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TIGER BRANDS CHRO

S'NE MAGAGULA RISE OF THE TIGER

Companies are realising the importance of financial wellness to their employees' lives and are working to offer more support through corporate wellness programmes. In this article, experts weigh in on how the Covid-19 pandemic has impacted the financial wellness landscape.

BY VICTORIA WILLIAMS

2020 will be viewed as a transformational year in many ways. One area impacted by the Covid-19 pandemic is the relationship between employers and their employees. With the pandemic impacting the wellbeing of workers around the world, including their financial wellbeing, employers increasingly recognise the importance of offering financial wellness programmes. They also acknowledge that single-point solutions don't hit the mark, and how a holistic financial wellness programme can boost employee productivity in a big way.

A robust financial wellness programme will tick several boxes. It will include access to tools employees need to build their financial wellbeing, such as education on savings or a budgeting calculator. It can encompass workshops on budgeting and personal finance, retirement planning education, savings and credit, and finding ways to cut household bills. A successful programme will also address the cause and not just treat the symptoms of financial stress.

"A solid employee assistance programme [EAP] will include financial counselling, debt mediation and budget assistance. In addition, an EAP will provide counselling and trauma support, which is hugely important during these times, as financial strain can have serious consequences such as drug and alcohol abuse, marital problems and even suicide," says Anne Grunow, CHRO at Fedgroup.

An economy under strain

The 2.8 million jobs lost in the first wave of the pandemic in April, according to Statistics South Africa, did not bounce back by June even as the Covid-19 lockdown eased and more of the economy opened up, taking unemployment to lows not seen before.

According to the latest Old Mutual Savings & Investment Monitor, a staggering 58 percent of households across South Africa are facing high or overwhelming stress as the Covid-19 crisis knocks savings and raises debt levels.

A key finding is that as many as 57 percent of those surveyed are earning less than they were at the end of February 2020, while 40 percent of those currently employed only have enough funds to survive for one month or less should they lose their jobs. As many as 66 percent of the respondents stated that they are constantly worried about losing their income.

"An alarming consequence of the financial pressures households are experiencing is that just over 50 percent are currently dipping into their savings just to make ends meet, 37 percent have fallen behind on paying household bills and 23 percent have cashed in a savings or investment policy. Another indicator of the distress the crisis has caused is that only one in two credit card holders are able to comfortably make their repayments every month," comments Lynette Nicholson, head of research and insights at Old Mutual.

Mica Townsend

The levels of dependency have also grown. In 2015, those with other adult dependents (excluding spouse/partner) made up 35 percent. This year it spiked to 52 percent of the sample. The Old Mutual Sandwich Generation Indicator shows that those who are sandwiched between supporting their own children and helping to care for elderly parents or relatives increased from 34 percent to 42 percent, the highest figure recorded for this category.

Poor financial literacy

Financial literacy has long been an issue in South Africa. A weak national savings culture, a poor understanding of credit management and high levels of over-indebtedness are just a few common financial issues in this country. "Despite the plethora of financial information available, the application of sound financial habits is not as common. Research indicates that one of the primary causes of disengagement in the workplace is financial stress," comments Cheryl Benadie, CEO of the Whole Person Academy.

> "...70 percent of working South Africans do not have a will."

Cheryl believes that financial stress impacts a person's overall health, making them more anxious, irritable and fatigued. This leads to lower productivity, impaired ability to solve problems and poor communication with colleagues and clients. That causes project delays, poor customer service experiences, and, of course, lost revenue. People may resign to tap into their retirement savings as a last resort.

For Cheryl, putting the power back into employees' hands is key to better financial health. "Holistic financial training programmes will help employees to develop an internal locus of control and empower them to take accountability for their actions. Most people often have an ostrich approach (sticking their heads in the sand) when it comes to money management. However, once they are assisted to write things down in black and white, the situation suddenly seems less dire and more manageable," she says.

A customised approach

Shelley van der Westhuizen, head of corporate financial wellbeing and engagement at Alexander Forbes, believes that bombarding people with financial wellness information doesn't work. She says: "You need to have the right information available so that employees can tap into it when they need it. Information needs to be relevant, well-organised and supported by useful tools, for example, affordability calculators."

While young workers may be concerned about saving up for a house or car deposit, older workers will be concerned about providing for their children or their retirement. Shelley believes that employers who tailor their approach to each age group will see the best results. Employees on any part of the salary spectrum should be able to benefit from support, tools and education.

Shelley has seen great results from empowering

> "58 percent of households across South Africa are facing high or overwhelming stress."

employees to take charge of their finances – positive changes are often easier than imagined.

"There are changes that you can make within your life to put yourself on a better footing. For example, you can trim your costs to feed your household with nutritious but less expensive choices. Employers can support this in creative ways by providing a recommended shopping list for example," adds Shelley.

She has found stories of financial success to be hugely motivating for employees. "We ran a savings scheme where a small amount was deducted off salaries each month. Then after the first year, we asked employees to tell us what these savings meant for them. The response was incredible as people shared what they had achieved with their savings. Sharing these stories resulted in a huge uptick of demand for salary savings deductions."

The end goal of a financial wellness programme is to enhance the employee's overall financial wellbeing. That's why financial wellness programmes most often support an employee's ability to manage both short-term and long-term needs. Definitions of financial wellness stress the importance of striking a balance between planning for immediate needs while also considering long-term goals.

Levels of financial wellness

FNB offers financial wellness solutions to its base of one million business clients. These include a retirement fund, group life, disability cover and funeral cover. Elize Giese, the CEO of FNB Employee Benefits, believes that our financial habits are developed in childhood. "Most South Africans grow up without a financial role model to help them manage their money. It's still taboo to speak about money around the dinner table," she says.

This lack of financial background means that employers need to take on an education role, she continues. They can also support employees' financial wellbeing with staff savings products with a monthly payroll deduction.

Cheryl Benadie

For Elize, there are several themes of financial wellness that can be explored in employee communications campaigns. These include budgeting and learning how to spend less than you earn, managing down your debt, saving for emergencies, having a will, putting disability and life cover in place, and providing for retirement. She notes that every employee will be at a different stage in their financial life.

"Finances are very personal. We hold 30-minute or one-hour one-on-one sessions with employees to give financial advice and help them make better financial decisions," she says.

Elize also believes it is important to translate complex information into easy-to-understand, "bite-size" language. "We want to talk to people in plain language and remove all jargon. For employees that bank with FNB, the mobile app provides gamified ways to improve financial knowledge."


Elize Giese


Shelley van der Westhuizen

Incentivise employees

Guy Chennells, head of employee benefits products at Discovery, believes that while access to budgeting tools and financial advice can help employees manage their finances better, behavioural incentives and tailored employee solutions are particularly effective.

"In times like these, when so many changes are outside of our control, it's especially important to focus on those factors we can do something about," says Guy. "For example, Discovery's employee benefit solutions drive healthy savings behaviour by motivating employees to save more, for longer, and manage their health and wellness. When they do this, we reward their behaviour by adding boosts to their retirement savings."

Speaking of retirement, it's important to actively plan for it. According to 10X Investments' latest Retirement Reality Report, 60 percent of those South Africans who had at some time belonged to a corporate retirement fund said they knew little or nothing about it. Moreover, around 11 percent of them said they simply were not interested.

"This lack of engagement is worrying for many reasons, not least that it shows a total disconnect between how the actions of pension fund members today determine outcomes for their older selves, as well as leaving them open to being taken advantage of by unscrupulous players in the investment world," says Mica Townsend, Business Development Manager at 10X Investments. "Even when an employer sets up a fund and auto-enrols all staff in it, much of the benefit will be wasted if the employees know little and care less."

Individual health and happiness, which includes financial wellbeing and confidence about the future, are key drivers of productivity. Numerous studies back up anecdotal evidence showing a clear connection between employees' physical and financial health and a company's success.

> "Despite the plethora of financial information available, the application of sound financial habits is not as common."

Five Ways to Kickstart Financial Wellness in the Workplace

1. Establish a baseline

One of the key reasons why employees experience difficulties when planning their finances is because they don't dedicate enough time to the subject. With a financial self-assessment programme, HR leaders can begin to understand their employees' challenges and take the necessary steps to help them build their financial confidence.

2. Host a budgeting workshop

The Momentum/Unisa Household Financial Wellness Index found that financially well households are 20 percent more likely to have a written budget (handwritten or electronic) than their financially unwell counterparts. Having a budget ensures that employees have a clear picture of their expenses, are appropriately prioritising spending and are not living beyond their means.

3. Concentrate on small wins

The Master of the High Court estimates that more than 70 percent of working South Africans do not have a will. When a person passes on without a will, they forfeit the privilege of deciding what should happen to their estate, and the estate gets allocated in terms of pre-determined legislated guidelines, known as intestate succession. Working with an attorney or finding a simple will template online for employees is one way to counter this issue.

4. Explore fintech alternatives

Many employees are trapped in a cycle of expensive personal loans and unscrupulous lenders. Fortunately, there are fintech platforms that allow employees to access the money they have already earned. For example, Floatpays reduces the friction and angst of employers granting employee loans by allowing employees access to a portion of what they have already earned, at no cost to the business and with only a once-off transaction fee for the employee, no hidden costs and no interest. Unlike a loan, this is an advance on the employee's already earned money. Floatpays technology integrates with the business payroll software to produce payslips that reflect these transactions. At the same time, it eliminates the cost and operational impact of tracking loan arrangements with employees.

5. Address gender challenges

The World Economic Forum highlighted a worrying trend earlier this year – that women are falling further behind men in terms of planning for their retirement. Global statistics reveal that women across the globe have 30 to 40 percent less money than men in retirement – despite generally living longer. On local shores, Statistics South Africa shows that women earn 30 percent less than their male counterparts on average, a seven percent increase in the disparity recorded in 2019. Women face several headwinds both before and during retirement, typically resulting in dramatically lower financial security in retirement than men. Including financial fitness in female empowerment programmes could go a long way to counterbalance this inequality.