

FINANCIAL WELLBEING 2022

Your employees are counting on you.

Exploring the relationship between numeracy, financial wellbeing and mental health.



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Foreword

With the number of employees reporting poor mental health in the UK and Ireland continuing to rise, even beyond the peak of the pandemic, employers are finding themselves under enormous pressure to protect the wellbeing of their people.

Encouragingly, employers across all industries have taken huge strides forward over the last two years, delivering new services and support to help employees to manage and improve all aspects of their wellbeing.

But just as we are moving beyond the pandemic, we now stand on the brink of the most severe cost-of-living crisis we've seen in decades. Rising inflation, increasing costs of borrowing, soaring energy prices and stagnant wages are combining to squeeze millions of households across the UK and Ireland.

Already, the cost-of-living crisis in the UK and Ireland is causing huge concern and anxiety amongst workers. This research finds that 73% of employees in the UK and Ireland are now more worried about their finances than they were prior to the pandemic.



Gethin Nadin
Chief Innovation Officer, Zellis



Low numeracy can have a profound impact on financial wellbeing

Government and employers are now urgently looking for solutions to help people to manage their financial wellbeing.

But a hidden barrier to positive financial wellbeing are the relatively low levels of numeracy skills within the UK and Irish workforces. Many of your employees say they struggle to use numbers – in fact, our research reveals that only 1 in 7 employees feel very confident using numbers at work and in their everyday lives.

This lack of confidence with numbers has huge repercussions on financial wellbeing – and beyond. Those with low number confidence say they feel less productive, less employable and less secure in their jobs. But perhaps most worryingly, given the current mental health crisis, lower levels of confidence in numeracy can negatively impact mental health, causing increased anxiety and depression.

People who lack confidence with numbers are far less engaged with their personal finances, often because they're unable to understand information and make decisions.

This is certainly the case when it comes to their pay – employees with low numeracy are less likely to review their payslips and, where they do, they are less likely to be able to understand the information presented or to spot errors relating to their pay and benefits. And unfortunately, this in turn leads to further stress and anxiety.



1 in 7

employees feel very confident using numbers at work and in their everyday lives.

Payroll must be the first line of defence in protecting financial wellbeing and mental health

The message for employers is clear – they have to do more to support their employees through this cost-of-living crisis. That means helping them to better understand their finances and to build financial resilience. We know that financial education has a profound impact on financial behaviour.

Payroll has to be the starting point in these efforts, doing more to help those employees with low numeracy skills to understand their payslips, recognise mistakes and to feel comfortable asking questions and raising concerns. This means simplifying terms, clarifying acronyms and presenting information in a clear and concise way. For so many people, their pay is their only source of income, so understanding money at source is critical on the journey to better financial wellbeing.

Employers need to ensure that their payroll is accurate at all times. As this research shows, the implications of payroll mistakes on employees are serious and wide-ranging, more so in the current climate where people are understandably concerned about their personal finances.

Ultimately, every employer needs to explore and recognise the connection between low confidence with numbers, a lack of engagement with payroll and their people's mental health and overall wellbeing.

As the cost-of-living crisis deepens in the second half of 2022, employers must do all they can to get their employees engaged with their payslips, helping them to understand what they are being paid and confident that they are receiving the right pay and benefits. For our people to appreciate and engage with their pay and benefits, we must help them to have a much better understanding of the contributions we make and the compensation they get for their hard work.

This research highlights how confidence with numbers affects an employee's engagement with payroll, and how this in turn can impact their mental health and wellbeing. While levels of confidence with numbers don't always align to levels of competence or capability, this research proves that being confident around numbers has significant benefits for employees in terms of wellbeing and mental health.

This report aims to provide a useful reference point for employers as they look to revise their payroll strategies as part of wider efforts to support financial wellbeing in light of the cost-of-living crisis. By understanding the challenges employees are facing, particularly vulnerable groups (such as those with low numeracy skills and diagnosed or undiagnosed mental health conditions), employers are better placed to implement accessible and inclusive strategies that will help all employees through the coming months and years.

What numeracy means

National Numeracy, the independent charity which aims to improve how people understand and work with numbers in everyday life, defines numeracy as:

- The ability to understand and use maths in daily life, at home, work or school.
- Numeracy means understanding how maths is used in the real world and being able to apply it to make the best possible decisions.

IT MEANS BEING ABLE TO:



Interpret data, charts and diagrams



Process information



Solve problems



Check answers



Understand and explain solutions



Make decisions based on logical thinking and reasoning

Research methodology

Zellis commissioned comprehensive independent research among employees.

- ✓ 2,010 online interviews with employees in the UK and Ireland who were non-management level
- ✓ The respondents worked for organisations of all sizes, with 50% working for companies with 1,000 or more employees
- ✓ 73% of respondents worked full time and 27% worked part-time; 57% were on a fixed salary and 43% were paid on an hourly basis or at a variable rate
- ✓ Respondents worked for organisations within a wide range of industries including healthcare, government/ public sector, retail, hospitality and leisure, transport and logistics, manufacturing and construction
- ✓ All research was conducted by Insight Avenue in April 2022

Note: Totals in charts/tables for single coded questions sometimes add up to more or less than 100% due to rounding.

Contributors

The following people provided interviews to add context and insight to the research data. We are grateful for their input and support.



Doug Betts

Fred. Olsen

Doug currently divides his time between working for Fred Olsen's largest Company, Natural Power as their Interim Director of People and Culture and running his own Consultancy Business, Sure Betts HR Solutions Ltd. Doug has a particular interest in HR and Payroll systems as well as putting initiatives in place to make sure that employees have a great experience at work and employers create the right culture to attract, engage and retain their employees. This included launching several successful engagement and wellbeing initiatives.

Doug has over 20 years HR experience gained across the private, public and not-for-profit sectors and is passionate about doing HR differently for the 21st century in a disrupted, post covid world.



Andrew McFaul

Deputy Programme Director of BSc Accounting and Finance, King's College London

Andrew McFaul is a Lecturer in Accounting and Financial Education and Deputy Programme Director of the BSc in Accounting and Finance for King's College London. Andrew holds a PhD from the University of York (2017), where his thesis looked at the economic, social and behavioural factors influencing the investment behaviour and decision-making of scheme participants in broad-based employee stock ownership plans. He has held research positions at the University of Oxford and for the Cabinet Office as part of the Behavioural Insights Team, assisting central government apply insights from behavioural economics and psychology to public policy.



Gethin Nadin

Chief Innovation Officer, Zellis

Gethin is an award-winning psychologist who has been helping some of the world's largest organisations to improve their employee experience and wellbeing for two decades. Gethin leads innovation and thought leadership for the Zellis group.

A frequent writer and speaker on employee experience and employee wellbeing, Gethin has been featured in Forbes, The Guardian, The Huffington Post, The Sun and The Financial Times, as well as all major HR, Reward and Pensions publications. Gethin has been listed as one of the world's top 101 Global Employee Experience Influencers for the last two years running, is listed on the Employee Engagement Powerlist, and is one of LinkedIn's top global contributors and an Inspiring Leader 2021. Gethin is also a regular keynote speaker, Chair of the UK Government-backed Engage for Success Wellbeing Thought Action Group, a Key Stakeholder in UK Government Transport Employee Wellbeing KPI's and a Fellow at the RSA.

In 2018, Gethin published his first book - the HR bestseller 'A World of Good: Lessons From Around the World in Improving the Employee Experience', which has gone on to inspire HR and Reward teams at some of the world's best known brands. In 2022, Gethin co-authored his second book 'Das Menschliche Büro - The Human(e) Office' a collaboration between leading academics and workplace professionals from across Europe.

Introduction: Numeracy and the confidence question

The research explored the extent to which employees feel comfortable when using or interpreting numbers.



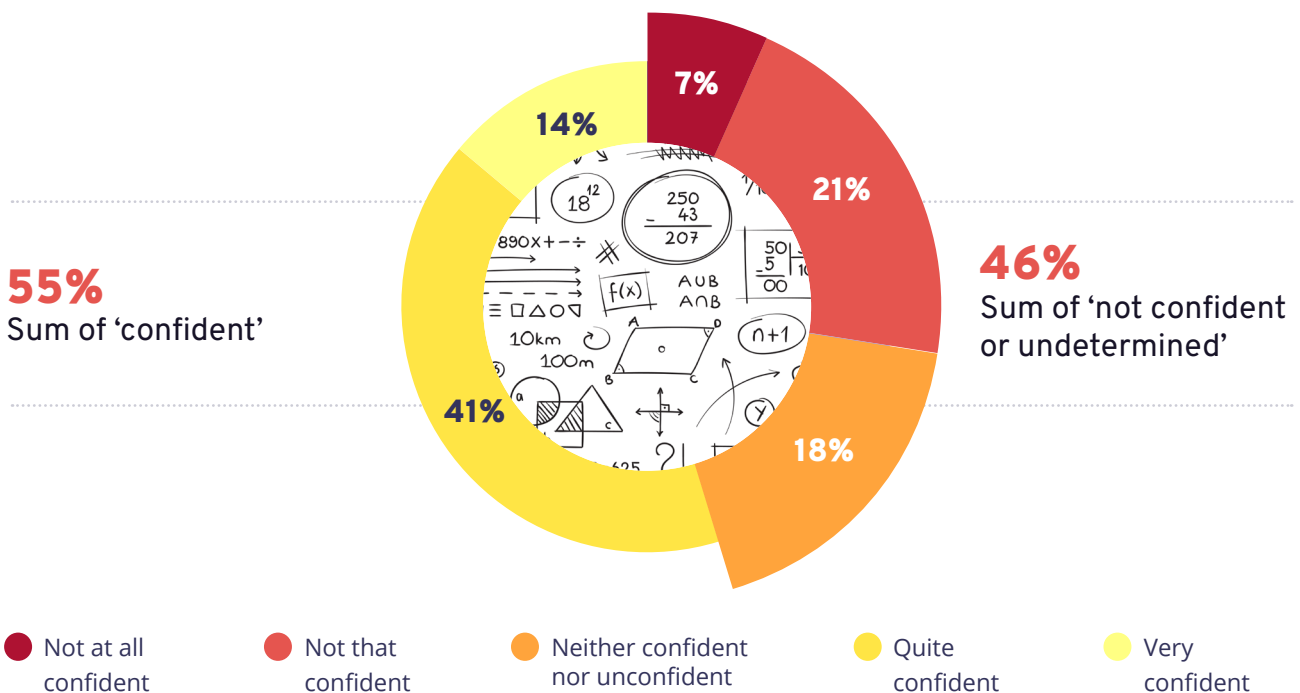
46%

of people admit that they lack confidence when using numbers at work and in their everyday lives. And only 1 in 7 people claim to be (14%) very confident about their numeracy skills.

Interestingly, confidence levels are lower amongst women than men, with only 11% of women claiming to be highly confident, compared with 19% of men.

Figure 1: Levels of employee confidence when using numbers at work and in everyday life

Being completely honest, how confident are you working with numbers (including things like percentages and fractions) at work and in everyday life?



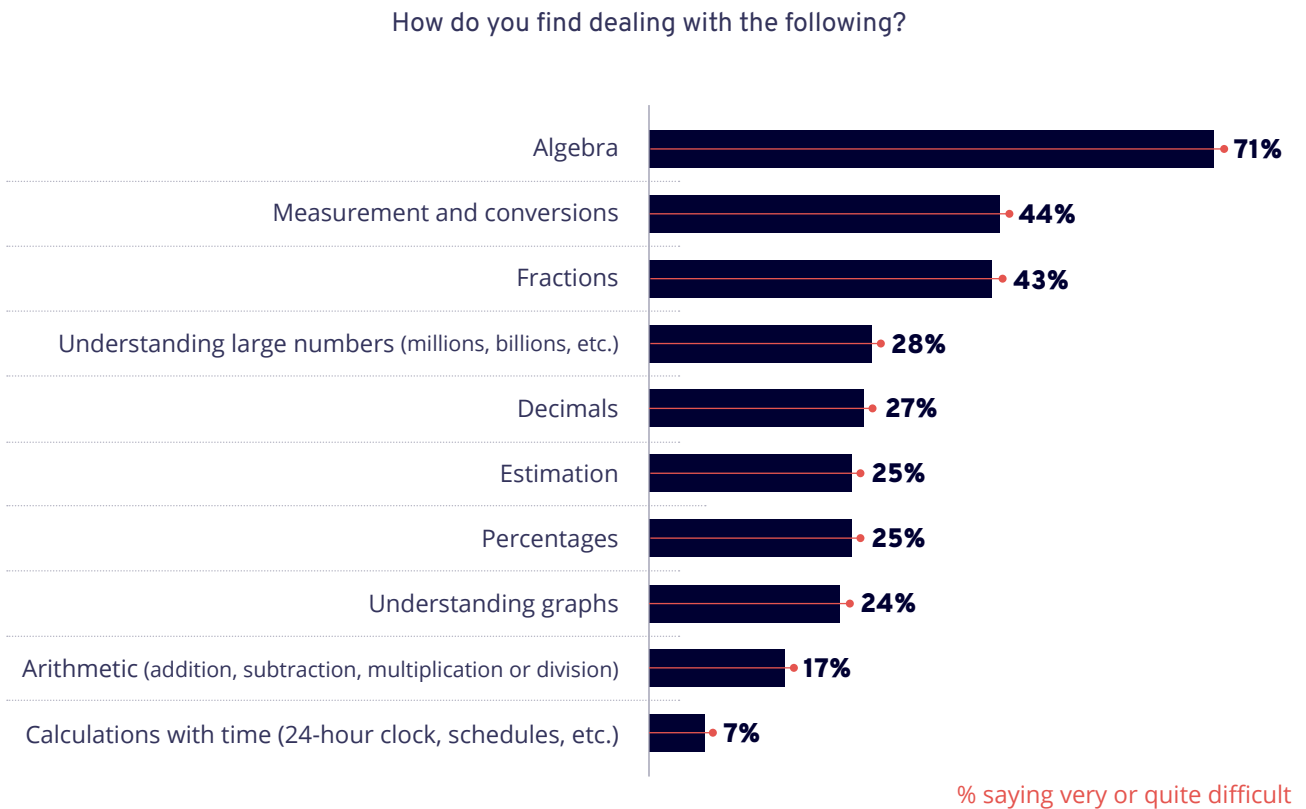
- Not at all confident
- Not that confident
- Neither confident nor unconfident
- Quite confident
- Very confident

Employees report having difficulties with a wide range of different numerical tasks. These include:



Around one quarter of people also struggle when dealing with large numbers, decimals, estimation and understanding graphs.

Figure 2: Perceived ease or difficulty of different numerical tasks



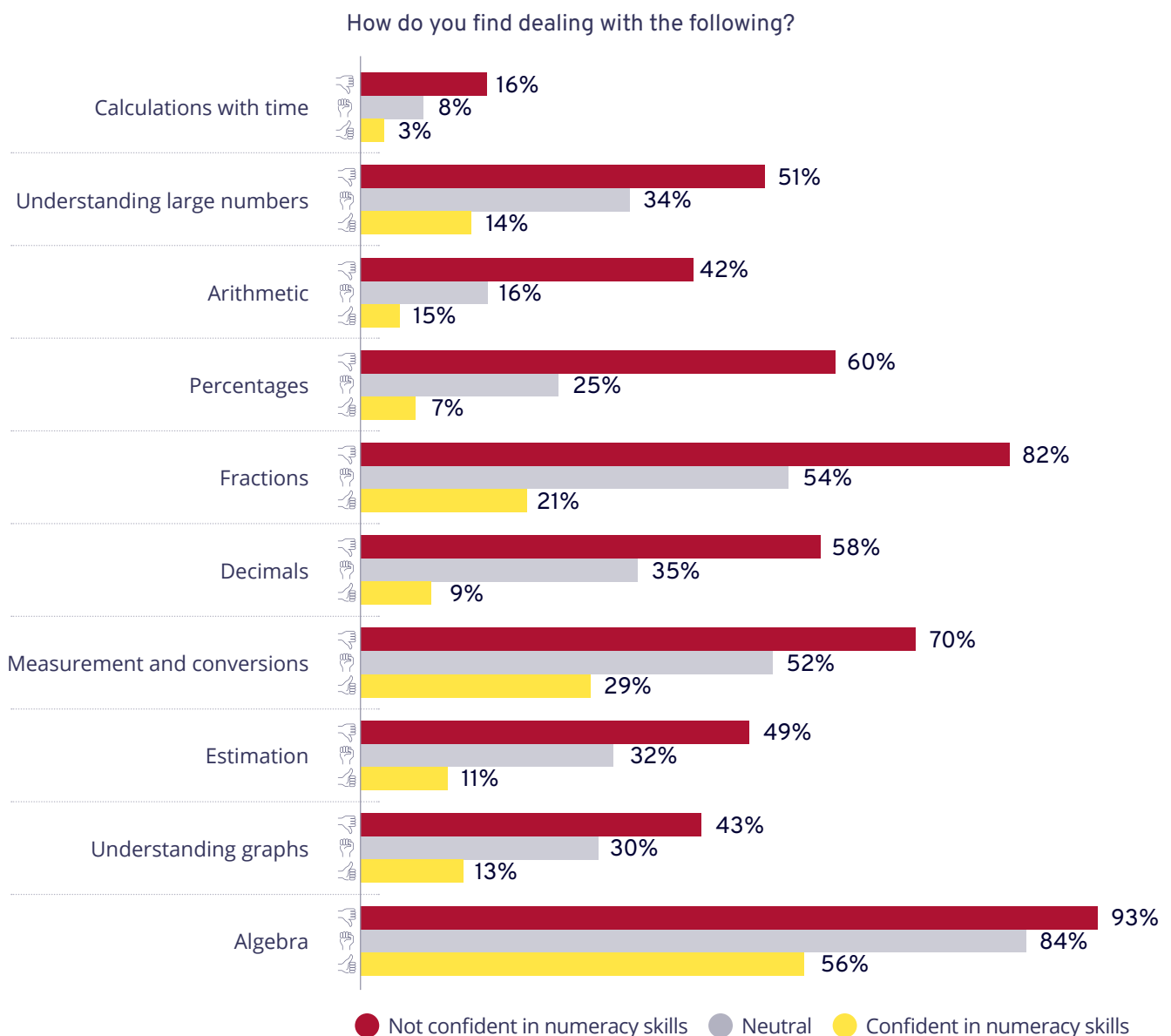
As you would expect, people that report higher levels of confidence with numbers are far less likely to struggle with numerical tasks than those with low confidence. For instance, only



7%

of people that are confident with numbers find it difficult to work with percentages, compared with 60% of people who lack confidence.

Figure 3: How confidence with numbers affects perceived ease or difficulty of different numerical tasks





There is surprisingly little payroll research coming out of the academic world, yet with around three quarters of individuals in the UK living pay cheque to cheque, there should be little debate no other employer-led system which more directly impacts working peoples' lives. If we want to improve our workforce's financial wellbeing, increasing employees' confidence and understanding of their paycheques seems paramount.

Dr Andrew McFaul

Deputy Programme Director of BSc Accounting and Finance, King's College London



Until now, our industry hasn't really joined the dots between numeracy, pay and financial wellbeing and mental health. But this research really proves the knock-on effects that a lack of confidence using numbers can have on an employee. For employers, it's no longer just about trying to get their people to look at and understand their payslips, it's about helping them to feel more in control of what they are paid so that they feel empowered to make informed decisions about their personal finances.

Doug Betts,

Fred. Olsen



The research reveals the extent to which a lack of confidence in dealing with numbers can have serious consequences for individuals. Employees who don't feel confident with numbers believe that they are less productive, less employable and they feel less secure about their work in general.

The effects of low confidence with numbers also extend beyond the workplace.

24% of people who have low confidence with numbers report that it negatively impacts their mental health (through anxiety or depression) and



18%

state that it holds them back when supporting their children.

Alarming, amongst employees with a mental health condition that has been diagnosed by a doctor, the impact of low confidence on mental health is even more pronounced – **33% report that their lack of confidence with numbers effects their mental health, compared with only 18% of people with no known mental health condition.**

Figure 4: The personal impact of low confidence with numbers

What impact do you think a lack of confidence with numbers has on you individually?
 Base: 556 employees who say they are not at all / not that confident with numbers



The payroll puzzle

The research explored the extent to which employees in the UK and Ireland understand the most common elements of a payslip, as well as people’s behaviours and attitudes in relation to payroll.

Encouragingly, three-quarters (74%) of respondents were able to correctly identify ‘net pay’ as the term for pay after all taxes and deductions. However, this figure dropped to 66% amongst employees who are not confident with numbers.

Similarly, 72% of respondents correctly stated that the basic rate of income tax in the UK and Ireland is 20%. And once again, those who are less confident with numbers were less likely to get this correct (62%).

The research reveals that only

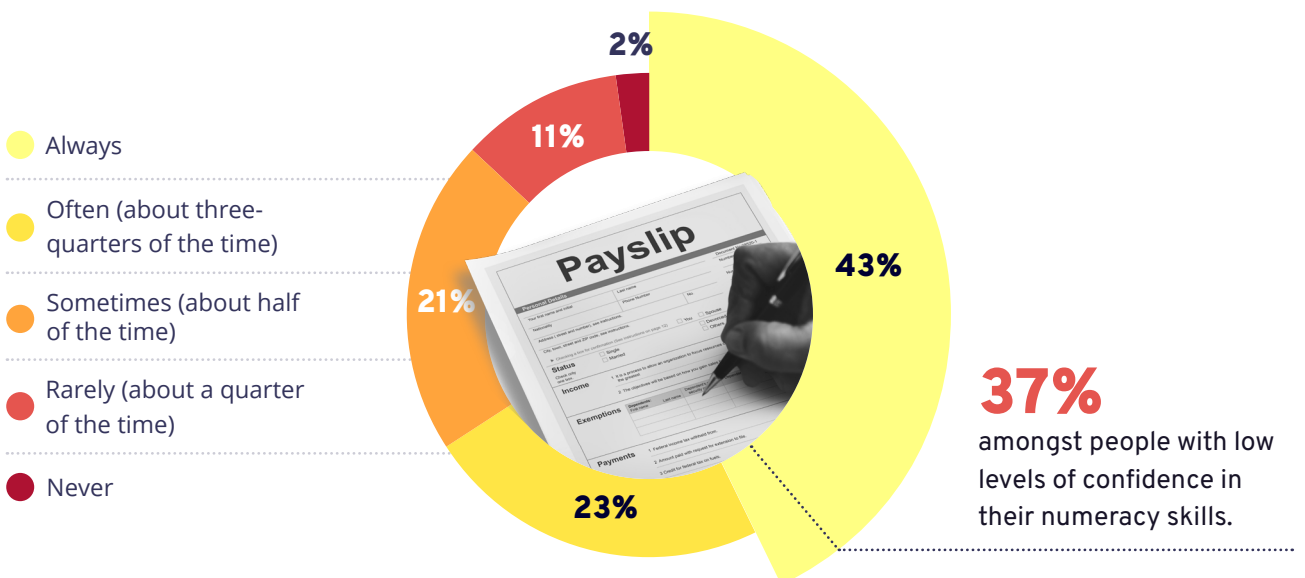
43%

of employees always check their payslips, and this figure falls as low as 37% amongst people with low levels of confidence in their numeracy skills.

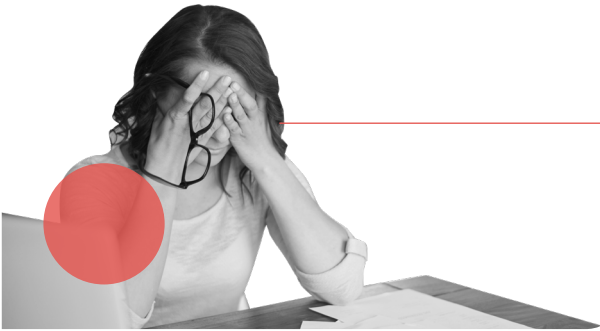
Older workers (aged 55 and above) are more likely to always check their payslips than younger workers (52% compared to 39%).

Figure 5: Frequency with which employees are checking payslips

How often do you check your payslips in detail?



The research indicates that a major driver for employees not checking their payslips is the fact that doing so leads to worry and confusion.



36%

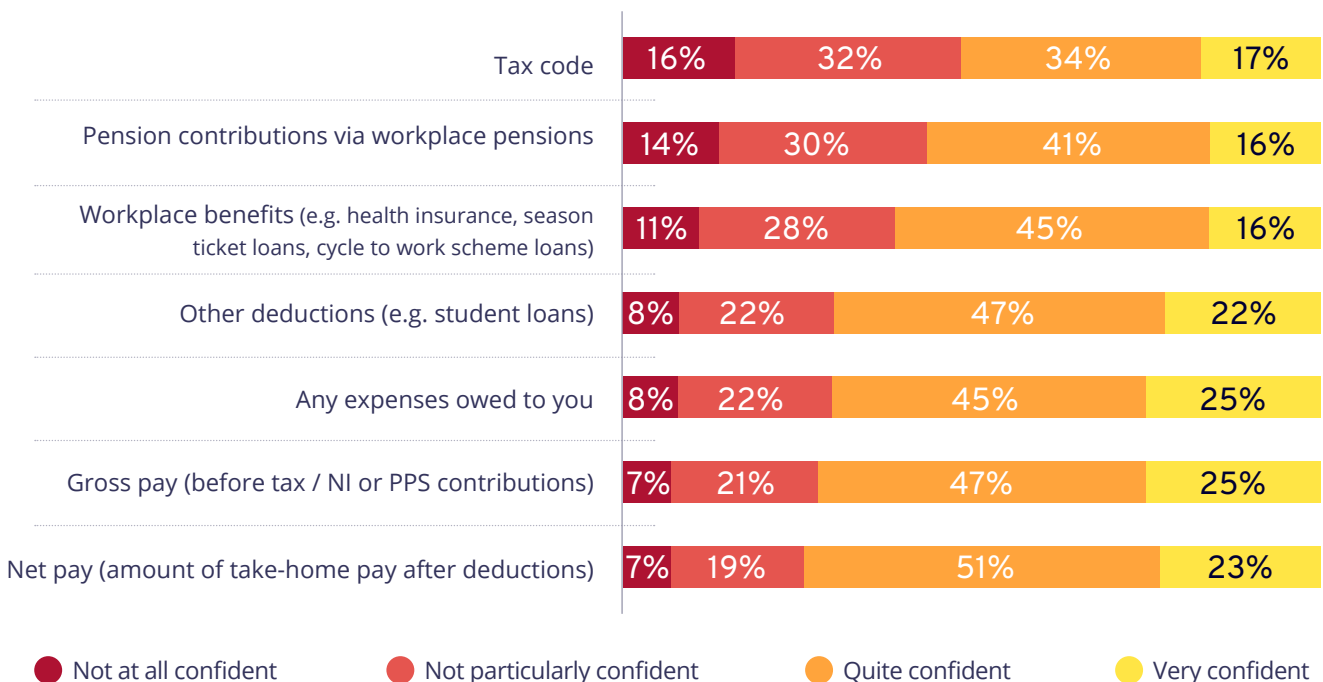
claim that checking their payslip makes them feel uneasy and worried about their finances, and 24% state that it makes them feel uneasy because they don't really understand it.

These figures rise to 46% and 38% respectively amongst people that have low levels of confidence around numeracy.

Worryingly, the research reveals high numbers of employees who don't feel confident about understanding and spotting an error on their payslip. Almost half (48%) of people aren't confident that they'd be able to identify an error with their tax code and 43% would struggle to spot an issue with their pension contribution. Even when it comes to net pay, a quarter of employees don't feel that they would be able to spot an error.

Figure 6: Levels of confidence in understanding and spotting an error in payslip

How confident are you that you understand and could spot an error in the following parts of your payslip?



● Not at all confident ● Not particularly confident ● Quite confident ● Very confident

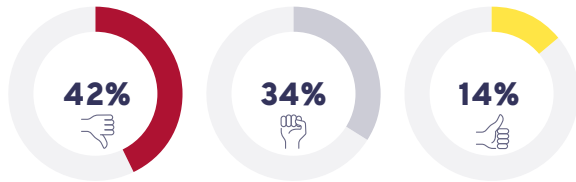
As you would expect, people with low levels of confidence in their numeracy skills feel significantly less equipped to understand and identify errors on their payslip.

42% don't think that they could spot a mistake on their net pay and **59%** feel that they wouldn't be able to spot an error in relation to their pension contributions.

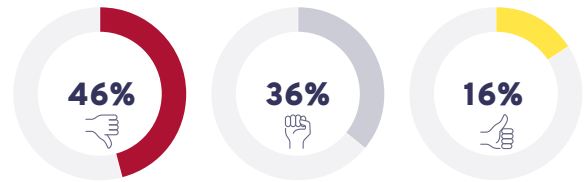
Figure 7: Levels of confidence in understanding and spotting an error in payslip

How confident are you that you understand and could spot an error in the following parts of your payslip?

Net pay (amount of take-home pay after deductions)



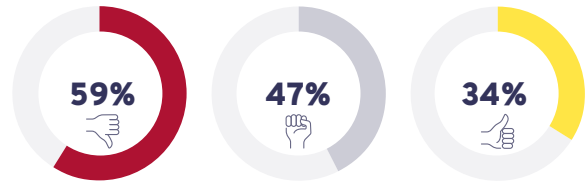
Gross pay (before tax / NI or PPS contributions)



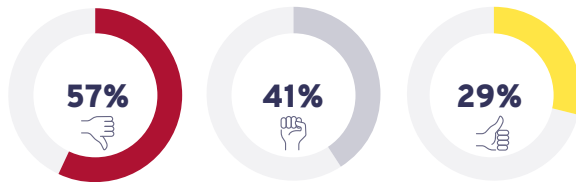
Tax code



Pension contributions via workplace pensions



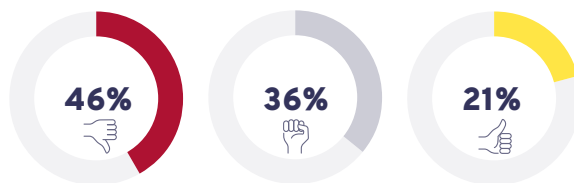
Workplace benefits (e.g. health insurance, season ticket loans, cycle to work scheme loans)



Any expenses owed to you



Other deductions (e.g. student loans)



● Not confident in numeracy skills ● Neutral ● Confident in numeracy skills

Employees point to a range of factors that make payslips difficult to understand, the biggest of which is the use of acronyms or financial terms people don't recognise or comprehend.

Other major difficulties are employees not really knowing what to check or look for on a payslip or feeling that the payslip is too detailed or complicated.



“

The financial wellbeing industry is growing massively but many of the basics are being missed. We need to address problems at source because too many people just aren't understanding their payslips. This means they don't know if they're being paid the right amount and they're not putting any value on the wider benefits and pensions they're getting from their employer. Employers need to act quickly to avoid a situation where employees facing financial difficulties feel that they have no option but to leave to earn more money in another company.

Gethin Nadin

Chief Innovation Officer, Zellis

38%

of employees admit that they're not fully confident that they understand their payslip and this figure rises to 55% amongst people that have low levels of confidence when it comes to working with numbers.

The implications of payroll errors

Despite the challenges of understanding payslips in the way they are most often presented by employers, as many as 62% of employees have noticed errors in their pay by looking at their payslip. Even amongst people that don't feel confident about their numeracy skills, more than half (54%) have identified an error.

Unfortunately, where employees do experience an error in their pay, the implications can be incredibly serious, in terms of both emotional and financial wellbeing.

A black and white photograph of a man and a woman looking at a document together. The man is on the left, wearing glasses and a denim jacket over a striped shirt. The woman is on the right, looking down at the document. They are both focused on the paper in front of them. The background is slightly blurred, showing what appears to be a desk with a laptop and other papers.

51%

of employees claim that a mistake with their pay would lead to stress and anxiety, and 50% state that it would lead to financial difficulties, such as being able to pay rent or other bills.

Other potential consequences of a mistake in pay would be people needing to borrow money, a loss of motivation and productivity at work, and health and relationship issues due to increased stress and anxiety.

Figure 8: Implications of errors in pay

What have been or would be implications of errors in your pay (e.g., if you were paid late or inaccurately by an employer)?



Employees will forgive most things but not payroll errors, especially at a time when so many people are already feeling the effects of the cost-of-living crisis. Yes, payroll needs to be accessible, understandable and user friendly, but most of all it needs to be accurate. Otherwise employers are simply layering on additional stress and anxiety.

Doug Betts

Fred. Olsen

Exploring payroll numeracy and mental health

The research explored the impact that a lack of confidence in numeracy skills and difficulties understanding payroll can have on mental health.

People within the research sample that reported low confidence in their numeracy skills were more likely to report a mental health condition (diagnosed or not) than those with high levels of confidence with numbers (42% vs 31%). And while this does not prove direct causation, it is worth noting for the purposes of this study.

Employees cite a number of factors related to payroll which can have a negative impact on their mental health.

Almost half (49%) report that payroll errors such as being paid late or the wrong amount would have a negative impact on their mental health, and 36% point to uncertainty around being paid correctly as being damaging to their mental health.

Employees also feel that having to discuss payroll errors with their employers and not knowing how to go about checking the information on their payslip could have a negative impact on their mental health

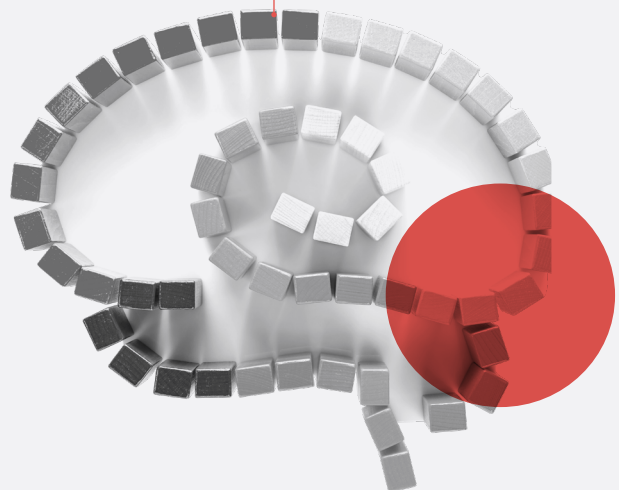
Within the sample,

24%

of respondents stated that they have a diagnosed mental health condition and a further 11% stated that they have an undiagnosed mental health condition. These figures are broadly in line with national figures where it is reported that around

30%

of the UK population suffers from at least one mental health condition.



59%

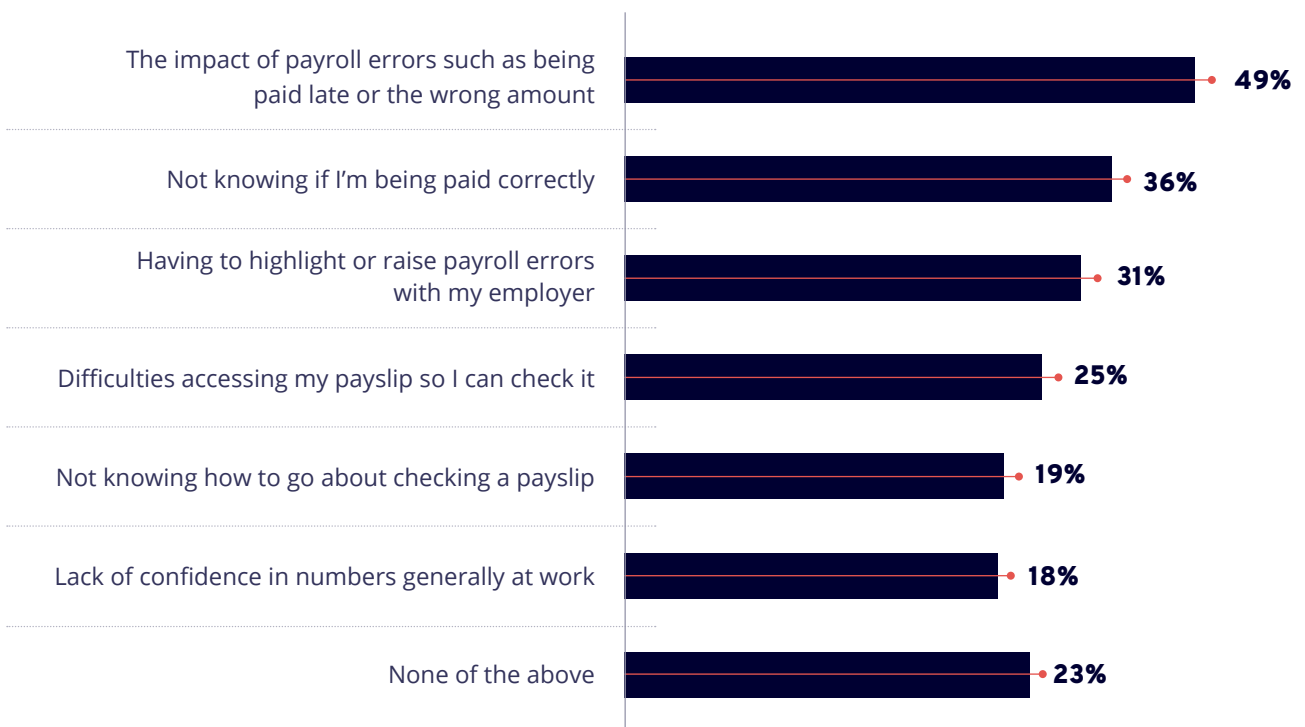
of employees state that payroll errors can negatively impact their mental health.

And this figure rises **78%**

amongst those who have a diagnosed mental health condition.

Figure 9: Factors that would have a negative impact on mental health

Which of the following do you think would have a negative impact on your mental health?



Encouragingly, the majority of employees feel that their employer is effective at supporting their mental health and emotional wellbeing. The research suggests that employees recognise the actions employers have taken to protect and enhance their mental and emotional wellbeing throughout the pandemic.

However, employees are significantly less positive about the efforts their employer makes to improve their financial wellbeing. Only 12% of employees feel that their employer is very effective at supporting their financial wellbeing.

This sentiment is undoubtedly being exacerbated by the current cost-of-living crisis and the financial pressures that many households are now facing. Employees are understandably worried about how they will cope in the months and years ahead and they are looking for their employers to do more to help them navigate through this extremely challenging situation.

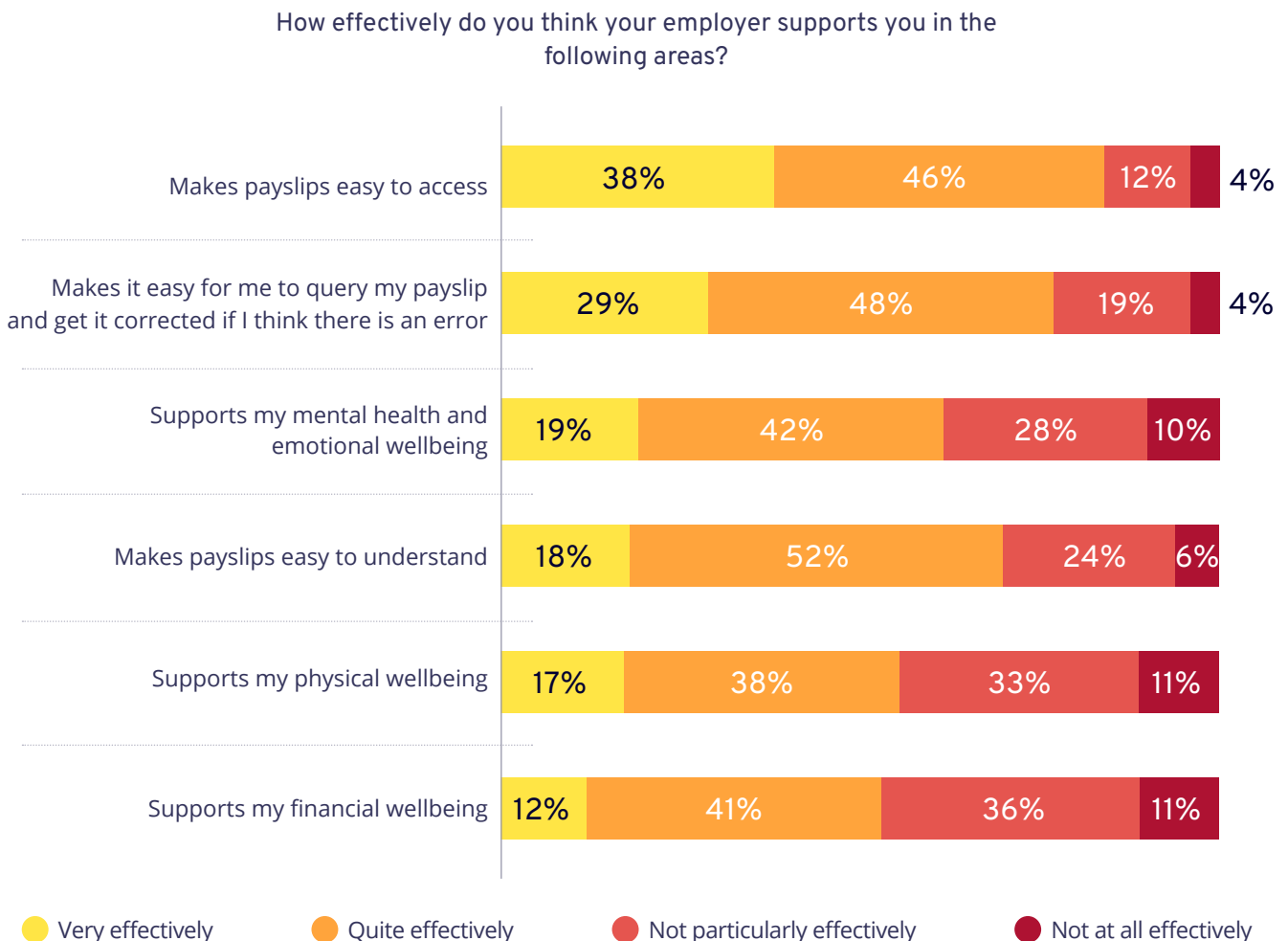


83%

of employees state that employers should now focus as much on financial wellbeing as on mental and physical wellbeing.

And this feeling is shared consistently across the board, irrespective of levels of confidence with numeracy, age, gender and those with and without a mental health condition.

Figure 10: Effectiveness of employer support in different areas





During the pandemic, many employers have successfully ensured that mental health is seen as a shared responsibility across the organisation, with managers taking on a more pastoral role within their teams. We now need to see this extend to financial wellbeing, ensuring that managers are considering the challenges people are facing, and signposting them towards the right services and support.

Doug Betts

Fred. Olsen



Financial wellbeing sits at the heart of the wider wellbeing and mental health agenda. Most of the biggest stresses people face are related to money and the knock-on effects are profound – relationship breakdown and divorce, poor sleep, physical and mental ill health. Even during the pandemic, ONS (Office for National Statistics) data showed that people in the UK were more concerned about money than their own health.

But, as this research shows, financial wellbeing is often overlooked within the wider wellbeing agenda. Employers aren't recognising the cyclical relationship between money and mental health.

Gethin Nadin

Chief Innovation Officer, Zellis



Conclusion

These findings need to be analysed against the backdrop of the biggest cost-of-living crisis we've seen in a generation and a worsening mental health crisis in both the UK and Ireland. The pandemic has taken a massive toll on people's mental, emotional, physical and financial wellbeing, the true extent of which we still don't fully understand.

While the worst of the pandemic has hopefully now passed, employers must gear up to support their people through what will be, for many, another hugely challenging period. Employers urgently need to address how they can support the financial wellbeing of their employees and provide them with the information, support and advice they need.

The research reinforces what people that work within the HR and payroll industry have known for a long time – that there exists a significant proportion of the UK and Irish workforce that struggles with numeracy and lacks confidence in using numbers in their everyday lives, both at work and at home.

We're all aware of how this lack of confidence limits opportunities for individuals in the workplace – preventing them from entering into learning programmes, developing their careers and increasing their earning potential.

But this research highlights other, less recognised consequences of low numeracy confidence, where it causes stress and anxiety and negatively impacts mental health more broadly.


This is sadly the case for almost a quarter of the workforce in the UK and Ireland.


A lack of confidence in numeracy skills has a profound impact on how people approach their personal finances and, in particular, how they engage with their pay and benefits. People that lack confidence with numbers are less likely to understand their payslips, less likely to be able to spot errors with their pay, and less comfortable about raising and resolving issues with their employer.


It follows that where these individuals do encounter an error, the implications are more pronounced, in terms of greater stress and anxiety, financial difficulties and health and relationship issues. And significantly, the research shows that for people with a mental health condition (whether diagnosed or not), the negative consequences of payroll errors are exaggerated even further.


Employers can't simply accept low numeracy or turn a blind eye to it. They need to recognise it, acknowledge it and take steps to improve numeracy across their workforce. And at the same time, they need to put in place measures to help those employees that struggle to use numbers at work and outside work. They need to encourage open conversations around numeracy and provide safe and discreet channels for people to ask questions and get the support they need.

The starting point for any efforts to address low numeracy, and indeed to improve financial wellbeing, has to be improving engagement and dialogue around payslips. And in order to do this, employers need to focus on these critical steps:

 Simplify the terms used and the information that is presented on payslips.

 Make it easy for people to ask questions and to raise concerns about their payslips.

 Create an environment where people feel comfortable discussing their payslips and admitting where they need help to understand.

 Use technology to improve access and engagement with payslips, making it easier for people to check their payslips and get the information they need.

93%

of respondents in the research stated that with the cost of living at its highest level in decades, employers have a responsibility to ensure people are paid correctly and on time.



Perhaps most critically of all, employers must do everything they can to avoid payroll errors when the stakes are so high in the current environment.

As this research has shown, accuracy is absolutely critical within payroll, to build trust with employees, to protect their mental health, and to enable them to take a more proactive approach to their financial wellbeing.

This is the challenge that employers (and their payroll partners) are facing today – one that they have to tackle head on.



Employers have an opportunity to demonstrate that they're ready and determined to support their people through this cost-of-living crisis. They should be reminding employees of the financial protections that they have in place (such as sick pay) and showcasing all of the ways in which they're can help them to make their money go further (such as benefits and discounts). At the same time, employers need to be opening up new avenues to people who are struggling financially or feeling overwhelmed, whether that is education, counseling, hardship loans or advanced pay. Just knowing that this level of support is available can make a huge difference to people.

Gethin Nadin

Chief Innovation Officer, Zellis



The focus of this research points towards a gap which every employer needs to fill. One of the most established findings in mental health and wellbeing research is the importance of a sense of control. One of the biggest predictors of job satisfaction is control over our daily work tasks, while giving people in care homes control over their day has been shown to increase life expectancy. Even when employers operate very efficient payroll systems, as many employers do, if employees do not feel they understand how payments are calculated and can observe that they are free from error, they may not feel in control of their finances.

Dr Andrew McFaul

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research.**

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