

How can employers help staff experiencing financial difficulties?

When might an employee experience financial difficulties?

With the UK currently facing its worst cost-of-living crisis in decades, many are feeling the negative effects of increasing financial pressure. A recent YouGov survey commissioned by the Chartered Institute of Personnel and Development found that only half of all workers are keeping up with all their bills and credit commitments without any difficulties. Despite rates of inflation falling slightly in recent weeks, the cost for essentials such as food, housing and energy is still much higher than in previous years, placing a significant strain on household budgets.

Financial difficulties may also arise as a result of a major life change which causes income to drop and outgoings to increase, for example:

- a separation or divorce;
- a bereavement;
- helping to fund a child at university;

- helping to fund a parent going into a care home; or
- an unexpected increase in accommodation costs.

Why is this a workplace problem and what can employers do to help?

Financial stress can have an array of negative impacts both on employee performance, conduct and wellbeing. In some cases, financial stress could even lead to employees being too unwell to work. This may only serve to compound the situation if they reach the point of being reliant on Statutory Sick Pay, which is currently capped at £109.40 per week.

While there is no legal obligation to assist employees in financial difficulties, it is often in an employer's commercial interest to help them. Fortunately, there are some simple things that employers can do to reduce the financial burden on employees and to ease the stress associated with financial concerns.

Salary increases, one-off payments and loans

Employers could bring forward annual review dates for salary increases and bonus payments. Where an annual review of salary is brought forward, the date upon which any increase becomes effective can also be brought forward to allow the employee to benefit from the increase for a longer period.

Consideration could also be given to making a one-off hardship payment to an employee. Communication around any such one-off payment is important. It must be clear that this is an isolated discretionary payment and not one which forms part of the employee's remuneration package.

Another option would be to offer an interest-free loan with a long repayment term. Further, if the employee already has an outstanding company loan (e.g. season ticket loan) consider cancelling or suspending the repayments.

Salary sacrifice arrangements

On one hand, salary sacrifice arrangements (whereby an employee gives up the right to receive part of their salary in return for certain non-cash benefits), are one way in which indirect financial support can be provided to an employee by making savings on tax and national insurance.

On the other hand, where an employee is in severe financial difficulty, they may be better off suspending the sacrifice and taking the higher salary for a period of time. It is important to note that HMRC does not allow employers to stop and start salary sacrifice schemes at will. However, where there are good reasons, it will usually be permitted.

Discounts, subsidies and financial advice

Offering discounts and subsidies to staff is another way to provide indirect financial support for employees. This could include discounts on the employer's own goods and services

where appropriate (for example, a supermarket may offer a staff discount). Alternatively, employers may enter into agreements with other organisations to provide discounts on their goods and services, such as restaurants or gyms. Discounts can usually be run at a low cost to the employer, whilst helping to reduce day to day expenses for employees.

Providing lunch or a lunch allowance can be another effective way to lower employee costs. To some extent, the effectiveness of these practices will depend on how they interact with any flexible working arrangements that are in place.

Another simple way to help is by pointing the employee in the direction of free debt advice services for example, the [National Debtline](#) or the [Money Adviser Network](#) or funding the cost of a private financial advisor or debt adviser.

Flexible working and wellbeing support

Flexible working may help employees encountering financial difficulties. For some, working from home more regularly will reduce expensive travel costs, or the amount spent on childcare. In contrast, other employees may wish to attend the office more regularly to minimise electricity and heating bills.

As discussed above, financial problems can be a difficult burden to manage. Employers should consider what can be done to support the mental wellbeing of those in this situation. For example, signposting the employee to an Employee Assistance Programme or paying for them to access private counselling. Line managers can also offer support here, by way

of regular check-ins to monitor their ongoing wellbeing.

Where an employee is absent from work with stress, it is important to seek advice from their GP or Occupational Health about any adjustments that can be made to ease their situation and help them return to work.

Assisting employees – a balancing act

It can be challenging for an employer to know exactly how to help an employee facing financial difficulties. Where feasible, it is a good idea to involve the employee in this process by asking them what form of assistance would be most helpful to them and use any feedback to make an informed decision. In any case, employers should seek legal advice on their proposals and ensure that such proposals are communicated clearly and considerately.

BDBF is a leading employment law firm based at Bank in the City of London. If you would like to discuss any issues relating to the content of this article, please contact Amy Hammond (AmyHammond@bdbf.co.uk), Amanda Steadman (AmandaSteadman@bdbf.co.uk) or your usual BDBF contact.