



Mintago

# The Cost-of-living Crisis: A Financial Wellbeing Guide

# Who is this guide for?

A helpful guide for business leaders and HR professionals, examining the impact of the cost-of-living crisis on employees, the subsequent effect this has on businesses, and how prioritising financial wellbeing can help both thrive.

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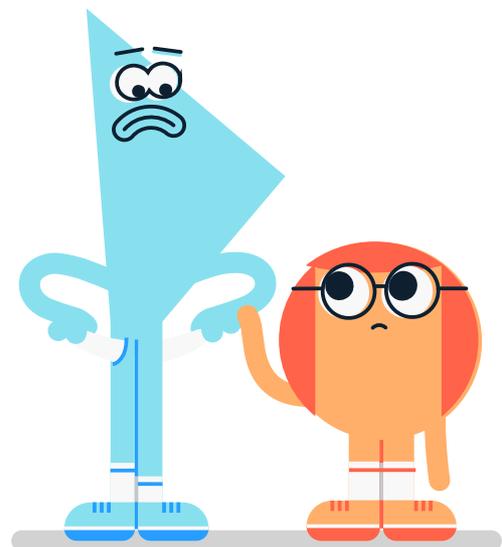
# Introduction

By now, you will no doubt be all too familiar with the term 'the cost-of-living crisis', unless you have been hiding under a rock! Although it may feel like this has been dominating the headlines forever, this current financial pressure on the collective purse only came to the fore in late 2021.

Coming hot on the heels of the pandemic, which brought its own set of severe economic challenges, the cost-of-living crisis has hit hard and exacerbated the financial pain for many. Severely impacting the ability of both businesses and individuals to make ends meet, this challenging situation has taken hold and looks set to continue for a while yet.

Although some experts are forecasting that the UK may be over the worst of the crisis, eliciting a collective sigh of relief, prices are not predicted to drop any time soon. Indeed, we could be in the grip of this economic turmoil until at least 2025.

This guide therefore examines the effect this is having on your employees, and the impact of this on your business, and suggests what you can do to improve the situation, so helping your people and organisation to thrive.

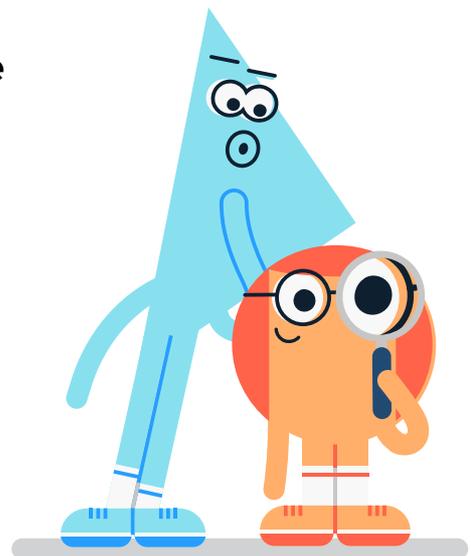


# The cost-of-living crisis – an overview

In the last few years, we have all come through some of the most challenging times in modern memory. The cost-of-living crisis is just the latest in a line of hurdles we have all had to learn to leap. At long last, there may be a glimmer of light at the end of the tunnel, but let's take a quick look back at how we got here, with a short history of the issue.

The oft-repeated phrase 'cost-of-living crisis' refers to the steep increase in prices of many essential goods and services needed to live, such as food, rent and mortgages, furniture, fuel, clothing and energy. Experts generally agree that this began in late 2021.

At this point, prices started to rise faster than average incomes, leading to a reduction in the amount of money people had to spend or save. In basic terms, the cost-of-living crisis means that prices are rising and everyday living is more expensive.



# Rocketing Inflation

At the root of the crisis is rocketing inflation, which rose to a 41-year high of 11.1% in October 2022. This high inflation has severely affected the affordability of goods and services.

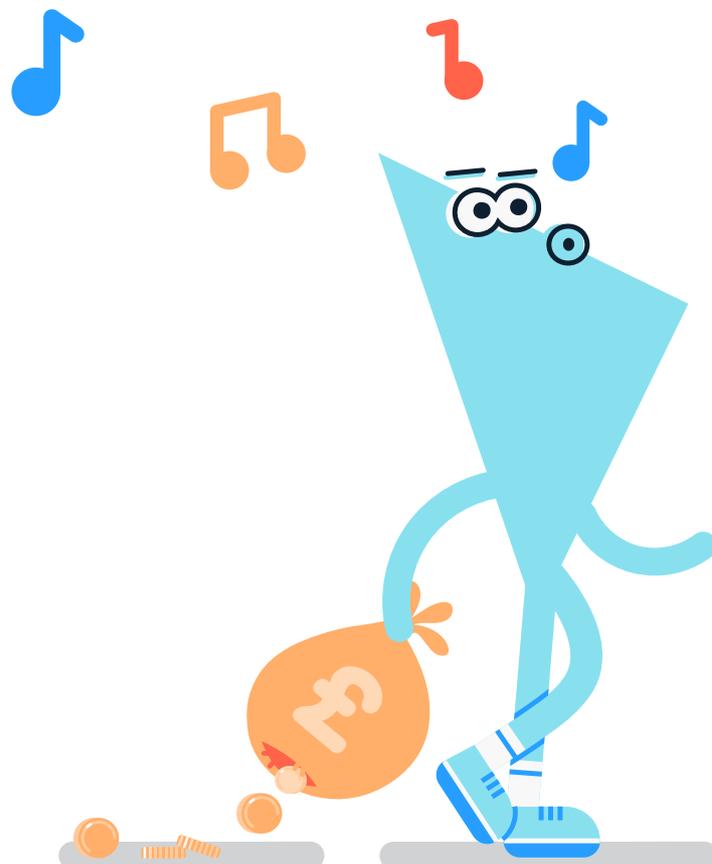
The causes of the issue are complex, but various interlinked global and UK events and issues have played a part. The Covid-19 pandemic was the first major blow to the economy. During lockdowns, people began to buy more goods, but the businesses selling these had difficulties getting enough products.

October 2022 saw Inflation rise to a  
**41-year high of 11.1%**

# Pressure from all angles

In addition, a large drop in the number of available people to work, linked to the pandemic and, according to recent research, Brexit, has led to employers having to offer higher salaries to attract staff. This, in turn, has resulted in businesses increasing their prices to cover these costs.

Add to this, the fact that mortgage rates in the UK have rocketed, initially triggered by the Autumn 2022 'mini budget', and the cost of renting a home rising sharply, and people have been put under increasing financial pressure from all angles.



# The impact of the cost-of-living crisis

With so many demands on their finances, your employees will not be immune to the impact of the cost-of-living crisis. In fact, according to Mintago research conducted in May 2022, the vast majority (62%) of workers said they had seen their financial situation deteriorate since the start of the year. It is therefore important for you to be aware of the issues that could be affecting them and adopt measures to support them, and improve their financial wellbeing, wherever you can. With greater employee financial wellbeing, you will create a more confident, supported and productive workforce, which not only benefits them but can work wonders for the success of your business.

The hard fact is that your employees' money will not be going as far as it once did. In fact, Mintago research in May 2022 revealed that in the midst of the cost-of-living crisis, 72% of UK adults were prioritising immediate financial commitments, such as mortgage repayments and utility bills, over long-term goals. This research also found that 49% of UK adults said that their monthly outgoings had at least doubled since the start of the year.



of workers said they had seen their financial situation deteriorate since the start of the year.

# Rising debt

One of the major consequences of the cost-of-living crisis is that there is now a tsunami of debt, with many people having to borrow more money to make ends meet. In fact, according to research analysis, the number of UK households struggling with heavy debt has increased by two-thirds since 2017.

Some of your employees may therefore need help to manage this debt, but may not know where to get it. Mintago research in 2022 found that only 23% of UK adults were using online support or debt charities to help manage their financial concerns. This is something you, as an employer, could help with, by directing them to debt management services, or providing easy access to these via an online financial wellbeing platform.

This can help those in your team who may be struggling to pay off debts to regain control of their finances by setting up a manageable repayment plan, which can make a massive difference to the morale and productivity of your workforce.

A further, knock-on effect of the cost-of-living crisis is that if your employees are taking out loans to cover costs, they may be seeing a decrease in their credit scores, affecting their ability to be approved for a loan in the future. This is something else you could help your employees to improve, by supplying them with quick access to services that can enable them to improve their credit scores, again via a financial wellbeing online portal, such as Mintago.

# In-work poverty

The cost-of-living crisis has also helped to fuel the rise of what is called 'in-work poverty'. This is defined as when a working individual's income, after housing costs, is less than 60% of the national average, and they do not earn enough to cover the cost of living. It is driven by a range of factors, but with housing costs skyrocketing, it will be harder for more people to stay out of this trap. Indeed, recent research has revealed that one in eight people are now experiencing in-work poverty. Some of your employees may therefore be struggling with this issue and need support.

In fact, the causes of worsening in-work poverty mentioned by the All Party Parliamentary Group (APPG) on Poverty include the rise of the cost of living, such as transport expenses, and the increase in housing costs. Moreover, the Institute for Public Policy Research (IPPR) has pointed out that the growth of in-work poverty could be related to the increase in poverty levels of people who rent their homes, as rented housing prices have soared.

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in-work poverty.

Perhaps unsurprisingly, another factor affecting in-work poverty mentioned by the APPG is low incomes, as according to the Living Wage Foundation, one in eight UK workers are paid below the Real Living Wage – a rate of pay calculated according to the basic cost of living, updated annually and set independently of the UK government’s National Living wage. In addition, with the current economic climate, pay rises are less likely to keep up with the cost of living, as Mintago research in 2022 found that only 41% of organisations were giving pay rises that matched or bettered the rate of inflation.

Furthermore, another factor driving in-work poverty is what has been called the ‘poverty premium’. This refers to the extra costs that those on a low income, or in poverty, have to pay for essential goods and services.

This might include having to use prepayment meters for gas and electricity, and more expensive ‘non-standard’ payment methods, such as paying monthly instead of up front for insurance, or paying on receipt of a bill instead of via direct debit.

While you might not be able to solve all these issues, as an employer, you can help ease the situation for your employees, by providing access to services which could help them cut costs, such as those available via the Mintago platform. Although, in these challenging economic times, providing a pay rise might not always be possible, by supporting your employees with high-quality financial wellbeing benefits you can help to raise their standard of living in a cost-efficient way.

# Mental health issues

With the increased financial demands the cost-of-living crisis is creating, the pressure on people's mental health, and consequently their physical health, is considerable. Add to this the timing of the situation, following the pandemic, which put immense pressure on everyone, and it should not come as a surprise that your employees are likely to be feeling more strain on their mental health.

Indeed, Mintago research conducted in 2023 revealed that 62% of UK employees said the rising cost of living was their greatest source of stress, and 51% of employees said their stress and anxiety levels had increased notably as a result of the cost-of-living crisis.

Our previous research also found that 32% of UK adults said they struggled with day-to-day tasks due to financial concerns, and 43% said that they were even losing sleep as a result of financial anxieties. Inevitably, such stress and lack of sleep will significantly affect employees' productivity in the workplace.

It is therefore vital that you, as an employer, do all you can to support your employees in this area, for their benefit and to boost the performance of your team. So, to prevent them from suffering burnout from financial stress, it is important to introduce measures to strengthen their financial health, which you can do by providing a reliable financial wellbeing platform.

# Sheflation

As an employer, you might also want to be aware that research suggests the cost-of-living crisis may be having a greater toll on your female employees than their male colleagues, and ensure they receive the best financial wellbeing support you can provide.

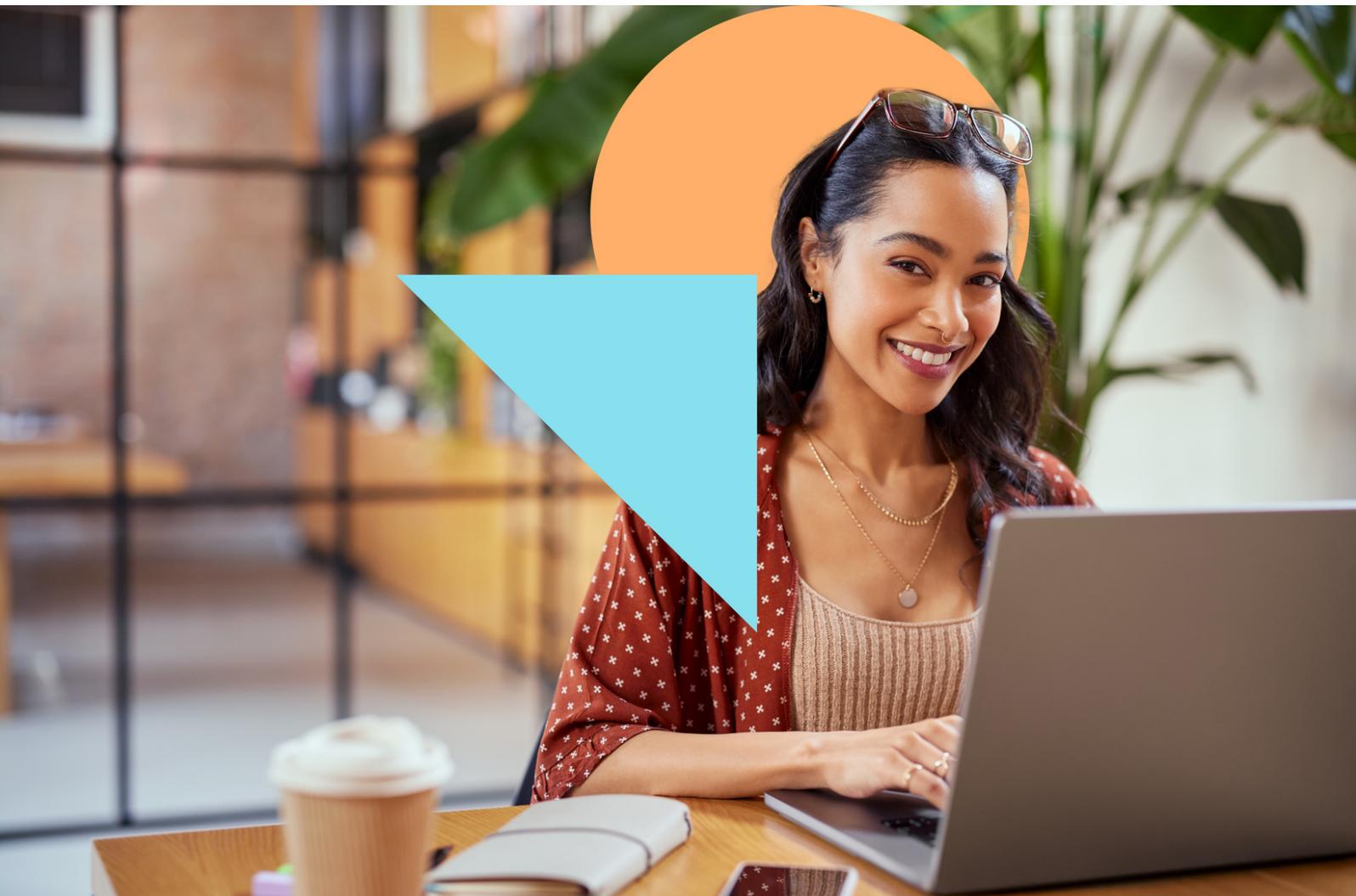
In fact, Mintago's research conducted in May 2022 found that 67% of women respondents reported that their financial situation had deteriorated since the beginning of the year, compared to 58% of men, and 54% of women had seen their monthly outgoings at least double since the beginning of the year, compared to 45% of men. Subsequently, the findings showed that almost half of women were losing sleep over financial concerns.

In addition, 61% of women cited their finances as their greatest source of stress, compared to 52% of men.

The underlying cause for this has been referred to as 'Sheflation', as recent research has found that women generally earn less, buy more of the items that are rising in price, and are often primary caregivers, so are unable to work more hours as they struggle with high childcare costs. Worryingly, this situation could also impact their future financial wellbeing, as research has also found that 20% more women than men said they would cut back on their pension contributions as a way to cope with rising costs. Consequently, the gender pensions gap – the difference in pension income between men and women, where women have less – could widen further.

As an employer, you could consider helping your workers to continue to contribute to their pensions in a more tax-efficient way, by offering a salary sacrifice pension scheme, which could allow them to save up to 12% of the amount they pay in personal contributions.

**This could enable your business  
to save thousands in National  
Insurance contributions as well.**



# The impact of poor employee financial wellbeing on your business

With so many financial pressures on your employees from the cost-of-living crisis, it is important for you to help improve their financial wellbeing however you can. This is not only vital from the perspective of fulfilling your duty of care to your workers, as their employer, but will also benefit your business considerably too. Poor employee financial wellbeing cannot be seen in isolation as just affecting the person in difficulty, as it can also result in increased turnover, absenteeism, presenteeism, and overall low engagement in the workplace for your business.

In fact, recent research has found that employee absenteeism because of financial stress results in as many as 13 million days of work lost per year, at a cost of approximately £2.5 billion to employers annually. Moreover, according to a recent financial wellness survey, one in three full-time employees said that money worries had negatively impacted their productivity, and financially stressed workers were nearly five times as likely to admit personal finance issues had been a distraction at work. In addition, this survey also found that employees who were stressed about their finances were twice as likely to be looking for a new job.

# What you can do about it

Ensuring that your employees have better financial wellbeing and can ride out the storm of the cost-of-living crisis is about more than just giving them a pay rise. By cultivating a positive financial culture in your organisation, you can help them combat stress from financial challenges and take control of their finances. With the following strategies, you can strengthen their financial resilience and provide the valuable support they need.

## Normalise financial conversations

Normalising financial conversations in the workplace can be a great way to create a positive financial culture and help your employees to gain any assistance they may need. Indeed, by helping your staff to feel more listened to, you can reduce their stress levels, ease financial worries and improve workplace engagement. This may not be easy at first, as traditional taboos still mean that many are uncomfortable with talking about finances.

However, by being reassuring and making it clear that there is no shame in discussing money challenges, you can break down these barriers. You can also provide a safe space for your employees to talk about financial concerns, without feeling embarrassed. In addition, you could supply them with free access to an expert financial adviser who can discuss their individual financial requirements, which you can easily do via a financial wellbeing platform, such as Mintago.

## Provide educational resources

An important way to help your employees have greater financial wellbeing and navigate the cost-of-living crisis better is to provide them with easy access to financial education resources. This will help to improve their financial literacy, which is vital, as a 2023 study revealed that poor financial literacy is a major issue in the UK, with just 27% of participants passing a financial literacy test.

You can help your employees gain greater financial know-how with resources such as a library of learning materials, interactive workshops and online masterclasses, which you could make easily available via a financial wellbeing platform. In this way, you can help your employees gain greater knowledge of money matters, take control of their finances and avoid issues such as debt problems.



## Help your employees plan for the future

In the current economic climate, uncertainty regarding future finances can be very stressful for your employees. Indeed, a survey conducted by Mintago in 2022 found that 70% of people were worried their financial situation was going to deteriorate further in the future. It is therefore important to help your employees to plan ahead for their financial future. Research has revealed that those who plan for the future are three times more positive about their finances than those who do not, so this is a great way for you to lift your team's morale.

You can do this by helping your employees to effectively plan for retirement, with a good pension plan. You could also help them locate lost pension pots from previous jobs, to optimise their retirement savings, which can easily be done via a high-quality financial wellbeing platform. In addition, helping your employees to plan ahead for major life events is a great way to boost their financial wellbeing, whether that is planning to purchase a house, or budgeting for having children. You can achieve this by providing access to an expert financial adviser who can offer individual assistance and help them create a plan to meet their goals, again, via an online financial wellbeing portal.



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# Enable your employees to budget successfully

With the cost-of-living crisis causing rising debt, helping your employees to avoid this can be a powerful way to strengthen their financial wellbeing. An effective way to do this is to get them to list their essential expenses, such as food bills, rent or mortgage, utility bills and council tax, to help them keep track of their outgoings and remain in budget.

It is also a good idea to provide them with online budgeting tools, like those available on the Mintago platform, to help them stay out of debt.



# Why address this in the workplace?

There is therefore a great deal that you, as an employer, can do to ease the effects of the cost-of-living crisis on your employees, benefitting both them and your business. But you may ask why the workplace is the right place to tackle this issue, especially if you consider people's finances to be their own personal matter.

Indeed, this is how many may feel, as a survey conducted in 2022 by Mintago revealed that 66% of managers did not feel comfortable getting involved in their colleagues' financial lives.

However, the need is most definitely there, as this survey also found that 66% of managers had noticed their employees had raised more concerns about their finances than the year before.

Furthermore, our 2023 research has found that 65% of employees do not believe their employer is doing enough to support them through the cost-of-living crisis, and 44% of employees would leave their current jobs to work for an employer that provides better financial wellbeing support.



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In fact, the workplace is the ideal place for support to be provided, as employees spend many hours at work each day and may not have enough time to focus on their financial wellbeing outside work. Moreover, left to their own devices, your employees may not know where to get the best financial guidance and assistance. Indeed, our research in 2022 found that 33% of employees said they wanted more help with managing their finances but did not know where to find it.

The choice of financial services and guidance could also be daunting for your employees, leading them to do nothing, so if you research the options and provide a selection of trusted resources, you can enable them to take action. Consequently, you can become a more attractive employer to your staff, who will no doubt appreciate the assistance.

In this way, you can help your employees to achieve greater financial stability in these challenging economic times, boost the productivity of your team, retain more of your star staff and attract top talent.



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# How Mintago can help

Navigating the financial wellbeing technology landscape may seem a little challenging, but Mintago offers a straightforward, user-friendly solution that makes it easy for you to provide high-quality guidance and assistance to your employees. It can also save you a great deal of time and effort, as it requires minimal administration from your team, making it a very cost-efficient solution. In addition, Mintago provides invaluable HR insights to help you monitor how your staff are using the platform, so you can be sure you are getting a good return on your investment.

Our platform provides all the tools and resources your employees need to take control of their finances and cope more easily with the cost-of-living crisis, including access to:

- ✓ Expert financial advisers
- ✓ Regular online masterclasses
- ✓ A Money Helper AI tool, to help them control their finances
- ✓ A pension dashboard, that allows full pension management
- ✓ A Pension Hunter tool, to locate lost pension pots
- ✓ The Mintago Score tool, that provides a full financial health check
- ✓ Over 1,000 pieces of educational material

With Mintago, you can empower your employees to get to grips with their finances and gain greater financial security, giving you a happier, more productive workforce, ready to contribute to your business's success.



# Next Steps...

If you would like to learn more about how Mintago can help you support your employees' financial wellbeing and combat the cost-of-living crisis, get in touch today.



# Mintago

## The Cost-of-living Crisis: A Financial Wellbeing Guide

Mintago helps employers support their employees on their journey towards better financial wellbeing.

Start supporting your employees'  
financial wellbeing with Mintago today.

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