Taking workplace solutions to the next level

Workplace solutions for financial well-being

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Everyone thinks financial capability is important

Each has their own role to play given the benefit that each achieves.

But... Are we getting closer to the answer?

To date the majority of financial education programmes in South Africa focus on a single aspect of financial planning. Boards of trustees oversee member education programmes that help people interpret their benefit statements, financial institutions go to great lengths to help people determine what kind of annuity would best suit their needs in retirement or what sort of tax-free savings investment would be most effective in helping them fund their child's education; employers have gone to great lengths to introduce debt counselling or programmes that help employees cope with financial crisis; and the government and NGO sector has focused on providing access to budgeting and planning tools.

Financial well-being is a concept that takes us one step further. It's what the BMW programme was striving for when it developed its programme. It demonstrated that we needed is to move beyond a snapshot approach to financial education to something more akin to a movable feast, a journey, a change management continuum. "We need a framework that allows individuals to toggle back and forth between shortterm goals or immediate needs and longer-term needs[2]." Or, in the words of one financial planning group, individuals need help striking a balance between living responsibly today and planning wisely for tomorrow. "In this sense, financial well-being programmes are as much about learning to do it right as learning the right thing to do[3]".

SHIFTING FROM FINANCIAL WELLNESS TO FINANCIAL WELL-BEING

Now we need to take the goal one step further. It may seem more like a conceptual shift, but it's a critical shift nonetheless. The challenge that these programmes have been up against is how to keep individuals engaged on the journey. When we embark on a change management programme – and we've identified that that is what is required here – we know we are in for a long journey. But it's one that individuals are more likely to stick with if we can find ways to address the blockages that exist in each individual's unique circumstance.

What the 'journey' is all about is less about accumulating a body of knowledge and more about learning how to let go of potentially dysfunctional behaviours. It's about building up a more effective way to get money and finances to address your specific hopes, fears and dreams.

Who should be involved?
To hijack another change-management initiative's byline, achieving this goal "will take a village". We will need to tackle this at multiple levels and those levels need to incorporate as broad a social context as possible.

Policymakers will have to do their bit to clear up the problematic lending industry. Both public and private institutions will have to change the 'messaging' about money in various socio-economic settings. Financial services institutions need to control their inclination to capitalise on our tendencies to depend on behavioural short-cuts around financial decision-making. And somewhere, somehow, we need to cultivate the right type of professionals to help us provide that service continuum that takes an individual out of financial crisis, into financial stability and then on to financial well-being.

But after considerable debate and reflection, it's becoming clear that the real engine room for change must, by necessity, be the workplace.

At some level this might seem counterintuitive. We are told by HR departments that employees consider their financial circumstances a deeply private matter. For many individuals, financial crisis and debt can be a cause for embarrassment and shame.

But let's pose the problem differently. How would you respond to this statement?

"I see my employer as a natural source of assistance with respect to:

- **my physical well-being**
- **my mental and social well-being**
- **my financial well-being."**

Be honest now. Which answer most naturally resonated with you?

The reality is that for most individuals, their employment represents the heart of their engagement with money. Under normal circumstances, your salary is your first port of call for financing life's requirements. Like it or not, an employer will always play some role in how their employees engage with money.

As Sally Hass, the former Director for Human Resources for the American paper company, Weyerhaeuser, argued in a Consumer Financial Protection Bureau paper on Financial Wellness at Work: "Employers are already in the financial education business. They provide benefits and educate employees about complicated financial and investment products… but they rarely give much thought to the question of how they can be more effective with what they are already spending to educate employees[4]."

Employers are typically the first outreach point when employees get into financial difficulty. What could be a more natural request than asking for an advance on your pay cheque?

Additionally, members believe their employee benefits fiduciaries act in their best interest. If these representatives take a view on the appropriate default investment strategy that best serves member requirements, members believe they are more likely to be right than anyone else.

But it's more than just an endorsement by employers that should drive our thinking. Improving an employee's financial capability works in the self-interests of both the employer and the employee. A study by Hira and Loibl concluded that financial wellness is correlated with employee satisfaction with the employer and with company pride[5] – more so, perhaps, than other wellness initiatives set by the employer. From that perspective the potential for return on investment for the employer is more easily justified. Employers will accept that they need to invest in employee wellness programmes that focus on mental and physical wellness – while only tacitly acknowledging how interlinked these two states are with financial well-being.

> **It's about building up a more effective way to get money and finances to address your specific hopes, fears and dreams.**

A WAKE-UP CALL

The challenge is not to motivate employers to roll out a whole slew of financial wellbeing programmes for their employees. The challenge is to remove the stigma of talking about your financial well-being in an open forum. The most telling aspect of the BMW programme is that they used the same counsellors that they used in their AIDS awareness programmes to engage with employees around their financial crises. The sensitivity of the subject matter demanded that level of professional engagement.

We are beginning to understand what works and what doesn't work in promoting behavioural change around financial decision-making. Removing the stigma from open engagements allows us to leverage those opportunities. Consider the following insights that came out of a range of successful programmes in the US.

FROM THE CEO OF THE PACIFIC MARKET RESEARCH COMPANY

The programme they developed included individual counselling, coaching and classroom instruction on budget basics and other financial skills such as managing debt. "The most effective part of the programme was real-time help. For example, a counsellor with the programme might meet with an employee and walk them through a credit report and then offer to call about a bill while the employee listens in and learns to negotiate a reasonable payment."

> **"Some of the most important and lasting outcomes came from positive peer pressure at work. Employees formed teams of two or three or four people encouraging each other and trying to hold each other to solid financial principles... by creating a 'safe' environment where participants feel they can share their questions and experiences without being judged."**

FROM THE HEAD OF HUMAN RESOURCES FOR THE GLOBAL OFFICE SUPPLY COMPANY, STAPLES

Here the challenge was substantively different. With 1 800 stores in 25 countries the HR 'trick' was to identify a cost-effective way to reach a far-flung population where a 'one-size-fits-all' approach would never be effective.

The interesting feature of this initiative was that it was prompted by the fact that there were disappointing participation rates in the company's 401K plans (retirement savings plans). The company thought it had a communication problem. But more discussions with employees revealed that 401K plans were the last thing employees had in mind when their day-to-day financial challenges were around how to make ends meet.

Traditional classroom training programmes on financial skills would be money wasted. Employees didn't engage. The answer would prove to be intriguingly counter-intuitive. What changed the engagement dynamics was an off-the-wall online game that was designed by a non-profit gamification group. The financial challenge posed in the on-line game? Manage a nightclub for vampires – profitably.

In addition to embedding any number of money management challenges in the game (such that even seasoned financial directors could derive some helpful insights from the game, the game encouraged collaboration, an important embedded value in Staples' corporate culture).

Who would have imagined this could work? But, in two different districts Staples noted that roughly 80% of targeted employees engaged with the company's game portal.

FROM THE NON-PROFIT GROUP, THE UNITED WAY, WHO COMMITTED THEMSELVES TO CREATING FINANCIAL WELLNESS PROGRAMMES FOR SMALL EMPLOYERS.

When the United Way in Omaha, Nebraska wanted to launch a financial well-being initiative in conjunction with the Federal Reserve Bank of Kansas, it became immediately apparent that "if you ignore emotion in this process, you are going to miss the point6."

The Omaha programme focused on re-assurance – financial mistakes were human, and often a bad financial debt spiral is a function of fear of debt. "If employees are to successfully work their way out of debt, emotionally you have to break that feast and famine cycle."

Employers who adapted the programme remarked on how effective the programme was in getting co-workers together to support each other. The key to their success was "skilled trainers, sophisticated materials, rigorous research and a committed employer. The training was reinforced in the workplace by bringing co-workers together to support each other[7]."

To ensure that buy-in and commitment remained high, the programme recommended a model where employees were encouraged to pay a portion of the programme's costs.

> **"If employees are to successfully work their way out of debt, emotionally you have to break that feast and famine cycle."**

FROM THE HR REPRESENTATIVES OF THE GOODWILL INDUSTRIES, A NON-PROFIT GROUP COMMITTED TO PROVIDING SUPPORT TO THE INDIGENT AND TO GRADUATES OF THE STATE'S VARIOUS CORRECTIONAL SERVICES

Goodwill Industries believed their most valuable insight was in recognising that the 'sweet spot' for introducing a financial wellness programme was at the on-boarding of a new employee. Because their employees typically came out of the ranks of the unemployed and even rehabilitated criminals, the on-boarding moment provided an ideal opportunity to signal that major changes would be coming into these individuals' lives.

This would become their ‘new normal’.

Importantly though, whatever had been communicated during the on-boarding process had to be reinforced every 60 days for the message to continue resonating.

THE SOUTH AFRICAN EXPERIENCE

Case study/lesson

Armed with these insights we can consider the South African experience. Clearly many of these points have been articulated in one form or another in both the GTZ study of financial wellness in the workplace in South Africa and in our 2014 Benefits Barometer research. But there are other challenges that are less addressed in the literature.

If our end-game is to move the goal-posts higher – to create a programme that is enduring, not just for the employer, but for the employee, whether they remain with that specific employer or not, then there are some thorny questions that need to be addressed that can ensure this continuity:

1. How should these programmes be funded?

We have learned that for employee well-being programmes to be successful, they need both the inclusion and the financial commitment from the employer, the unions (if significant) and the individuals themselves. But we’ve also seen first-hand that co-funding solutions with external parties can be problematic if one party backs out.

We believe that there is huge potential in getting everyone’s funding buy-in if the programmes can play an important role in the company’s overall skills development commitments. That means that these programmes need to be as clear and transparent in their motives and compensations as possible, otherwise the integrity of the funding will be challenged.

What’s clear is that the scale of such a transformative project is so significant that the private sector will have to drive this. It will be beyond the means or reach of the non-profit or governmental agencies. The challenge will be that to keep these private service providers credible, they will have to recognise that what they are providing or selling is a service – not a fishing expedition for cross-selling.

2. What delivery mechanisms?

Keeping individuals engaged and interested in their own financial well-being will demand technological and financial resources that are beyond any non-profit funding model. The challenge for delivery in South Africa is finding the right balance between the broader reach of technology-driven solutions and the need for one-on-one, unconflicted assistance. That means we will have to lean heavily on technology that will enable us to personalise the user experience more. It will demand that we learn how to more cleverly manage big data to draw far better insights into what’s required. And it means that we have to be prepared to deliver on multiple media levels to individuals who are at very different points of engagement, who have different and conflicting needs, and different resources at their disposal to achieve those hopes and dreams. From this perspective, one of the most powerful insights we formulated from our research in *Benefits Barometer 2014:* **'STOP THE PRESSES! WE NEED TO TALK'** as to how to get people to engage more readily and continuously was captured in the table on the opposite page.

This means that to deliver on these multiple requirements we’ll need to focus not just on more entertaining technology, but, as we explained in *Benefits Barometer 2014:***'Fine-tuning the employee benefits system'**, we need to equip the relevant stakeholders with the toolkits that simplify these complex modelling problems. We need to identify simpler, more cost-effective products and decision-making frameworks. We need to introduce appropriate guardrails and peer comparison points so that individuals can gradually reshape their mental models to produce better outcomes.

Effective strategies for engaging individuals

1. Teachable moments
2. Just-in-time education
3. Understanding bandwidth
4. Rules of thumb
5. Defaults
6. Smart defaults
7. Understanding trade-offs
8. Translate future into present
9. The right incentives

3. What servicing requirements?

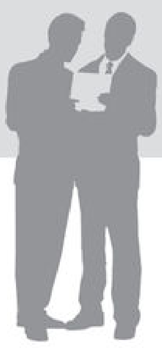
Servicing requirements relate to whether we have the right professional skills. There is an increasing need to bring a multi-disciplinary skill-set into the picture. This means that if financial services companies want to be part of this party, they’re going to have to integrate completely different types of professionals into their ranks. What we are describing is a service continuum.

Here is a list of skills or participants they need most:

- Educators
- Financial therapists – both psychological and sociological
- Debt counsellors

- Financial coaches
- Anthropologists or development economists
- Legal counsellors (on behalf of the client)
- Financial planners
- Financial consultants
- Programme coordinators

Most financial services typically only employ the last few categories. Hiring, training and compensation models will all need to change if we want to put the interests of individuals first.

Service	Role	Professional qualifications
Debt counsellor 	Financial crisis or debt management. Ensures that when we begin our engagement with an individual, financial stress doesn't limit their ability to engage with the problem.	Qualified debt counsellor
Financial therapist 	Helps individuals understand their default modes for engaging with money. By addressing attitudes that may lead to dysfunctional behaviours, the financial therapist ensures that the individual can consider goals and priorities that are realistic for that individual's world.	Qualified therapist with some financial insights (not qualified financial adviser interested in investor behaviour)
Financial planner **Financial coach** 	These roles may be either combined or set out separately. Individuals require a starting point for their financial journey that includes such basics as budget setting, a financial plan and a road-map of how to get there. Once this is established, this may well require an ongoing coach to ensure the individual stays engaged and on track. Where does the individual go to next once they reach each goal? How do they continually refresh goals?	Financial adviser, Certified Financial Planner (CFP), educator, change specialist. Robo-adviser (computer-driven programme) that helps individuals set goals and then monitor progress to goals
Financial adviser 	At some point individuals may need technical advice on what they need to do to reach their declared goals and, if required, what products serve those ends best. This is where the financial adviser plays a key role.	Certified Financial Planner (CFP) Qualified financial adviser

In this world of advice there is no room for the commission-driven model. Consider how we engage with other professional worlds: we employ a good lawyer if we think there is a danger we may be sued for wrongful dismissal or malpractice. We would hardly expect that same professional to turn around and sell us professional indemnity insurance. We go to doctors to have them cure a specific illness such as heart disease or inflammatory bowel syndrome. We would be mortified if that same doctor peddled us their personally branded diet plan and food supplements. What both of these examples highlight is that people need to think of their professional support systems, whether that's in the accounting, assurance assessments, engineering professions and so on, as unconflicted or filtered by an ancillary business agenda. The same has to be said of the type of financial support that has been described if it is going to bridge a level of trust that will be fundamental to its success.

We would never expect these services to be offered for free. The weight of research argues that people tend to undervalue (and hence under-commit to) services that are offered for free. With the right financial wellbeing model in place, employers, individuals, policymakers and financial service providers all stand to benefit. As such any arguments about effective compensation should be moot. On some level, all parties will need to shoulder some part of the funding burden, although the correct answer may well vary from one employer to the next.

4. How to monitor

Irrespective of which role we are playing: employer, trustee or service provider having a common framework to assess whether our interventions are moving that dial on the national financial capability benchmarking exercise provides insight for all parties. While evidence appears to be mounting about what doesn't work, we need to start sharing insights and data around what could. We believe there would be substantial benefit from revitalising the financial wellness forum initially conceived during the GTZ project.

How can we best accommodate the feedback requirements of all parties?

To start with, we all need to apply the same level of qualitative assessment on our various programmes as groups such as the FSB, ASISA and the Finmark Trust have applied on their programmes. The table below takes us through the insights we need to gather from focus groups and face-to-face interviews.

RELEVANCE	Relevance assesses the extent to which the programme is suited to the needs of its beneficiaries and whether the programme's activities are relevant to achieving its objectives
EFFECTIVENESS	The effectiveness criterion measures the extent to which the programme is meeting its objectives and identifies constraints to the factors driving these achievements
EFFICIENCY	Efficiency contrasts the achievements of the programme against the various inputs and activities of the programme
IMPACT	Impact measures the extent to which the programme has directly or indirectly altered social, economic and other development indicators
SUSTAINABILITY	The sustainability criterion assesses the extent that the benefits accrued to the target audience will likely be sustained post intervention

But the game changer will be if we can develop a truly integrated approach. In an ideal world, the employer should be able to see an aggregate picture that brings together the financial capability baseline comparison tests (using the FSB's model), the HR metrics that help employers assess their return on investment, the trustees' assessments around changes in replacement ratios and preservation, the medical schemes data on coverage sufficiency and the service usage feedback from the company's EAP or EWP programmes.

Ultimately, it's whether the employee believes they are less financially stressed and making better financial decisions. What counts most is whether they are still on the journey and still engaged.

The picture we are capturing takes us to a new level of monitoring employee well-being. If we can achieve this, we'll know we are winning.

Concluding thoughts

Can such an ambitious plan work? We believe the financial services industry can't afford to ignore what is being asked.

Imagine how effective the industry could become if it focused not just on delivering what clients need, but what they desperately want.

A picture is beginning to form as to what will be required to make workplace initiatives work. A bigger problem may well be that to structure the optimal solution requires a complete retooling of the financial services industry. But let's see where our thinking thus far has taken us. While we may be some distance off from definitive answers, we have begun to gain clarity about the critical elements of a promising effort.

References

1 Fernandes, Lynch Jr & Netemeyer (2014)
2 Interview with Stefan Roodt, BMW
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5,6,7 Hira & Loibl (2005)

Article tags

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