their benefits
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68% 68% of employees named their pension as their most valued benefit

- ▶ Only one in five (20%) of private sector workers make full use of their benefits
 - ▶ 28% of public sector workers make full use of their benefits
 - ▶ One in five public sector workers value their flexi-time most
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5. Peer influence on financial behaviour

Insights into Financial Responsibility also considered how employees reacted to peer attitudes to financial planning. This gave a view of the influences on financial behaviour in the workplace.

The research found that employees appear to pay little attention to their colleagues' financial behaviour. Of those that do, mortgages and pensions are the top two subject areas. Money is clearly still a taboo subject, to the detriment of all. Encouragement of discussion of such topics could well aid engagement with benefits and financial planning. This would benefit both the employer and the employee.

- ▶ 43% don't tend to notice how their colleagues behave
- ▶ 33% never discuss personal finances with their colleagues
- ▶ 29% sometimes discuss personal finances with their colleagues

Which areas of personal finance are discussed with colleagues?

- ▶ Mortgages 59%
- ▶ Pensions 57%
- ▶ Savings 45%
- ▶ Staff discounts 42%
- ▶ Debt 40%
- ▶ Investments 20%
- ▶ 42% of private sector employees discuss share save schemes
- ▶ Double the numbers of private sector employees discuss investments (30% vs. 15%)

Find out more

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