



# **The race for talent:** How to support employee financial wellbeing



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## INTRODUCTION

## Putting financial wellbeing at the centre of your people strategy

With the impact of the COVID-19 pandemic — including a shortage of talent due to border restrictions and low unemployment — the competition for talent has intensified. A highly competitive labour market is now emerging. As a result, there is a renewed set of needs and expectations from employees.

A 2021 report into the Future of Work by PWC found that the top two benefits employees wanted as part of the Employer Value Proposition were Rewards (25%), and Wellbeing (22%). This encompasses pay, salary packaging, discount incentives such as perks, mental health support, wellness and lifestyle benefits, and financial support and education.

Ernst & Young (EY) and Flare research of 7,000 Australian workers also revealed that three in four employees would like to take up financial benefits such as salary packaging. And only one in three Australian employees have access to a benefits program, even though those who do believe that it improves their pay package and financial wellbeing, making them less likely to leave their jobs.

It's clear that to attract, engage and retain top talent, putting financial wellbeing at the core of your people strategy is crucial.



**Workers are now demanding greater control over their pay and benefits.**

**55% report COVID-19 lockdowns have changed what they expect from an employer.**

Source: EY & Flare research, Pay in the New Economy



## ATTRACT AND RETAIN STAFF

## Why financial wellbeing matters

Stress is a hot topic for businesses. Not only can it impact engagement and productivity, but it can undermine your company culture in more insidious ways, like reducing employee focus and loyalty.

Stress can consume an employee's emotional bandwidth and in doing so means that they aren't at an optimal capacity to appropriately respond to tasks and contribute to the culture of the workplace.

According to a National Pulse Test, Australians are experiencing higher levels of financial stress and mental distress, which has risen to its highest level since the beginning of the COVID-19 pandemic despite Australia being on the road to economic recovery. This is compounded by a significant increase in the cost of living.

Financial stress doesn't discriminate and can affect all income brackets. However, job-security plays a role with those in casual work, contracts, or self-employed, being particularly vulnerable to financial stress.

### Impact on the employee

Financial wellbeing is defined as when a person can meet expenses and has some money left over, is in control of their finances and feels financially secure, now and in the future.

Financial wellbeing is an integral part of holistic wellbeing. When we are experiencing financial stress or anxiety, it can impact both our mental and physical health, as well as our ability to perform at work.

Uncovered through EY and Flare research, seven in ten Australians are living paycheck-to-paycheck, with less than \$5,000 in savings and an inability to meet their financial needs in an emergency.

### Drivers of financial stress in the workplace

Cashflow and payroll timing are key financial stress factors for workers. Australian workers have become the largest creditors in the economy: only half are paid weekly, and one in four reports being paid late—resulting in extended periods where employees are without the pay they are owed.

Without timely access to pay and with little cash reserves, many Australians are turning to creditors and other means to meet cash shortfalls.



Two in three have turned to credit cards to meet their spending needs; on average, they are now nearly \$3,000 in debt.



One in five has used a personal loan or mortgage drawdown for a vital purchase.



Two in three waits until payday to make important purchases.

Source: EY & Flare, Pay in the New Economy



**It's hard to improve your wellbeing with the anxiety and burden of financial stress over your head.**

When you don't have enough for ends meet, when you are worried about how to pay your next bill or maxing out your credit cards, when you are holding out for the next pay-day. Studies show that this state of financial anxiety can affect your work performance, as well as your physical and mental health.

Stephanie Gillon,  
Head of Financial Wellbeing,  
Flare





### Impact on the employer

Financially stressed employees are less engaged in their job and are more likely to take time off or quit due to financial stress.

To cope with financial stress, EY and Flare research showed that one in ten Australian employees have chosen to take time off from work. Moreover, these employees have taken an average of eight days off per year to deal with issues regarding financial stress. Even more staggering is that over half of resignations through COVID-19 were due to financial stress.

For employers, there are very real implications to stress in the workplace — directly or indirectly related to work. It is estimated that stress-related issues cost the Australian economy as much as AU\$15b per year, with direct costs to employers' worth approximately AU\$10b through absenteeism or presenteeism.

The bottom line is that helping employees manage financial stress is good for the individual, good for society and good for business. Staying competitive in pay and benefits, as well as providing financial wellbeing support, is critical in the race for talent.

### Financial issues that can cause financial stress:

- Not having enough money for an emergency
- Being unable to pay bills
- Not having enough money to buy food and essentials
- Meeting childcare costs
- Covering medical bills
- Keeping up with mortgage repayments
- Paying rent on time



## BUILDING A COMPETITIVE PACKAGE

# Offering pay and benefit incentives

Compensation is central to influencing financial wellbeing, and businesses are uniquely positioned to support employees through this salary-link.

At the household level, financial wellbeing decreases with household income according to a report into financial literacy in Australia.

With a tight labour market, the balance of power has shifted and employees who don't feel they are being fairly compensated will seek out other opportunities.

In this challenging environment, employers need to be benchmarking the marketplace and adjusting their compensation strategies to remain competitive.

### Inflation and pay

Inflation is outpacing salary growth in Australia, which reduces an average household's buying power significantly. The latest ABS data shows Consumer Price Index rose to 5.1% over the 12 months to the March 2022 quarter while wages didn't keep up with a 2.3% rise in 2021.

Helping to bridge the gap between cost of living and wage increases with performance and merit-based pay-rise considerations, demonstrates your investment in an employee and their wellbeing.

### Compensation

In December quarter 2021, Australian wages rose at the fastest annual pace in more than three years (however the gain lagged increases in consumer price) according to the ABS figures.

An effective compensation strategy is an integral part of attracting talent, and retaining and motivating top performers.

To build a comprehensive remuneration strategy, you take base salary, variable salary (like bonus or commissions), benefits and rewards, salary packaging and Superannuation to create a 'package'.

Offering performance-based incentives will also help to motivate and engage your employees by recognising their contributions.

This should be underpinned by research into your market and pay, ensuring that you remain competitive as well as profitable.

For those businesses finding it hard to compete on pay, there are benefit solutions available like Flare that can create a more level playing field through a combination of non-wage benefits available at no cost to your business.



#### Flare tip

Make sure you communicate non-pay benefits as part of your talent acquisition strategy, promoting perks and pre-tax benefits like salary packaging to differentiate your employer brand and appeal to talent. A great way to remind employees of this is to incorporate this into your onboarding journey, induction program and at the 6-month check-in.



**There is a documented shortage of talent across all industries, and this is making it harder than before to compete and hold on to staff.**

Market conditions like low unemployment give employees the advantage of bargaining power. Employers are seeking out ways to offer meaningful incentives outside of pay to attract and retain staff.

Stephanie Gillon,  
Head of Financial Wellbeing,  
Flare



## 5 ways On-Demand Pay can help employees:



1. Flexibility to access their pay when it suits them, helping them to budget their spending across the month



2. Greater visibility over their pay meaning that they can better match their spending habits



3. Avoiding access to credit and subsequent fees and charges, by accessing money when it is needed



4. Reducing the impact of financial stress or the need to ask an employer for an advance to cover essential bills.



5. Supporting new staff in their first weeks after being hired, during that long wait between paychecks.





### On-Demand Pay

Offering employees control and flexibility over access to their pay through On-Demand Pay (also known as earned wage access), without charging interest or fees, is a way employers can help provide impactful and immediate relief to employees experiencing financial stress.

On-Demand Pay can offer vital support in times of financial stress, whether it is an emergency where savings are insufficient to help, or a mismatch in the timing of income and expenses. However, it should be delivered as one part of a comprehensive suite of benefits — an approach more likely to lead to long term financial wellness.

For employers, On-Demand Pay can set your business apart in recruitment and build your employer brand.



#### Flare tip

The Flare app gives Aussies control over their pay through our On-Demand Pay feature. This option allows employees to access their earned wages on-demand, twice a month, using the Flare Card – without any fees, charges or interest. No changes to your payroll timing are required. Some charges will be payable if employees want more frequent access.

This is a unique point of difference for employers in attracting and retaining talent. The Flare app is available to businesses and their employees for free.

### Discounts and rewards

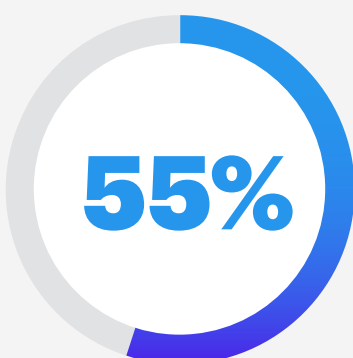
With a high cost of living, you can help your employees' wages go further with access to discounts and rewards with retailers and other well-known brands. Money off essentials like their weekly shop or great deals with wellbeing brands that help them save on healthy activities.

Having your perks accessible in a single platform will help to build breadth to your benefits offering.



#### Flare tip

Flare helps employees unlock everyday savings with one of Australia's most comprehensive discount marketplaces – with offers on gym memberships, mental wellness services, groceries, electronics and entertainment. The Flare Card allows users to shop and receive discounts seamlessly through card-linked offers.



**Nearly 55% of the respondents would take up On-Demand Pay if their employer offered it,** as they feel it would reduce their financial stress and make them less likely to leave their job.

Source: EY & Flare research, Pay in the New Economy

### Salary sacrificing

Equipping employees with knowledge on salary packaging and tax benefits and offering these solutions may help them save money. For example, depending on personal circumstances, novated leases can give employees a way to save on GST and income tax.

A novated lease is a form of vehicle finance that is a three-way agreement between an employer, employee, and lease provider. For the employee, payments are made directly to the financier by regular payroll deductions via salary sacrifice before the PAYG income tax is deducted from their salary. Over 260,000 working Australians take advantage of novated leasing every year.

### Superannuation choice and education

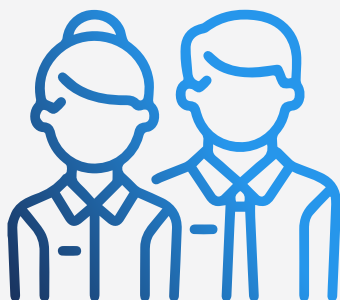
Superannuation is the largest benefit available to Australian workers. Encouraging employees to be more engaged with the Superannuation will help them take control of their financial future and get the most out of retirement.

Providing education, choice, and simplicity around superannuation, helps to increase financial confidence and wellbeing.



#### Flare tip

Through the free Flare onboarding platform, which streamlines the onboarding experience, we help every new employee become more engaged with their super – supporting them to make the right choice of fund for their own financial needs. We also help employees find and consolidate their lost or forgotten super, helping ensure they're not paying duplicate sets of fees.



**Over three quarters of Australian employees wish to take up key financial benefits like salary packaging.**

Source: EY & Flare research, Pay in the New Economy



**For our clients with employees using the Flare Novated Lease benefit, we see a 95.6% retention rate.**

Novated leases used to be reserved for senior executives but now they are far more accessible as a benefit. As well as offering significant savings for the employees, they are also a fantastic retention tool.

Jamie Micic, General Manager Salary Packaging, Flare







**At Flare, we understand the complexities in businesses now playing a role in the financial education and wellbeing of their employees.**

This can be challenging for businesses that don't have access to these types of resources or expertise, and are also concerned about providing an advice role and inadvertently crossing a compliance line. We offer content resources, expertise and products that help to support businesses to engage their staff with their finances.

Stephanie Gillon, Head of Financial Wellbeing, Flare



### Financial literacy

Around 45% of adults in Australia are financially illiterate based on insights from the Household, Income and Labour Dynamics in Australia (HILDA) national study. This is defined as being unable to answer questions assessing an understanding of basic financial concepts.

Financial literacy is important because the study also shows that poor financial literacy typically translates to poor financial health. Poverty rates among the least financially literate are twice as high as the most literate group. Those with low financial literacy are also less likely to get involved in household budget decisions, have a lower propensity to save, and are therefore more vulnerable to experiencing financial stress.

Providing employees with expert and engaging education, resources, and tools to educate them on financial concepts can support their financial wellbeing.

### Employee Assistance Programs (EAPs)

Sometimes the size of the problem can feel overwhelming to deal with alone. Helping an employee suffering from financial stress find a way out can often involve support from a financial coach, adviser, or counsellor.

EAPs provide counselling services to support employees to cope with situations that may arise in the areas of health, work, and life. Expanding on this to include financial services can help respond to one of the major causes of stress and anxiety at work.



**Around 45% of adults in Australia are financially illiterate based on insights from the Household, Income and Labour Dynamics in Australia (HILDA) national study**

## SPOTTING STRESS

# Keeping an eye out for the signs

Corporate performance psychology specialists and Flare partner, Veretis, provides guidance on how to identify stress in the workplace. Veretis works with organisations of all sizes, to help develop and maintain sustainable, constructive, and high-performing cultures.

Early intervention when you read the signs can help to support the employee faster and potentially reduce the impact. Veretis Psychologist and Managing Director, Oliver Brecht, outlines signs of stress in teams and individuals.

### Teams

- Look out for trends in teams like increased sick days and reports of stress, high staff turnover, reduced performance, and any complaints raised.
- Don't just wait for formal review periods, make sure you are taking every opportunity for informal feedback. This can help to identify and action issues early before significant impact is felt in the team.

### Individuals

- Look out for workers who don't appear their usual selves. They may seem more withdrawn, be taking time off work, arriving late, seem less motivated, confident, or committed, be acting unusually, be more emotionally reactive or exhibit mood swings.

If you think someone is experiencing stress, your best course of action is to encourage them to engage in your company's wellbeing benefits like an Employee Assistance Program or see their GP.





“

**Under prolonged stress, what would have seemed like a standard task, small setback, or minor disagreement, can begin to seem like insurmountable obstacles to overcome.**

This takes a toll on our motivation and confidence which again can limit our approach to tasks and contributions to the team.

Olive Brecht,  
Managing Director, Veretis

## HOW EMPLOYERS CAN HELP

# Running a financial education program

Offering financial education as part of your overall wellbeing program is one way that you help to reduce financial stress. It can also help your Employee Value Proposition stand out by offering tangible value to employees.

Stephanie Gillon is a former financial adviser and passionate advocate for financial literacy. Stephanie also heads up Financial Wellbeing at Flare, helping employers promote financial wellbeing to their employees. Stephanie shares some of her insights into running a financial literacy program in the workplace.



### Flare tip

Through the free Flare app, expert advice is delivered in interesting, useful, and engaging content available across the five pillars of Money, Mind, Body, Work and Life, to help employees take control of their wellbeing.

This access to content, events and experiences is designed to underpin employer' wellbeing initiatives, giving you rich content to support a healthier, more productive, and more engaged workforce.

## 1. Create awareness

"People have a real fear of being 'caught out' when it comes to money. A lot of people will bury their heads in the sand and ignore issues. Creating awareness around the problem, and showing people that they aren't alone, goes a long way to help normalise conversations about financial stress and money management," Stephanie points out.

"We know, statistically, that almost half the population are financially illiterate. The figures also show that a large proportion are financially stressed. Programs should start with the assumption that there is very little financial awareness, and your job is to help build those blocks," says Stephanie.

"For those who are experiencing hardship, it's an excellent idea to provide links to where they can get assistance. That could be a service that you provide like financial counselling through your employee assistance program, or independent third parties. The government offers several free services like the National Debt Helpline," highlights Stephanie.

## 2. Consider the fundamentals

“There will be varying degrees of knowledge and skills around financial concepts. Saving, budgeting, spending behaviours, attitudes to money, goal setting, paying down debt and investing - these topics underpin a sound financial strategy. This is a great place to start,” says Stephanie.

“I like to go deep into these topics. I use quizzes, examples, and case studies to illustrate meaning. I also provide tips about easy ways to positively change behaviour, like automating savings or tracking how you spend. I break down complex financial concepts into bite-size and easy-to-digest soundbites. I want people to walk away from a session feeling empowered, not inadequate. The content should be relatable, easy-to-grasp and engaging,” advises Stephanie.

## 3. Encourage participation

“Once you have built out a baseline program, think about the perfect way to package that up to your employees. Could you brand this like ‘financial bootcamp’ and build a monthly campaign around it that leverages calendar dates and seasonality? We all know that Christmas is a tight period for a lot of people, so the lead up may be an ideal time to promote budgeting for big events, for example,” says Stephanie.

“What is critical is that you set-up a program of activity or a calendar and make a commitment to providing great content and experiences regularly to engage employees with their financial wellbeing. Otherwise, you risk losing momentum,” explains Stephanie.

## 4. Meet needs without compliance risk

“For many employers, providing financial education and support to employees can feel risky due to compliance and privacy concerns. Advice around financial products is highly regulated in Australia and falls into two buckets, general and personal advice. General advice does not consider any personal circumstances and is general in nature. Personal advice is more specific and is tailored to the individual’s personal situation. Both require licences to provide advice” Stephanie points out.

“If you are considering creating content that talks to financial products or providing financial wellbeing sessions, lean into sources that have the appropriate expertise to provide this information,” says Stephanie.

## 5. Explore resources available to support you

“Many businesses just don’t have the time, resources or expertise to support a financial education program,” states Stephanie. “If this is the case, there are partners available that you can lean on to help roll out your education. Flare, for example, offers financial wellbeing content and sessions through our free Flare app.”

“This helps us to scale education, meaning that we can support reach by making this information easily accessible and in the palm of your employees’ hands, at their convenience. Through this, we address a number of topics that we know are central to everyone’s financial health, like money mindset and behaviours,” says Stephanie.





## GETTING STARTED

# Winning the race for talent

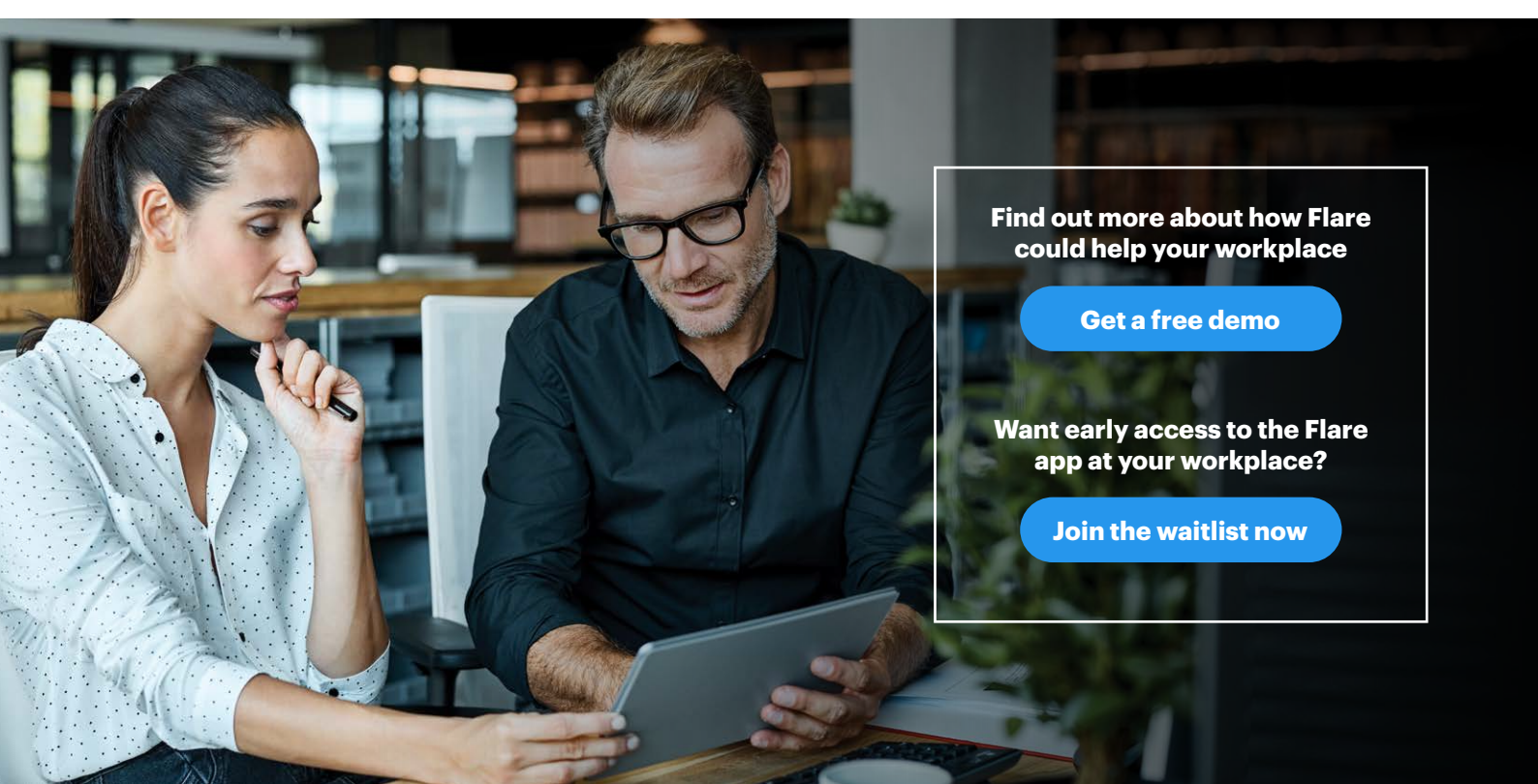
Flare can help you offer a best-in-class pay and benefits solution for your employees.

Flare is a leading benefits platform and pay technology provider. The Flare App is available for free to businesses of any size, and bring Flare's full suite of benefits into the hands of employees, at the centre of employee engagement:

- The Flare Card, coupled with On-Demand Pay gives employees the option to access their wages early—without incurring any fees, charges, or interest.
- Free access to a competitive suite of perks, discounts and wellbeing resources from leading Australian retailers and service providers.

- Access to valuable salary packaging services to save on tax—including novated car leasing, a tax structure that could give employees a pay boost of nearly \$6,000 per year on average.
- Better engagement with superannuation savings—the largest benefit available to most Australians.

Flare serves over a million employees—including a quarter of Australian workers starting jobs each year; and is integrated into leading HRIS, time-and-attendance and payroll software suites, allowing for seamless one-time activation.



**Find out more about how Flare could help your workplace**

**Get a free demo**

**Want early access to the Flare app at your workplace?**

**Join the waitlist now**





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