Fostering financial wellbeing

A new role for councils as employers

SalaryFinance

CCN
COUNTY COUNCILS NETWORK

Foreword

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The prevalence of debt is increasing in our society, impacting not just those who are unemployed, but increasingly on people who are in work. Debt has now reached the equivalent of £3,600 per UK adult, with 71% of people saying they experience at least one major unexpected cost a year.

Addressing unexpected financial pressures, such as a broken boiler or car breakdown, can be an annoyance for many but, for the 17m people in the UK with less than £100 in savings, this can be the beginning of a downward spiral in their personal finances.

The affects of unexpected financial events go beyond the balance on someone's bank statement. We also see the stress of coping with financial issues having a negative impact on physical and mental wellbeing.

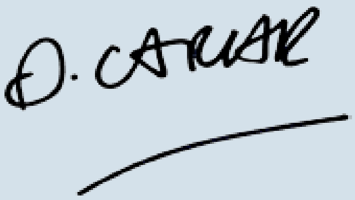
This is particularly pertinent for those people who are unable to access affordable financial products as a result of a poor credit rating. They may, through no choice of their own, turn to high cost credit to counter financial emergencies.

For employers, it is important to recognise the impact that financial hardship can place upon employees. Councils and councillors in particular have a lead role to play in safeguarding the health and wellbeing of their employees and this increasingly includes financial wellbeing.

That is not to say that local authorities should take financial risks themselves, but instead provide easy access to information, advice and financial products that allow employees to address debt in a more manageable way.

The benefits are not just monetary. The removal of the stresses and strains that debt creates can increase productivity and employee engagement.

This report provides an analysis of the pressures and some examples of action that local authorities are taking to counter this, as well as how they can positively influence public sector partners and local businesses.



Introduction

The 37 county authorities that the County Councils Network represent are some of the largest employers in their areas. They have a vital role to play in promoting good health and wellbeing amongst their workforce, including mental health.

County economies form the backbone of the English economy, accounting for 44% of employment and 41% of GVA. However, counties face unique challenges which, if they are not addressed, will hamper this country's economic progress which is crucial post Brexit. In particular counties suffer from lower than average productivity compared to the major cities.

Local authorities can reduce stress on employees through schemes that help them tackle financial hardship. This in turn can help boost productivity for the good of the organisation and the local economy.

This report provides an analysis of the pressures that financial hardship can place upon employees and some examples of action that local authorities can take to counter these, as well as how they can positively influence public sector partners and local businesses.

Councils and financial wellbeing

'Just about managing' has entered the political lexicon as a term to describe those who are not destitute - and who are often in employment - but who find it a struggle to even make ends meet.

The nature of councils' services mean many of their employees are on low incomes and are engaged in a constant balancing act to make ends meet with their financial commitments despite assistance such as tax credits.

Too often, those ends do not meet, and to cover the gap people resort to borrowing and get into debt.

That can be from conventional sources such as bank overdrafts or credit card borrowing, less usual ones such as payday loans, doorstep loans or websites, but also from disreputable sources such as the loan sharks continually pursued by local authority trading standards officers.

Once in debt, borrowers can enter a downward spiral and sink further as the pressure to make repayments sees them borrow more to repay earlier loans - while those dealing wth loan sharks can become entangled in desperate situations.

Being in debt is not just a financial issue. The stress of being unable to pay rent or a mortgage, or afford sufficient food, can give rise to serious mental or physical health problems that in turn make it difficult for those affected to work productively - or indeed at all - so worsening their situation.

Many councils will offer a financial inclusion service of some kind to the public, perhaps signposting them to sources of dependable advice.

But the role councils can play as employers in relieving debt is less well understood. This publication looks at the scale of the problem and some possible solutions.

Buried Below A Growing Debt Mountain

Debt levels are high and growing, increasing problems for those who cannot make repayments even if they are in regular work.

That has been matched by rising concern among policymakers and politicians both about those 'just about managing' and indebtedness, exemplified by the plethora of recent research.

In March the House Of Lords' select committee on financial exclusion report noted that it would be in employers' interests to help staff with debt since "70% of UK employees admitted to wasting a fifth of their time at work worrying about their finances and…at least 17.5m working hours are lost each year as a result of workers taking time off due to financial stress."

"We were also told that stress and mental health problems, which can be triggered by poor financial health, were the third largest cause of sickness absence."

The report recommended ideas such as payroll savings schemes and workplace financial education.

Committee chair, Baroness Tyler of Enfield, says: "Debt is a significant issue which can intensify the problems of those who are already in financial difficulty leading them into high-cost sources of credit which often represent a very bad deal. I think this situation is quite unacceptable.

"Employers can play an important role in preventing financial exclusion and promoting inclusion and it is in their own interest to take action."

Carl Packman, author of Payday Lending: Global Growth of the High-Cost Credit Market and research manager at Toynbee Hall, which provides advice and financial inclusion services in deprived areas, says: "Debt is getting worse again and is returning to pre-crash levels. People get mixed messages when they are urged not to get into debt, but we have a model where economic growth depends on consumer spending.

"In some cases even when they access the best financial advice they still have outgoings that exceed income."

Packman says local authorities could do more with their powers, for example by pointing people to sound financial advice and looking "to the financial health of their employees and lead by example among employers".

A report in May by Cardiff University researchers found that 60% of people in poverty live in households where someone is in work, and that the risk of poverty for adults living in working households rose from 12.4% to 15.7%, during the decade to 2014-15.[1]

People on low pay living in single-person households face a very significantly higher risk of in-work poverty.

The charity Step Change, which provides debt advice, agrees consumer borrowing is rising rapidly and will likely reach its pre-crisis peak in the near future, with credit card borrowing now at record levels and growing strongly.

Demand for debt advice services is also at record levels, with some 600,000 people contacting Step Change last year.

Its advisers have seen a marked recent shift in the characteristics of people seeking help. Increasingly, they are those behind on their essential household bills, which Step Change says is indicative of a general squeeze on household finances. Its most recent research found some 8.8m people in the UK were using credit to cover basic living expenses.

This was happening because households are increasingly vulnerable to changes in circumstance that can pitch them into debt, with the growth of insecure work such as zero-hours contracts having contributed to this.

Think tank the Resolution Foundation said in its September 2016 briefing *Hanging On: the stresses and strains of Britain's 'just managing' families*, that identifying the policy interventions that could support such families needed a deep understanding of them and the barriers to improving their living standards.

It focused on those who, largely, are in work but who "live on the edge, vulnerable to even modest changes in circumstances".

The foundation defines low-to-middle income households as those in the bottom half of the income distribution but who are above the lowest 10% and receive less than 20% of their income from means-tested benefits.

This definition covers around 6m working households and 10m adults. Although more than 80% of these households had at least one member in full time work, 80% of them earned less than the median gross wage of £21,000.

Given the parental age groups involved, children were twice as likely to live in low-to-middle income families as in higher income ones.

These households were particularly exposed to pressures associated with housing, the recent rising costs of which had made owner occupation an unrealistic option.

This has forced more people into the relatively expensive private rented sector, and so the proportion of income spent on housing increased by the equivalent of an extra 14p on income tax for a couple with children.

In turn such demands made saving difficult with 68% of low-to-middle income households having less than one month's salary put by and 40% expressing concern about their debt levels.

> **Local councils could do more with their powers**

A Downward Spiral In Mental Ill-health

Debt is not just a financial problem. The stress it causes can make staff less productive and, in the worst cases, lead to mental health problems.

Research by the Money and Mental Health Policy Institute has found compelling evidence for these effects.

In its May 2017 report *Overstretched, Overdrawn, Underserved* the Institute noted 45% of employees report at least one sign of poor mental health that could affect their ability to function normally at work.

This poor mental health can reduce productivity, with 34% admitting they get less done than they would wish due to emotional

problems or worries, while 32% felt they worked less carefully than usual. These findings were similar across the public and private sectors.

Financial difficulty is both a common cause and consequence of mental health problems, with 25% of people with a mental health problem also in problem debt, and half of those in financial difficulties reporting a mental health issue.

Worries about being unable to afford food and other essentials, fending off bailiffs and relationship difficulties arising from financial problems all take their toll on mental health.

In turn, having a mental health problem can make day-to-day money management much harder.

Financial insecurity is more prevalent than might perhaps be assumed. Some 21% of employees say they are 'just about managing' financially, and nearly 17m people have £100 or less in savings, while 8m are over indebted.

There are striking differences in mental wellbeing between those 'just about managing' and colleagues who are financially comfortable.

Among the former group, 67% report at least one sign of poor mental health, against 41% of the latter.

Employees who face financial difficulty are more than twice as likely as others to lose concentration and nearly three times more likely to have lost sleep.

70%

the proportion of UK employees who admit to wasting a fifth of their time at work worrying about their finances

17.5m

working hours lost each year due to financial stress.

60%

proportion of people living in poverty in a household where someone works

This becomes a vicious circle. Financial difficulties may mean employees' mental health makes them too unwell to work, or they continue to work but productivity worsens.

A comprehensive approach to employee mental health should include efforts to support financial wellbeing, the Institute says.

Business Case for Councils' Intervention

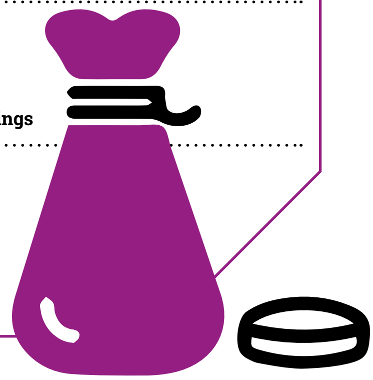
West Sussex County Council chief executive Nathan Elvery is an enthusiast for councils intervening to help their staff manage debt.

As he explains: "West Sussex is one of the most beautiful areas in the entire country but this beauty comes at a price as it is also one of the most expensive places to live and work outside of London and therefore this brings challenges for the recruitment and retention of our staff. We are a committed employer, offering the living wage with a package of benefits designed to support all our staff.

"With the biggest elements of the service we provide for our community being social care and education this means the largest element of our workforce are also some of the lower paid within the organisation. Therefore these challenges combined means that it doesn't take a vivid imagination to understand the impact that even a small unplanned financial event could have on people trying to make ends meet.

"I recently experienced my own unexpected financial event - a broken windscreen in my car - annoyingly not covered by my insurance. Without my car I would be unable to get to work. What would I have done if I simply didn't have the money to fix it? For people on lower incomes these are very hard choices and debt is frequently used to make ends meet.

"One of the problems employers



£90,000

total demanded by a loan shark for an initial £250 loan

17m

people with £100 or less in savings

45%

proportion of workforce paid less than £16,000 a year at a county council

face is that debt, once entered into, can be costly and unmanageable for our staff leaving them with financial stress and potential sleepless nights.

"We could see these issues impacting on our workforce through increased absence, lower productivity, and worse mental and physical health. Other signs like an increase in payroll processing of county court judgements help to expose a problem that would otherwise be difficult to measure.

"Financial wellbeing does not mean employers become responsible for our staff's finances. It means that in addition to the support we provide for staff for mental and physical health, it is natural we should add financial wellbeing.

"I believe the payoff is there - not only in better performing, loyal staff - but also for our local economy.

"If people are no longer servicing high-cost debt, they have more money to spend locally, which is better both for them and for local businesses.

"Better financial wellbeing is also linked to better physical wellbeing, so helping people with their debt burden also has a payoff for partner health care providers. "These are not difficult issues for councils to tackle, but we must highlight the problem of personal debt and recognise the important role we can play as major employers.

"By putting financial wellbeing firmly on our workforce agenda for 2017 I hope to turn the tide on the debt toxin in the system and provide a helping hand when it is most needed as we never know when an unplanned financial event is just around the corner."

Helping the Local Economy

As Nathan Elvrey remarks, helping council employees, and indeed the general public, to escape debt is not just altruistic - if people are not devoting money to excessive repayments they could be spending it in the local economy.

Research for the County Councils Network (CCN) by consultancy Oxford Economics found that while its members' areas had not done badly in terms of employment growth, productivity still lagged.

Employment growth in the CCN area stands at about 0.8% a year and has increased by almost 1.2m in the CCN area since 2007 leading to an employment rate of 61%, broadly in line with the English average, but three percentage

> **"Councils should care about financial wellbeing**

points above the average for combined authorities.

But it's productivity growth that is crucial, and as we have seen, employees who are worrying about debt are less productive than they would otherwise be.

Councils can also help the local economy indirectly by encouraging employers in the public and private sectors to set up facilities for their staff such as debt advice, low-interest loans for debt consolidation and workplace financial education.

Businesses may initially treat such suggestions as an additional cost, but the case can be made that a relatively modest investment in this work will see staff become far more productive, which will help both their employer's business and the economy in which they operate.

Local authorities can also help people with financial matters in a less direct way by helping to equip them with the skills to increase their earnings.

Surrey County Council, for example, has a Skills for the Future programme under which it offers comprehensive and impartial information, advice and guidance on employment, seeks to offer school pupils for year 10 onwards a 'clear pathway' to employment with a focus on English, mathematics and computing skills, and one-to-one support for young adults to widen their skills for employment.

The programme has been developed by the council, business groups and local enterprise partnerships.

Councils and Their Powers

Councils have numerous roles and powers available to help people affected by debt and financial exclusion.

At its most straightforward this could include signposting residents to information and advice organisations such as the Citizens Advice Bureau and other charities that can help people to make sense of their debts and devise a realistic plan to repay them in a manageable way. Councils may also give grants to these bodies.

In serious cases of loan

sharking or intimidation from lenders, trading standards officers can investigate and prosecute and spread awareness that those with concerns should contact them.

There are many cases in adult social care where carers work effectively unpaid for friends or relations. Their very lack of income can see them in the 'just about managing' category, and perhaps in debt, and so councils can help unpaid carers to access benefits such as attendance allowance and carers allowance.

Families with children and multiple disadvantages will often, if not invariably, be in financial difficulty and the Troubled Families programme and other interventions to tackle this in a holistic way can

Councils taking the initiative

North Yorkshire County Council

This council tendered for a contract for a financial wellbeing loan service, as part of its Everybody Benefits package for staff and in response to feedback from its employee health and wellbeing survey.

This was driven by the finding that council employees nationally are among the top 10 of professions that use payday loans with interest rates of 1,000% or more, with 6% of council workers estimated to apply annually for these.

It also cited the established negative link between worries about personal finances and productivity and retention at work.

North Yorkshire sought a service that would consolidate employees' high cost debts into a single low cost loan, with repayments collected from payroll.

Durham County Council

Jane Brown, cabinet member for social inclusion, says the county has put financial inclusion among issues to be tackled locally through its poverty action plan, which seeks better understanding of problems and where gaps in support exist.

This work includes child poverty, credit and debt including promotion of credit unions, targeting loan sharks and improving financial awareness.

Cllr Brown says: "We have also developed a partnership between the council and local credit unions and set up a salary deduction scheme for council employees to save with credit unions. In just over two years, this has attracted just over £1m in savings and loans. In addition a further 54 salary saving schemes have been established with local employers."

Somerset County Council

Somerset might be noted for its attractive villages and countryside but the county council says financial exclusion there is "exacerbated by the rural nature of the county, the high cost of housing, significant literacy and numeracy issues, and the levels of digital exclusion".

It seeks to bring organisations together around six priorities to increase access to and awareness of: affordable financial products and services; debt advice and money management; financial education; employment and training; digital exclusion; reducing the 'poverty premium'.

Warwickshire County Council

The Warwickshire Financial Inclusion Partnership (WFIP) is a partnership of public, private and voluntary sector bodies with an interest in residents' financial well-being, co-ordinated through the county council.

Its aim is to "minimise the likelihood and impact of financial exclusion in Warwickshire through the provision of advice, support and project delivery in a co-ordinated manner that demonstrates value for money, builds financial resilience and maximises benefits to the communities of Warwickshire".

Activities include an Integrated Money Advice Service, which in 2015-16 gave support to 1,847 people on a 1-1 basis, held 58 money advice/financial capability awareness training sessions for local frontline workers, and secured debt write-offs for clients totalling £831,053.

It also helped clients to £529,647 in savings through switching energy suppliers, water rebate schemes, and income maximisation.

London Borough of Hackney

The council offers payroll-based low interest loans through SalaryFinance as part of a broad range of benefits for its staff. The loans opportunity has been taken up so far by 60 employees, who have borrowed an average of some £4,000 each. Hackney has found the feedback from staff very positive.

North Somerset Council

A cabinet decision has seen the council resolve to offer employees a service under which its support services partner Agilisys will implement debt consolidation through SalaryFinance. In that way, multiple debts with high interest rates are rolled up into a single lower cost loan repaid through salary.

help to break a cycle of deprivation. It might be, for example, that children are disadvantaged as a consequence of a parent's mental health problems, which in turn arise from the worries of debt.

Housing is a responsibility for county unitaries, other kinds of unitary councils and districts.

The onset of universal credit could see those who receive housing benefit face debt problems as - whatever the reform's other merits - it involves payments being made to recipients who become responsible for paying their rent, rather than this money going direct to landlords.

People unused to managing money on this scale may therefore fail to budget for rent payments, enter arrears and so be at risk of losing their home, where earlier interventions with debt and money advice could avoid this.

Solutions for Employers

There is a great opportunity for employers to deliver programmes that can have a significant positive impact on the financial wellbeing of their employees, both in and out of their workplace.

The Joseph Rowntree Foundation is commissioning research into improving employee fringe benefits schemes for low-paid employees, which seeks to produce a framework for looking at fringe benefits with an 'anti-poverty' lens.

While this is for employers of all kinds, a number of the ideas being tested could be adopted by local authorities.

These include providing access to savings schemes and affordable credit, which can also help people to 'repair' a poor credit history, staff discounts at retailers, support for switching energy providers and access to free, confidential, independent financial and debt advice.

The Money & Mental Health Policy Institute has identified similar interventions, calling on employers to help employees improve financial resilience by providing savings schemes and short-term low-interest loans through payroll. They also state that creating a culture of openness is essential to the success of any financial wellbeing programme and that including problem debt and financial difficulty in management training can help.

Beneficiaries' experience

Staff at a council that offers low-cost loans repayable through payroll for debt consolidation have been pleased with the experience, as these anonymised recollections show:

BC: "As an employee who didn't have a good credit rating, and found it hard to get credit, I thought this scheme was very good and with a low interest rate. The advantage is that the payment is taken automatically from your payroll, which gives you piece of mind. In addition, the time from applying for loan and having the money into your account was very efficient and fast - within days.

DB: "I applied for a loan through SalaryFinance and was amazed at the speed with which the whole process was completed. The interest rate quoted was not one that I would have been able to get on the high street easily. The repayment amount is affordable and two years for repayment is ideal. I would definitely recommend SalaryFinance to colleagues.

AN: "I decided to take advantage of it because I felt that was the only way I could get access to a loan with a reasonable APR. My credit score was poor and I had refusals from all my banks. Also I needed to build my credit score and believe that this route is about the best I could get."

YS: The value attached to such offers through the employer is that I felt my employer has real interest in my welfare."

67%
proportion of people 'just about managing' who report a mental health problem

41%
proportion of more affluent people who report a mental health problem

25%
proportion of people with a mental health problem also in problem debt

Early intervention can help staff avoid debt

WHAT NEXT?

This publication discusses a familiar problem - employee debt - but some unfamiliar consequences such as low productivity and poor mental health, and a perhaps unfamiliar solution in the role of councils as employers helping staff to better manage their debts by offering loans that enable them to resolve these.

This is not just something that a good employer would wish to do- though it is that- but it also comes at no cost or risk to the organisation. Such a scheme can provide positive benefits to the council and also to the local economy.

Debt consolidation loans are a relatively new step that councils can use alongside their debt advice and trading standards work to tackle an urgent problem.

Many counties are embracing this agenda and exploring the best options to promote and signpost this offer to staff, public sector colleagues and local businesses.

CCN dialogues is a series of think pieces supported by the partners of County Councils Network

This think piece report is sponsored by Salary Finance. Content was agreed in partnership with CCN, which independently commissioned and edited the report.

Content was written by Mark Smulian
Graphic designed by Forty6Design

CCN would like to thank everyone who contributed to this report

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