

Public financial guidance review: consultation on a single body

Submission to the Department for Work & Pensions and HM
Treasury

Chartered Institute of Personnel and Development (CIPD)

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Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

Introductory comments

The CIPD supports the move by the Government to bring together the Money Advice Service, the Pensions Advisory Service and the Department for Work and Pensions' 'Pension Wise' guidance to create a new money and pensions guidance body.

We believe that the creation of such an organisation will make it easier to:

- provide employees with a holistic service with various financial queries
- for our members to signpost to their staff where they can get information, advice and guidance if they have personal finance concerns

The recent CIPD report [*Financial well-being: the employee view*](#) finds that 25% of UK employees say that financial concerns have affected their ability to do their job. Among those working in London (32%), or aged between 18-24 (31%), the problem is greater. Even 14% of those earning over £60,000 a year report that money worries have impacted on their performance, indicating that everyone is in danger of suffering from poor financial well-being, not just those on low pay. Not only does poor financial well-being affect employees, but organisations, society and the economy as well. If we are able to improve

financial well-being, we can improve employee productivity to enhance employee wages, organisation revenues and economic growth.

Whilst financial information, advice and guidance is a crucial aspect of employee financial well-being, it is only one aspect. Just as important, our research finds, are pay levels, how reward decisions are made, as well as the ability to save for the future etc. This indicates that well-being is both a mix of tangible and objective factors, such as the amount of pay or levels of debt, and intangible and subjective factors, such as feeling of pay fairness, opportunities for career development and trust. This indicates that the proposed new body will only improve financial resilience as part of a wider approach to employee well-being. We welcome such recent government initiatives such as the National Living Wage, Lifetime ISAs, Help to Save Scheme, and mandatory gender pay gap reporting. However, we believe that the Government could achieve more if these and other related initiatives were brought together within a broader strategy aimed at financial well-being.

Q1. Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for public financial guidance or difficulty finding and obtaining that guidance?

Financial well-being: the employee view finds that potentially women, younger workers and older workers are more in danger of poor financial well-being and face particular barriers to improving their financial well-being. However, the research also finds that all workers are potentially at risk. As such, it would make sense to work with employers and the financial services industry to ensure that all employee groups are covered, not just those with protected characteristics.

Q2. Do you agree that these areas capture what the broad role of the single financial guidance body should cover?

We agree that the single financial guidance body (SFGB) should complement the services provided by other organisations. It should work with the financial services sector, pensions industry, charities and government departments to help people get the right information and guidance that they need either directly from the SFGB or from other high quality sources. However, we believe that the Government may be missing a trick if the SFGB ignores the crucial role played by employers in promoting employee financial well-being.

Q3. Do you agree that the SFGB's financial capability initiatives should focus on priority groups such as those who are most in need of support to build resilience?

Given the SFGB's finite resources, we agree that it should focus on priority groups. However, the SFGB should recognise that all groups can suffer from poor financial well-being and that it should look at how it can support other groups regarded as non-priority by working with employers and the financial services industry. For instance, dealing with those staff suffering with a mental illness, which can result in inappropriate financial decisions making.

Q4. Do you agree that the SFGB should have a strategic role, working with the financial services and pensions industry and third sector organisations to improve financial capability?

Yes, though we believe that there is a crucial role played by employers, trade unions and professional and employer bodies and that this should be recognised by the SFGB.

Q5. How might the SFGB develop its understanding of what works and usefully contribute to sector wide research?

Many consumers are employees, so it would make sense to focus some research on which workers are most at risk of making poor financial decisions and how employer and SFGB guidance programmes can mitigate this risk. Workplace information, such as absenteeism levels, employee engagement survey responses, staff turnover, employee assistance programmes data etc., can be useful to assess the impact of an employee financial well-being programme.

Q7. Are there other delivery channels that the SFGB should consider that would be effective for delivering to consumers?

We believe that HR and payroll professionals are an important way of ensuring that employees are signposted to appropriate resources.

Q8. How should the SFGB ensure that it engages consumers at the right time for them?

HR professionals have access to a wide range of information about their employees, such as their age, parental status, grade, etc. They can help ensure that the SFGB's information, advice and guidance is targeted at staff as they go through certain life stages, such as moving home, getting married, become a parent, joining a pension, suffering from a physical or mental illness, etc.

Q9. Do you agree that the SFGB should be able to exercise some flexibility in the way funding is directed?

Yes

Q10. Would these proposals have any impact on the delivery of public financial guidance in Scotland, Wales or Northern Ireland?

The CIPD research shows that employee financial well-being differs in areas within England, such as in London, as we would like to see the delivery of public financial guidance to reflect the different challenges faced by individuals working in different regions in the UK, such as the capital or in the north west of England.

Q11. Do you have any other comments about the proposed delivery model and consumer offer?

We suggest that the SFGB works with employers, as well as other stakeholders, to promote good employee financial well-being in the workplace. We recommend that this be done through adopting a life stage approach, whereby life events are used as an opportunity to encourage employees to consider their current and future financial situation. To be successful, financial information, advice and guidance must form part of an overall approach to employee well-being. For instance, covering such elements as pay levels, how pay is determined, giving people the time to make financial decisions, and ensuring that communication is simple and understandable, etc. To help employers, the CIPD has developed a report [Employee financial well-being: practical guidance](#), which helps organisations design and implement a coherent approach towards well-being. In addition, our report [Employee financial well-being: behavioural insights](#) looks at how employers can



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prompt employees to make appropriate decisions, through priming, future self or peer effects.

CIPD employee financial well-being research can be accessed at www.cipd.co.uk/financialwellbeing We would be happy to discuss any queries you may have concerning our response or our research.

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