‘Serving All’

Exploring the role of businesses in developing financial security, wellbeing and inclusion strategies to help Britain’s working poor.

tomorrow’s company

THE FINANCIAL INCLUSION ALLIANCE fia

The challenges faced by Britain's working poor are too many for any one organisation to be able to solve alone. Success, we believe, depends on collaboration with partners, from all sectors.

For this reason, we have helped to establish a Financial Inclusion Alliance, collaborating with organisations from the private, public and social sectors. building on Tomorrow's Company research that is presented here.

Enabled by the combined expertise of this Alliance along with the experience of many workers, and with the support and encouragement of Tomorrow's Company, we are launching this report and building a movement for change.

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FAIR BY DESIGN Ending the extra costs of being poor
QUAKER SOCIAL ACTION

Executive Summary

If work used to be the best route out of poverty, then that is no longer true for everyone. We are facing a crisis of the working poor, as British workers experience extreme financial insecurity and associated mental health issues. It is a crisis that is undermining family stability and impacting the productivity and performance of British industry. It is a crisis that is having a particularly pernicious impact on women in the workforce. It is a crisis we must urgently address together.

The title of this report ,'Serving All', is taken from a statement made by Jamie Dimon (Chair and CEO of one of the world's biggest banks, JP Morgan Chase & Co) about the new role of business in society. But what does 'Serving All' really mean? This report will argue that, first and foremost, it should involve addressing the Financial Insecurity, Wellbeing and Inclusion of Britain's workers and, in particular, the working poor.

This report will show how employee worries lead to operational and financial challenges for companies, as employees take time from work to address the issues which arise from their financial stress. In addition, employee performance diminishes, as employees are less able to focus on their tasks, have lower engagement, produce lower quality work and have higher rates of accidents.

Human Resources departments are expending significant amounts of time and money to address challenges of engagement, performance and mental health, but they are doing so after the fact. This report argues that employers should instead be working upstream, by proactively supporting financial security first. Employees recognise this and also believe that, if their employers offered the right financial benefits and tools, their work would improve.

Addressing financial insecurity head-on makes an employer's role vitally important because, despite a surge in financial, technical and social innovation, the approaches being developed are simply not reaching workers in need quickly enough. Simply put, the market isn't working well. Organisations need to play a central role in enabling workers to get the financial, social and personal support that they need.

This report makes the business case for change; considers in detail the problems facing the working poor; looks at innovative ideas that are already out in the market; and recommends how we can create a transformational shift to deliver better support to Britain's workers. We underpin our thinking by setting out the moral and ethical considerations for working together, and explain why Goal 1 of the Sustainable Development Goals must become a priority for all UK businesses.

> Anxiety about debt and financial stability can severely reduce the productivity and health of employees, which can hurt a company's bottom line. Businesses, government, and charities should embrace the case for improving the financial well-being of workers.
>
> **[Stanford Social Innovation Report: 2019]**

Norman Pickavance & Daniel Shakhani

Co-Founders of the Financial Inclusion Alliance

tomorrow's
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'Serving All'

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"Capitalism either learns how to be inclusive or it fails"

Mark Carney Governor of the Bank of England

1. Purpose of the report

The primary purpose of this report is to:

- Inspire and enable employers make financial security, wellbeing and inclusion the cornerstone of their business and HR strategy.

- Set out a series of practical solutions to address financial wellbeing and inclusion issues through the workplace, so that business can better unlock performance and workers can build greater financial security.

- Create a movement of employers in the UK who are committed to putting financial inclusion first.

2. Introduction

We are confronted by paradox

Many British businesses invest in programmes designed to improve employee performance, yet this presents us with a paradox; we also know that UK productivity levels are not as good as they should be, employee engagement remains stubbornly low, and mental health issues are on the rise. At the same time, there are more people in work than ever before, yet more people are using foodbanks, more people are in problem debt, and more children are living in poverty despite having working parents.

This report will show why these apparently disparate issues are connected and how addressing financial security and wellbeing through the workplace can have a significant impact on both business performance and social cohesion.

It is our view that a significant proportion of today's workforce cannot perform at their best, because they are burdened by 'the constant worry' of living in what we have termed the 'Poverty Zone'. These constant worries impact motivation, undermine both cognitive ability and human dignity and erode social and family relationships. In so doing, they create spirals of disadvantage, which pass on to children, and so move from one generation to the next. Indeed, according to a survey by the National Education Union, 91% of UK teaching professionals who were surveyed across all sectors observe that when parents are in poverty, their children's school performance suffers. Simply put, we used to think that work was the best route out of poverty; sadly, now four out of five low paid workers are still stuck in the 'Poverty Zone', ten years after starting work. (Source Joseph Rowntree Foundation Research). We have to change this picture, and business has to lead the way.

However, whilst many employers will agree this is an important matter, they also feel that issues of' 'poverty' simply do not apply to the people who work for them, because they pay above the National Living Wage. Furthermore, people who are working hard for their money, whilst acknowledging they may be poor, rarely like to be described as living in poverty. The paradox we face is that many NGO's use only the language of poverty precisely because it calls attention to the seriousness of the situation many find themselves living in, and truly reflects their charitable mission. However, it is the use of this language which may make it difficult to engage in precisely the kind of open dialogue necessary for real progress to be made. It is a paradox that we will try to navigate throughout this report.

We will endeavour to use a different vocabulary, one which refers instead to the condition of the working poor and which seeks to explain how people slip into what we have termed the 'Poverty Zone'. We think this is preferable and more helpful than the notion of there being an absolute 'poverty line', determined by income alone. A 'line' above which you are OK and below which you are in trouble. Our choice of language does not mean we view the situation any less seriously. As the Royal Society of Arts recently observed (Nov 2019), 40% of the UK workforce are living in a highly precarious financial situation and a further 30% are living with 'constant worry' and are, in fact, 'not managing'.

To fully understand what life is really like for the working poor and the perils of the Poverty Zone, we should not limit our focus solely to income data, and instead must look to consider 'poverty in all its forms', considering also how constant worry about money can have a corrosive impact on all aspects of life. As we will see, life in the Poverty Zone frequently drives several other challenges, which are particularly prevalent amongst working women, ethnic minorities and families with children. Our report will therefore consider issues from an economic, social and moral perspective.

Finally, we hope that our report differs from many which discuss poverty. Our aim is not to apportion blame. The report does not point the finger at government, business or indeed individuals. Rather it has sought input from those who understand the lived experience of those in the Poverty Zone, and seeks solutions which will help employers work with wider society to address the real challenges facing the working poor.

60%

of people living in poverty are now in work.

(Source Joseph Rowntree Foundation Research)

3. The business case:

Why money worries stop us performing at our best?

We start with the business case. Our research indicates that by helping employees address their money worries and the wider concerns associated with living in the 'Poverty Zone', we can directly help to improve performance in the workplace and address the security and wellbeing of employees.

When thinking about motivation and performance, it is worth briefly reminding ourselves of the fundamentals. In the 1940's, Professor Abraham Maslow argued that most people operate within a 'motivational hierarchy of needs'. Covering five areas, the first two are Foundational and Deficiency Needs, i.e. physiological factors such as the need for food and warmth and safety needs like secure employment and a roof above your head. The next two combined Psychological Needs including a sense of belonging and personal recognition. The final need identified by Maslow was Self-Actualization or personal growth.

Maslow is important in the context of this report because he observed that deficiency needs motivate people when they are 'unmet' and become stronger the longer they are denied. Given this insight, it is worth reflecting that there are now more employed people living in rented accommodation who are in rent arrears, than those who are behind with their payments because they are unemployed. Furthermore, as we will see in our later examination of life in the Poverty Zone, without these basic requirements in place, people's psychological capabilities are undermined. Put simply, the burden of living in the 'Poverty Zone' can weaken a person's ability to think straight, such that over time confidence is eroded and people no longer put themselves forward for more responsibility. The truth is that many notions of supporting social mobility are stymied before they even begin.

Recent studies demonstrate exactly how financial stress exerts a particular strain on brain function. According to research in 2013 at Princeton University in the US, poverty and all its related concerns require so much mental energy that the poor have less remaining brainpower to devote to other areas of life. As a result, people of limited means are indeed more likely to make mistakes and bad decisions that may be amplified by - and perpetuate - poor performance and financial woes. Published in the journal 'Science', the study presents a unique perspective regarding the causes of persistent poverty. The researchers suggest that being poor may keep a person from concentrating on the very avenues that would lead them out of poverty. A person's cognitive function is diminished by the constant and all-consuming effort of coping with the immediate effects of having little money. Thus, a person is left with fewer 'mental resources' to focus on complicated, indirectly related matters such as education, job training and even managing their time.

Experiments showed that the impact of financial concerns on the cognitive function of low-income individuals were similar to a 13-point dip in IQ. To gauge the influence of poverty in natural contexts, the researchers tested 464 sugarcane farmers in India who rely on the annual harvest for at least 60 percent of their income. Each farmer performed better on common fluid-intelligence and cognition tests post-harvest compared to pre-harvest. In other words, the farmers' cognitive ability dropped when they were most worried about money.

A new study by the Social Service Research Centre (SSR) at the National University of Singapore (NUS) reenforces this point. It found that even doing something as relatively simple as reducing the number of 'debt accounts' being managed by an individual actually lowers the mental burden on the working poor, thereby improving psychological and cognitive performance. Dr Ong explained, 'our study shows that debt impairs psychological functioning and decision-making'. *[Proceedings of the National Academy of Sciences.]*

So when consulting firm PwC found in 2018 that more than half of surveyed employees reported being stressed about their finances at work, all businesses should be concerned. Human Resources experts Mercer similarly found in 2019 that people, on average, spend approximately 150 hours per year thinking about their finances whilst at work, which translates into roughly three weeks of distracted work time annually.

How do these 'constant worries' actually impact in the workplace?

Case study: Care Workers

Research by Professor Carrie Leana examined the consequences of financial precariousness amongst care workers who (like their UK counterparts) were on wages and benefits well below the median. Participants in this study were certified nursing assistants providing care to the frail elderly in skilled nursing facilities. In these jobs, empathy with the client is important to the overall quality of care provided to patients. However, financial worries undermined their job performance. Overall, empathy among the aides was a significant predictor of patient safety. But aides who experienced more financial worries were less likely to notice threats to the safety of the patients on their watch, despite their high levels of empathy. The negative relationship between financial concerns and economic performance is explained by the simple fact that people spend much of their time at work, where financial precarity impedes their ability to be productive and perform up to their full potential.

[Research by Carrie Leana, Professor of Organisation and Management at the University of Pittsburgh]

Financial worries drain employees' stamina and morale, pushing them toward tardiness and presenteeism. These, in turn, all diminish overall performance, eating into sales and driving customers to seek better service elsewhere. When we look more specifically at how money worries impact engagement, performance and mental health at work, the following picture emerges.

Engagement	Performance	Mental Health
Employees living with constant money worries are **five times more likely to have troubled relationships with colleagues at work.** **Fifty per cent of all work absences** are caused at least in part by Financial distress. Employees with money worries are **twice as likely to be looking for a new job** than employees who are free of these concerns.	Employees with money worries are **six times more likely to produce substandard quality work** than their colleagues. Employees with money worries are **seven times more likely to have lower productivity/not finish their daily tasks** than their colleagues.	Working Women with small children, who are in the bottom 20% of income earners are **five times more likely to experience depression.** (Deborah Belle). **People in financial difficulty are four times more likely to suffer panic attacks.** People who are experiencing money worries are **eight times more likely to be experiencing sleepless nights that are impacting their state of mind at work and cognitive capacity.** People with problem debt are **twice as likely to consider suicide in comparison to those with a stable financial situation.**

Multiple Sources including;
Barclays, Salary Finance Research, The Social Market Foundation. Money and Mental Health Foundation.

Case Study: IKEA – Nuzhad Chagan

When Nuzhad Chagan (Nuz) was appointed to the new role as UK/Ireland head of Health and Wellbeing at IKEA she wanted to ensure that whatever she did was connected to the business' wider strategy and values: 'I knew I needed to connect my work with IKEA's wider purpose'.

Given her background in the business, Nuz started by looking at the Customer Insight recent data about what was on the minds of people who might typically shop in their stores. This information, which is collected through home visits to real people's homes, showed that money worries were dominating the conversations. Nuz observed, 'Our customer's profile is very similar to many of the people who work in our stores, so rather than jumping in by launching a new mental health programme, how could we focus on a contributor. Market Data put 66% of people in the UK stating they are either struggling, making ends meet or in mounting debt. An internal IKEA survey - IShare - told us that only 51.7% of co-workers felt supported to manage their financial life It became increasingly clear to me, that to address 'Wellbeing', you need to first take care of the basics - and worrying about money is today a fundamental issue in people's lives. I now believe that we have to take this very seriously because we know it is a major stressor for people. We also know that financial worries contribute to poor mental health alongside other worries; having children, loss, divorce, illness, caregiving...they all come with a financial impact.' said Chagan.

Shu Qi Man, a 28-year-old worker at IKEA's Gateshead store

IKEA is one of only a few major UK retailers to become a **Real Living Wage** employer, and a Principal Partner of the **Living Wage**.

The 'constant worry' caused by financial problems and wider concerns about life in the Poverty Zone impact individuals, but also have substantial implications for the performance of entire companies. Research by The Centre for Economics and Business Research (CEBR) concludes that 'worrying about money is the biggest cause of distraction and lower productivity at work'. Of course, the implications for employers don't just stop at productivity, engagement and mental health concerns. With stakeholders and investors increasingly judging businesses based on the ethics of their employment practices, and NGOs monitoring business performance based on social indicators, the financial wellbeing of employees can increasingly decide whether and to what extent investors engage with a business.

Employers can play a decisive role in impacting in-work poverty. Employment contracts are the most stable and transparent financial relationships many workers have - and that means employers are uniquely well-placed to make a positive difference in people's financial lives. In the coming sections we will explore how.

6x

The working poor are six times more likely to produce substandard quality work.

(Source Salary Finance Research)

4. New realities of the working poor

Living in The Poverty Zone

As we discussed in our introduction, the notion of a poverty 'line' – a point of fixed income below which people 'fall' into poverty - is not particularly helpful because it fails to take into account what we would describe as the 'gravitational pull' and 'constant worry' exerted by money, nor does it reflect the wider struggles this induces. We have therefore arrived at a new term for capturing the experience of the working poor in Britain:

'Living in the Poverty Zone' There are at least 6.2 million people or 20% of the workforce in this situation. This view is backed by a 2019 survey of more than 2,000 workers conducted by The Royal Society of Arts which found that while approximately 30% of respondents said they lived comfortably, 40% said their finances were precarious and 30% said they were not managing to get by. Furthermore, just 30% of the population are concerned about their level of debt and 32% of the UK's workers have less than £500 in savings. According to an October 2019 study by the Financial Resilience Task Force set up by the Money and Pensions Service, 73 per cent of those in regular work face income instability, signifying that it is not just low income workers that are at risk. The report indicates that this low financial resilience can lead to problem debt, mental health conditions, and difficulties for families.

Understanding life in The Poverty Zone

When we say that someone is 'living in the Poverty Zone', we don't just mean that their overall income is low; we also mean that they are regularly unable to meet their basic personal needs in a sustainable way, for whatever reason. Research by the Institute for Fiscal Studies and Joseph Rowntree in 2018 shows that today in the UK, almost 60% of those living in poverty are in working households, up from 35% in 1994. It calls us to re-think widely held assumptions about the best means of escaping poverty in the UK. However, before we can act effectively, we first need to understand what is going on. Our research shows that we are dealing with a multi-dimensional issue, with the gravitational forces pulling workers into the Poverty Zone consisting of 6 elements:

1. Precarious income - 'living from one pay-check to the next';
2. Lack of savings - having less than £500 in the bank and an inability to cope with life shocks;
3. The Poverty Premium - where everything costs more when you are poor / access to affordable credit becomes difficult;
4. Falling into debt;
5. Dealing with pernicious problem debt and associated social stigma, isolation and impact on mental health.
6. Overcoming the unrecognised struggles of simply living.

These factors combine to create growing financial, social and personal impact, and an erosion of resources in each of the following areas:

1) **Financial resources:** overall financial situation - not just how much money someone has coming in, but also how much is saved, and the ease with which they can access credit, loans and benefits when and if they need to.

2) **Social resources:** a person's connections to other people, friends and the outside world. It refers to the extent to which they can get support from them when they can't manage on their own. 'Support' can mean lending money or borrowing everyday household goods, or help with childcare, a lift to work, or just someone to talk to.

3) **Personal resources:** mental and physical health, as well as the emotional health of close family relationships (live-in partner, spouse, or children).

The three resources are interdependent, and if one of them runs particularly low, it will inevitably start to drain the others along with it. For example, if someone's mental health is consistently very poor, then a worker may might start missing shifts or losing track of their spending, or they may struggle to maintain important relationships with people who could offer vital support. The result is a vicious cycle, where all three resources start to dwindle and a person's overall resilience declines. To get out of the Poverty Zone - and to stay out - a person needs a positive overall balance of resources.

70%

of workers in problem debt have experienced some form of life shock in the past two years.

(Source StepChange research)

We have captured the inter-related nature of these factors in the following table.

Part	Financial Resources	Social Resources	Personal Resources
Part 1	Low, volatile hours and precarious incomes	Living one pay cheque to the next	Lack of control over choices
Part 2	Savings below £500	Serious risk that a predictable life event & potential risk of a major 'life shock' occurring will cause destabilisation.	Lack of security, increased family instability
Part 3	The poverty premium	Physical access and frustration over the nature and cost of goods and services provided. Ranging from access to credit to the way in work benefits are administered under the Universal Credit system.	Erosion of confidence
Part 4	Debt	Social isolation	Wellbeing issues and self esteem
Part 5	Problem debt	Social stigma	Mental and physical illness
Part 6	The unrecognised struggles of simply living	Social invisibility, powerlessness and lack of voice	Desperation and helplessness

We have referred to each item in the table as 'a part' and, like the parts of a jigsaw, it is possible to build up the picture in a number of ways. But first let us examine each part in more detail.

Part 1: Low pay, Volatile hours, Precarious Incomes – losing a sense of control

'To live in the Poverty Zone is to worry about money all the time' said a participant in the ATD 4th World 2019 Poverty Study. So, who are we talking about? Well, we start with the 16.2 percent of workers classified by the Office of National Statistics as officially low paid, directly impacting 5.3 million people. Furthermore, 1 in 5 workers struggle to make ends meet because of income volatility - the other side of the coin of what business often calls 'flexible working' or 'agility'. In fact, The Living Wage Foundation have found that 4 in 5 low-paid workers (earning around £10,000) experience pay volatility, compared to just two in three higher paid workers (earning around £35,000) Not knowing whether, when, and how much work you are going to have, makes it difficult for low paid workers to plan for the future, find fulfilment at work, or lead a healthy community and family life. However, there are now such levels of 'agility' demanded by employers that there are an estimated 1.1 million workers in Britain's gig economy, and a further 4.8 million who are in some form of self-employed arrangement. At this point, it is necessary to consider Universal Credit, about which so much has already been written. It is sufficient to say that, with so much income volatility (caused by the way many modern employment relationships work today), its operation is unnecessarily forcing people into taking on loans to bridge periods when expected benefits are delayed. As we will see later, this is quite possibly the worst thing that could happen to a person who is struggling to get by. These feelings of insecurity tied with low savings and personal indebtedness extend beyond this immediate group, such that an RSA/Populus survey of 2019 found that 78% of the population believes that workers face more uncertainty and anxiety about their jobs and income than they did a generation ago. The UK picture corresponds exactly to that emerging in the US, where data from BlackRock's Emergency Savings Initiative points to 78% of US workers living from one paycheck to the next, with all their income going on food heating rent and essential items. In reality, living in the Poverty Zone means that ***'your horizons are hugely restricted because your focus is on survival'*** [ATD 4th World Poverty Study]. As Sir Michael Marmot found in the largest epidemiological study of its kind [2010 Marmot Review], such conditions of uncertainty induce a sense of 'lack of control', such that workers in low paid roles incur four times more stress-related conditions, like anxiety, heart disease and stroke, than a person in a senior management position would experience.

As we have discussed, work used to be the way up and out of poverty - 'Get a job and get on in life', said careers teachers. The problem with much modern work organisation is that so much of low paid work offers few natural opportunities for progression, whether as a result of structure, culture or increasingly technology. Consequently, ever-growing numbers of low-paid workers are consigned to not only extreme volatility of earnings but also to life on the bottom rung of the ladder. It is what author Darren McGarvey describes, in his award-winning book Poverty Safari as 'In-Built Social Immobility'. Let's examine each of the reasons why progression has become more difficult.

Many industries used to pride themselves on the idea that you could start at the bottom and progress to the top. Retailer Morrisons used to make a virtue of their 'Shop floor to top floor policy'. It worked because it built pride, identity and strong culture in organisations. However, as agility and focus have become watchwords, so too has the outsourcing of 'non- core' functions to third party specialists who have made narrow expertise in one function or other their point of difference.

Outsourcing, from call-centre operations to cleaning, is now the norm. Not only that, but with technology enabling ease of communication, the many levels that used to exist inside organisations have been de-layered, such that the intermediate jobs that people used to progress through are gone or going. Such ultra-specialisation and lean structures have meant that it is far more difficult to 'grow-up' in an organisation. Jobs are more specialised and huge leaps of confidence and capability are required to move off the bottom rung. It means that the opportunity for pay progression, once you have come off the entry level band, are very hard to achieve and as we have seen confidence is not in great supply when you are living in the Poverty Zone, nor is in-work training expenditure.

Even those professions which have relied historically on mass entry and progression up the ranks, like accountancy and the law, are now questioning whether this will any longer be fit for purpose in the coming decades as technology replaces more mundane activities.

To reimagine work as a social as well as an economic construct, which relies on social cohesion as much as it does on short term efficiency, will require a huge transformation in managerial thinking, particularly in an environment where business leaders have been encouraged by business schools to think 'strategically' of people more as tangible assets and resources. There is a long way to go, to reverse this, now deeply embedded, thinking.

Part 2: Savings Below £500 – life shocks and a reducing a sense of security

Only 57% of workers in the lowest employment band have any savings. Which means that when life events or shocks happen (from an elderly relative needing care to fixing a broken boiler) there are no buffers. In such circumstances people would normally turn to family or a short-term loan to tide them over, but what if those sources are not available? Research by Fair 4 All Finance highlights that access to affordable loans is a huge systemic issue in Britain today. It is what forces many of the working poor, who do not have good credit ratings, into the arms of high-interest loan providers, and it is why over 3 million people a year access high cost credit. This creates a highly fragile position, where any defaults can lead to rapid debt build up. In 2018, StepChange, the debt support charity, found that their clients' primary reason for falling into problem debt was because of a life event or shock. According to research by StepChange, the usual measures of reducing monthly outgoings are too often insufficient, and people end up having to take on high interest credit card or pay day loan debt. It perhaps explains why the Money and Pensions Service are so concerned that people are using debt to pay for day to day expenditure items like food and rent. This kind of situation inevitably puts pressure on relationships and impacts family stability.

Forthcoming research commissioned by Barclays from the agency TRUTH has found that it can frequently be after a life event has happened that some consumers begin to reflect on their finances, and when they are most receptive to accessing support and information that can help them change their behaviour. During the event they may be consumed by what is happening in their life (e.g. a relationship breakdown, or seeking treatment for an unexpected illness). Unfortunately this may be too late and doesn't help workers preparing for the too often unforeseen event which may lie just around the next corner. It reflects the size and nature of culture shift that needs to be encouraged as such events are becoming only too common.

At this juncture it is worth reflecting just how rapidly society is changing. For example, multi-family households have increased by 42% in the past decade; there are now 8 million people living alone; and by 2025, nearly 70% of 25-34 year olds will be living in rented accommodation. In other words, previous forms of stability are disappearing and without any form of savings buffer, people are far less able to cope when shocks do come along, as they invariably will. It clearly explains why financial insecurity is on the rise.

Part 3: The Poverty Premium – paying more to be poor

According to research from the Personal Finance Research Centre at the University of Bristol, 'Paying to be poor 2016', the 'Poverty Premium' costs the average low income household £490 a year, but for more than one in ten of these households it costs at least £780. It is estimated that up to three quarters of people on low incomes in the UK are likely to be paying extra to a range of providers simply because they are too poor to benefit from the best deals. This is the Poverty Premium.

As we have already seen, the working poor are trying to operate within tight budgets, in all aspects of life, including food shopping. Indeed, to stay frugal, workers look to avoid expensive bus fares to the bigger Superstores and instead shop frequently and locally, but this also means that the working poor are less able to stock up on the best-buy deals. Another problem is utility bills. When you are on a tight budget pay-as-you-go methods offer the prospect of control, but this means paying over the odds for electricity and heating, as well as the premium paid for non-digital billing methods. In the days when the electricity meter was filled by coins, it was understandable that the cost of collecting the cash incurred an extra cost, but with today's 'top-up' cards and no collection service, it would seem that higher tariffs are hard to justify.

Case Study: Fair by Design

Fair by Design has been established by Barrow Cadbury, Big Society Capital, Joseph Rowntree and others to address why it costs more to be poor, and to campaign to end the poverty premium. As part of this work they have collected stories which explain what life feels like living in the Poverty Zone.

Jen's story:

I've been a single parent to my two children since 2011. Luckily, I receive Tax Credits for childcare, so my children can join after-school clubs when they need to. Half-terms are really difficult in terms of childcare. I have the choice to put my children in a holiday club which costs twice as much as my wages, or to take unpaid parental leave which means I have to make up a week of earnings from elsewhere in my budget.

I use my credit card to bridge the gap when I can't afford essentials, and it's frustrating that the interest is really, really high. I want my children to be able to socialise, so I sometimes use it to pay for small things like school trips and birthday presents so they can go to their friends' birthday parties. I also use it to pay my Car Tax in one annual sum, because paying it monthly means I'd be paying an extra 5% interest on top. I think that's really unfair – why are they trying to penalise people who want to spread out payments in instalments?

My dishwasher recently broke down. When I called out their repair team, I was told that although it was under warranty, they wouldn't provide me with a replacement because they considered the damage to be from consumer usage, even though we live in a hard water area. I had to buy another cheap dishwasher and pay in monthly instalments at high interest. I hadn't been able to budget for it.

I recently had to cancel my broadband. Initially, I paid £29 a month, but every year, they increased the price until it hit £49.97. When I called them to ask them to reduce the price as I don't even use my landline, they said that would only be possible if I took out a two-year contract. I didn't want to do that as that would require a credit check, and I try to minimise the amount of credit checks I have to go through. I don't want them to affect my credit rating.

Part 4 & 5: Debt and Problem Debt – isolation, stigma and rising mental health issues

Over half the people who are in debt in the UK are in work, and more than 3 million are in problem debt. According to a poll conducted by StepChange, 70% of people in 'problem debt' had been a subject to a life shock in the past two years, compared to 40% of those without financial difficulties. The more shocks a person is subjected to, the more likely they are to enter financial difficulty - and the more severe that difficulty is likely to become over time. Indebtedness can be especially damaging for people living within the Poverty Zone. People who are less resilient to financial shocks are also more likely to resort to borrowing at moments of acute need. The interest rates of acute microloans amplify the risk of people of sinking into deeper debt, as annual interest rates may average 300% the amount of the principal loan. It is easy to see how manageable debt can quickly become problem debt.

We spoke to specialists, **ATD 4th World**. They work alongside people in debt and have captured the experience of living in debt, particularly in the Poverty Zone.

ATD 4th World review:

Participants in the ATD 4th World study highlighted widespread misunderstandings about what it was like living in The Poverty Zone - and how people are stereotyped and stigmatised. They brought together peer groups who described how living in the Poverty Zone often left them feeling judged unfairly. These groups observed that the *'perception of poverty is distorted'* and that *'poverty means you will be scorned.'* People in the Poverty Zone are felt to be 'judged on lifestyle choices' and 'judged for things that are not your fault.' The result of these judgements and the barriers put in the way of participation was that *'poverty means you are only allowed to observe, you can't take part, often because you lack the money.'* Unfavourable comparisons can lead to social negatives building up such as *'children from low-income communities not being deemed as cultured as middle-class children'*. It was noted by some that living in the Poverty Zone could be made increasingly difficult because, on the one hand *'assumptions are made that people in poverty can't succeed and don't have aspirations and hopes and dreams'*, whilst on the other hand, their attempts to live up to *'unachievable aspirations exacerbated by the media often led to a sense of failure'*.

The feelings associated with all of this are powerful and complex. ATD 4th World heard that people are *'made to feel worthless because people are judged by their bank balances'*. People in the Poverty Zone are *'conditioned to suffer in silence and not ask for help - to just get up, shut up, and get on with it'*. As well as suffering the negative judgement of others, some peer groups also described how these judgements can become internalized. As one group pointed out, *'you feel different to everybody else and you don't want anybody to know'*. Another participant powerfully described *'shutting the door on life'* due to such feelings. Debt can be a considerable burden, made worse by dealing with it alone. A 2010 study from the Royal College of Psychiatrists found that half of UK adults in problem debt are also living with mental ill-health challenges. These ranged from a consistent feeling of anxiety and low moods, to diagnosed mental health disorders. All of these negative feelings need to be put alongside the importance of maintaining a sense of pride and of fitting in with other people.

This has powerful implications for potential interventions in a business environment, as workers don't necessarily want their employer knowing that they are in difficulty, for fear of being judged.

Part 6: Unrecognised Struggles – 'working hard for the money' – Increased Sense of Helplessness

We all recognise the language of people who are living in the Poverty Zone, when we talk of workers 'drowning in debt' and of 'going under'. These are phrases which capture the sense of powerlessness that people can feel and demonstrate how workers can slip into a state of utter despair. Once these conditions are prevalent in someone's life, it is difficult to focus on gaining new skills or indeed building a career or climbing the ladder of social mobility.

At this point, many discussions turn to the notion of building resilience, and in many respects that is exactly what needs to happen. However, as we discovered in our conversation with Coastal Housing Association in Swansea 'resilience' isn't always a useful term. 'People's idea of resilience often means that they don't need help and that you can just power through. Unfortunately, this too often leaves people isolated until one day we discover that they are broken', said Debbie Green, Director of the Housing Association.

This is particularly true for men who are struggling with debt. There is a huge amount of personal pride at stake. As Debbie Green observed, 'It's like the men in the film The Full Monty – there's a bit at the start of the film where they're stood on the top of the car sinking in the canal. A man walking past them on the canal bank asks 'How are you?' and the man stood on the car says 'Aye, not so bad!'. They are clearly not alright, standing on a car in the middle of a freezing canal in the middle of Sheffield! But there's two things going on here. There's the person on the car not asking for help, and there's the person on the bank who clearly sees they need help. But because they're so proud and male and British, they don't want to say 'It's obvious you need help, how can I help you?' So, to solve the financial wellbeing problems we need both sides of this. We need people to ask for help, and people to offer help. Self-awareness is a big part of it – but we also need to support people who don't realise they need help'.

Our research has led us to conclude that the growing issues of employee mental health have much to do with the pressure of doing a good job whilst under the strain of money worries. These issues are exacerbated by less social contact outside work due to insufficient funds. The shocking fact is 100,000 people attempt suicide each year, because of their debt problems. We need to develop ways of early intervention, and identification of people who need help before it is too late.

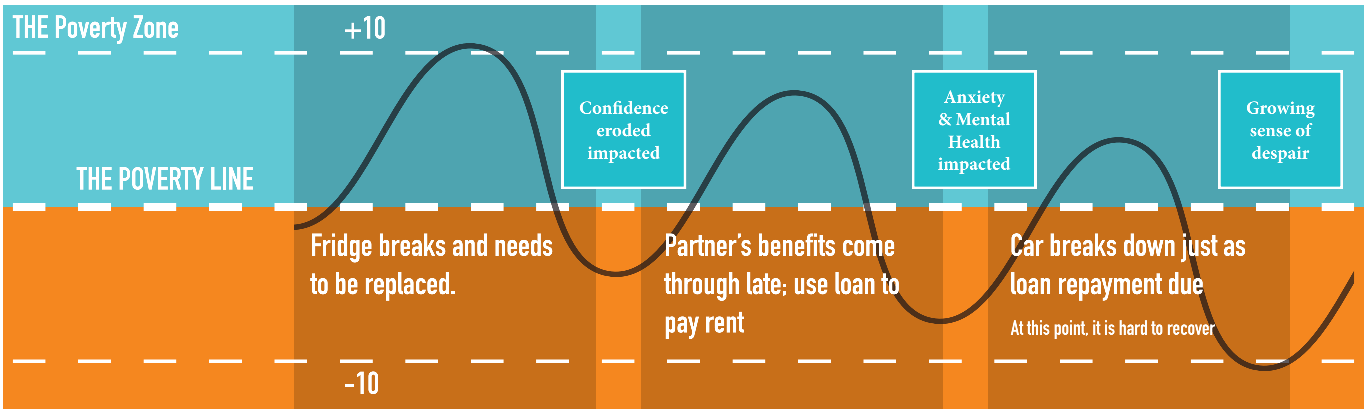
As the British Medical Association points out, poverty's health implications are both serious and complex:

A negative cycle can exist between poverty and health. In-work poverty contributes to poor mental and physical health, which in turn makes it more difficult to hold down a job or find work. Many people living in such poverty cannot afford the cost of their care, such as prescription charges, resulting in their conditions worsening over time. This negative cycle can transfer across generations, starting from pre-birth, with impact upon parenting, educational attainment, and employment.32

(British Medical Association, 'Health at a Price: Reducing the impact of poverty', 2017)

Living in the Poverty Zone

In summary, living in 'The Poverty Zone' erodes workers' lives in a series of waves. Each wave eats into more of the solid ground a person can independently stand on, leaving workers stranded and stifling hopes, aspirations and independent thinking.



We are told that the quality people need to find their way out of the Poverty Zone is 'resilience'. But what does that mean? As we have found, it can't just mean having money and the wherewithal to spend it wisely. To really understand paths into and out of poverty, we need to think of 'resilience' as a multi-dimensional puzzle, which does include the ability to save. But, as we have seen, even that can be undermined by irregular income levels. When income and outgoings are so tightly matched, life events and life shocks can have a huge impact, and we can see how better financial education and support with planning could assist individuals to think ahead. Yet we have also seen how being part of the working poor costs more, in terms of both access to the financial products people need in modern society and the cost of even basic goods. So we must question how this situation may be changed. Finally, we have seen how all of this burdens the working poor with a sense of powerlessness, with stigmas, with pressures on relationships both at work and home, and how this ultimately erodes an individual's sense of self-worth, mental health and hope. The working poor are indeed carrying a heavy burden.

50%

of all workplace absence can be attributed in some way to money problems.

(Source Joseph Rowntree Research)

5. 'Serving all': The ethical and moral case for action

Section 3 of this report sets out the business case for action against in-work poverty. We now turn to an exploration of the ethical and moral case for action.

There is a great deal of suffering in our world. We live in a society not at ease with itself, and we know that increasing numbers feel excluded. But what does inclusion mean, and what should business do about it? In August 2019, we got an answer. In the USA, the Business Round Table broke with its previous stance on 'shareholder capitalism', when it stated that corporations principally exist for the benefit of all stakeholders. Chairman of the Roundtable and CEO of JP Morgan Chase & Co, Jamie Dimon added, 'Major employers are investing in their workers and communities because they know it is the only way to be successful over the long term. These modernized principles reflect the business community's unwavering commitment to continue to push for an economy that serves all.'

In this section we will examine what does 'Serving all' really mean?

The FTSE 100 employs four million people across a network of 20,000 subsidiaries which span every sector. Last year their total revenue was more than £1.7 trillion. In short, their behaviour affects millions of people in Britain and around the world. Most members of the FTSE are signed up to the United Nation's Sustainable Development Goals (SDGs). Investors are increasingly using these indicators to understand and measure the wider consequences of where they allocate their capital. In 2019, the Financial Conduct Authority (FCA) underlined this point by asking all Independent Governance Committees – which currently provide independent oversight of the value for money of workplace personal pensions - to consider and report on their firm's policies on environmental, social and governance (ESG) issues. So clearly it is now essential that a business is operating ethically in its impact across our wider society.

It is therefore worth pausing to reflect that the first of the SDGs is to 'End poverty in all its forms, everywhere.' Unlike the previous Millennium Development Goals, which focused on poverty only in developing countries, there is now a commitment to meet Goal 1 in all areas of a business's operation, including here in Britain.

As Corporations we have the power, influence and access to resources which are key to effecting substantial and systemic change across both the economy and society.

If we are to push for an economy that truly 'serves all', then we are each presented with an opportunity to demonstrate creative concern and effective cooperation in helping the poor to live with dignity, by reaching out to everyone. Without this, all the corporate good practice and talk of social issues will be just camouflage.

To help us in that process let us consider three moral issues, where adopting a financial security and wellbeing strategy could help to assist the working poor.

- **Children:** There are now more children living in the Poverty Zone, in households where parents work, than in households where both are unemployed. It equates to some 2.9 million households. For families with children, life can be particularly difficult all year round, but the effects of living in the Poverty Zone are exposed most clearly during summer holidays, when working parents need to find childcare and struggle to meet the cost of providing lunches. According to the Just Finance Foundation, in the school holidays an estimated three million children are at risk of going hungry, because free school meals are off the menu. Similarly, the children's charity Barnardo's identified that a family with three school age children would have to find approximately £25.00 a week from 'somewhere' to meet the loss of free school meals. The government has pledged funds to help provide food and activities for children in some of England's poorest areas, but it is clearly a desperate situation and adds another burden to the working poor. A recent study reveals that, by age five, children from the poorest fifth of homes in the UK are already on average nearly a year behind their expected development. Such gaps are a major contributing factor to patterns of social immobility, health inequalities and poverty in the next generation. If we are truly concerned about children and their opportunities in life, then addressing the needs of the working poor presents a powerful moral case for taking action.

43%

of low paid workers have no savings at all.

(Source Money and Pensions Service)

5x

Workers with money worries are five times more likely to have troubling workplace relationships.

(Source: Salary Finance Research)

- **Women:** When we focus on the gender pay gap, we must look at the bottom as much as the top. If we only look at women in leadership roles as a measure of gender equality, we can forget that poverty has a female face, with women making up 61% of the working poor. In fact, 25% of women in work are in the Poverty Zone compared to 16% of men. This partly reflects the types of paid work available to women, whether as carers, cleaners, caterers, cashiers or in clerical jobs. Often the lowest on the pay scale, many of these jobs do not offer the kind of development opportunities that could bring about salary progression and greater social mobility. There are also 33% more women on zero-hour contracts than men. What these patterns of employment mean, according to the 'Insuring Women's Futures' initiative (Authored by Jane Portas, supported by the Chartered Insurance Institute), is that 30% of women's money wouldn't last a month if they lost their main source of income and that 75% of the workers ineligible for auto-enrolment into a pension are women, i.e. they are not saving for their retirement. The home budget also tends to be managed by women, who deal with monthly financial challenges when money runs low. Our research indicates that it is mothers struggling to make ends meet who are the predominant consumers of home credit - unsecured, short-term, high-interest loans sold door to door. The home credit industry is sustained by annual loan interests averaging 104-340%, with clients often borrowing on a recurring basis. The traditional female customer base for these high-interest loans is made up of working mothers balancing part-time employment and childcare costs. Thanks to their often irregular employment patterns, women's incomes are precarious, leading them to borrow to avoid defaulting on utility bills, rent and so on. The amounts loaned are frequently very small but over time they build to become a source of 'constant worry'. Research shows that the benefits for female customers are limited and, ultimately, high-interest credit can keep women in a spiral of debt. Alongside this, women still carry the biggest load for child-care with 3 in 10 women reducing the hours they work because of childcare problems. It is worth noting that the average weekly cost of childcare for a full-time working woman is £242. In 90% of cases, single parents are mothers, left with little, if any, financial security and inadequate provision for the future. Given all this, it is the women who work and have small children and find themselves in the bottom 20% of income groups, who are 5 times more likely to suffer from depression. So, if we are truly concerned about addressing the wellbeing of women in the workforce, then addressing the plight of the working poor presents a powerful moral case for taking action.
- **Ethnic Minorities:** According to government data, whereas 8% of White households had persistently low incomes at the end of 2018, the figure for Asian and Black households was 20%. This in part reflects Black and Minority Ethnic distribution in the labour market. The Joseph Rowntree Foundation has found evidence that different BAME groups are 'clustered' in certain low-wage, low-progression occupations across the country, and that this concentration is set to intensify. The Foundation also found that BAME groups are more likely to be the lowest-paid workers in any sector where they work. According to research by the TUC, BAME workers aren't just employed at a lower rate than White people; they also find it harder to attain dependable employment. 1 in 8 Black employees are in insecure work, whilst the national average is 1 in 17. Almost 1 in 20 Black employees are on zero-hours contracts, versus a national average of 1 in 36. The representation of Black employees in temporary work has risen significantly in recent years - a change that appears to stem from a surge in temporary employment amongst Black women. Once again, if we are truly concerned about tackling workforce equality, addressing the plight of the working poor presents a powerful moral case for taking action.

Throughout this section, we have reflected on the moral case for action. The issues addressed here are indeed 'our problems', not only because of our corporate responsibility to society, but also because the working poor may well be members of our own organisations. To misquote philosopher Nikolai Berdyaev, 'hunger in my stomach is my physical problem, but hunger in my neighbour's stomach is my moral problem'. If we are not to be indifferent about the poor, and instead accept, as social campaigner the late Lord Shepherd once observed that 'we are all members one of another', then doing something to address the needs of the working poor may well lie at the core of what 'Serving All' means.

So, what does this mean for our corporate priorities? Addressing the condition of the working poor must move from being a 'CSR' initiative to a core business driver. In the next section, we will consider how we can turn these ethical and moral concerns into practical and concrete actions.

6. Innovation and insights on financial security, wellbeing and inclusion

As we have seen, creating financial security, wellbeing and inclusion for the working poor is a complex multi-dimensional challenge.

In this section we highlight 6 areas which, if addressed well, will provide many of the answers to the challenges faced by the working poor and will help people who have slipped into The Poverty Zone to find a way out. You will note that a number of these innovations are being developed by the third sector and this in turn presents opportunities for businesses to see themselves as part of a wider eco-system of support and offers the potential to help charitable entities to find ways to scale up the valuable work they are undertaking for broader impact.

Our research has in fact found that there is no lack of new initiatives, indeed the challenge we face is bringing these financial, technical and social innovations together in a controlled as opposed to scattergun way, so that the people who need support the most can gain access in the simplest way possible. It is worth remembering that the working poor do not have much time on their hands, with over 1 million people in the UK now holding down two jobs. It is here that we believe employers are perhaps best placed to play a coordinating and integrating role when it comes to addressing the needs of the working poor. This of course raises other issues about creating trusted and confidential relationships, that ensuring the way initiatives are framed positively supports workers in seeking the help they may need, and ensuring that they build a greater sense of control and foster greater personal dignity in the process.

There are of course many more providers and innovators than the ones we have identified here, but we hope that these give a sense of the nature of support that is possible.

3.8 million

women in work are living in the Poverty Zone.

(Source Joseph Rowntree Foundation)

6 areas of innovation to support greater financial security, wellbeing and inclusion.

Part 1

Addressing the challenge of precarious, low income roles which offer little progression.

This case study from Scottish energy company SSE plc, demonstrates why paying the living wage and providing people with 'living hours' is so important in creating the foundations for financial security and stable family life.

SSE plc: Case study

SSE is a Scottish energy company listed in the FTSE 100. Rachel McEwen, Chief Sustainability Officer explains:

'Paying the real Living Wage is an essential step an employer can take to help alleviate the condition of the working poor. But there is another side of the coin: the number of hours worked and the security of those hours. It's why SSE is such an enthusiastic champion of 'Living Hours'. A company like SSE, a large UK headquartered energy company with trade union recognition, is not the sort of company where the worst employment practices will take place. When we became a Living Wage employer, most employees already earned above the Living Wage. The same applies here - most employees are on regular contracts. But there will be some who will benefit from the new Living Hours standard. Where we can make the greatest difference, however, is in our supply chain. If big organisations like ours stand up and say we expect people working regularly on our sites to earn decent pay and to be given the respect of regular hours and decent notice of shift pattern changes, then it makes it easier for those in the service sector to do it too. In the long-run, it is in all our interests that our workplaces and communities are filled with people who are treated with respect and can earn enough for a good life.'

Barclays Case Study: building social mobility

The case study on life skills development from Barclay's demonstrates the importance of equipping people with the skills they need to progress up to higher paying roles.

Barclays LifeSkills – Case study

Equipping people with the skills, knowledge and confidence they need to progress in work and life.

LifeSkills was created with Barclays to help all people in the UK wanting to progress in their career and make changes to their working life. In collaboration with educators, businesses, partners, charities and parents, LifeSkills has achieved a huge amount since the programme was set up six years ago in schools and colleges. From a starting ambition of aiming to help one million young people by 2015, more than 9.4 million young people have now participated, inspiring them to get the skills, knowledge and confidence needed to succeed in work, now and in the future. In 2019, LifeSkills was extended to the whole of the UK workforce across all ages and generations and aligned to current employment trends such as under-employment and an aging workforce. Also integral to the structure of the programme is a LifeSkills Advisory Council, with representatives from organisations such as the CBI, TUC, RSA and CIPD, which help the programme to continue to grow and develop. More than three-quarters of participants said they had higher career ambitions and aspirations after engaging with LifeSkills.

Caritas Westminster : dignity through work.

The Case study from Caritas Westminster highlights how important it is for people to be able to secure dignified employment with the opportunities for skills and financial progression, and not simply be stuck on an endless treadmill, providing only a 'pair of hands'.

Caritas – Case study

Caritas Westminster was founded to address the challenge they found where the majority of people living in poverty in London were in work. In response they have created a Social enterprise hub, which offers opportunities for dignified employment to help lift people out of poverty. Ms Bologna the Hub manager said: "What really matters is helping people choose their own future."

Part 2

Helping workers address their lack of savings, so they can better cope with life's shocks.

Organisations are helping to deliver on this challenge by enabling workers address how they can make their money go further with better education support and budgeting, by finding innovative social ways of living for less and ultimately by helping workers to save more.

Case study Quaker Social Action: Education

To start to save people need to ensure their money goes as far as possible. Educating workers in life skills around planning and budgeting can take many forms.

Quaker Social Action - Made of Money – Case study

Quaker Social Action is a Charity established over 150 years ago to address poverty in London's East End.

Made of Money was created to help parents better manage the often unrealistic and highly demanding expectations that children have in our consumer led society, and helps address the stresses this creates for parents operating on tightly constrained budgets. Whilst the work is aimed at children, it is designed for adults and children to attend together; fun-packed exercises are designed to giving adults a leading role. The sessions also help form good habits for children from an early age. The workshops are structured for small groups, largely attended by mums and children so are hugely effective in creating strong supportive bonds, which as we have seen are incredibly important in sharing experiences, emotions and communication. Together it helps to start changing people's relationship to money.

Case Study: Just Finance Foundation – Education

The technical challenges of working in a system that may include an unpredictable income and unpredictable benefits in the form of Universal Credit with fixed outgoings and the expense of raising a family would test the best of us. JFF provide practical support.

Education / The Just Finance Foundation - Case study

Just Finance is a charity founded by Archbishop Justin Welby, to help people on low income avoid and find ways out of financial distress, by building financial capability and confidence, providing relevant support and signposting to self-help and services, and helping people make wise use of financial products and services. Just Finance has created a number of effective initiatives, including "Cash Smart Credit Savvy", which helps people with basic budgeting skills. Designed as an early intervention, to prevent financial challenges becoming a crisis, the programme improves financial wellbeing by increasing confidence and skill in making informed choices about money. "Universal Credit Savvy" is a short course designed to help people understand and negotiate some of the complexities of Universal Credit, with signposting to professional advice. Just Finance Foundation is developing teams across the country to help develop innovative responses, improving access to credit unions and take up of debt advice and budgeting support, accessing groups in need that other agencies don't reach.

Case Study: Living for Less

Workers in the Poverty Zone are working hard for their money, and like many find that there is too little time to scratch cook. However prepared foods cost more. How do we help people to square that circle?

Food costs / Quaker Social Action - Bags of Taste – Case study

This initiative is designed to support people by helping their money go further. It targets low-income people living on a predominantly fast-food diet, who don't know where to find the cheapest good quality produce, or find cooking stressful and time-consuming. In response the 'Bags of Taste' team have created a series of free, hands-on cooking classes, improving confidence and getting people eating better for less. It is designed on the premise that eating delicious food doesn't mean expensive ingredients and hours in the kitchen. Over four weeks, the Bags of Taste team teaches people to cook great-tasting, simple recipes at less than £1 a head. The sessions are intentionally friendly and fun. Once again, the programme provides an excellent way to bring people together to create a sense of mutual support which over time rebuilds confidence.

Clothing costs / Kids Clothing Swap Shops – Case study

People on a low wage are more likely to be living in the Poverty Zone if they have children and the cost of children's clothing is a big part of the problem. The website HubHub has successfully created an online platform to enable people to set up 'Street Stores', where anyone can come to give away the clothes their children have outgrown and use the tokens earned to purchase other pre-owned clothes for their growing families. With a little support in the set-up phase, these kind of initiatives could be run with the workplace acting as hub. It is a great way of building supportive and inclusive communities. The approach has already been successfully tested in community centres and after-school clubs.

Heating costs / Fair By Design – Minibems – Case study

Heating is another expensive item in family budgets, with the "heat or eat" dilemma sadly becoming all too frequent for the working poor. The Minibems system allows individual home-owners to take control of their heating and energy useage in a far more precise way.

Case study: Saving More - BlackRock

Equipping workers to budget well and to spend wisely are the foundations for having cash to save, but so too are routines, like putting an amount away each month, because you know that at some point you may well need it.

BlackRock's Emergency Savings initiative – Case study

Like their British counterparts, 41% of Americans can't cover an unexpected or shock expense item. To help address this issue, BlackRock launched a $50 million initiative, creating an ecosystem between nonprofit experts, large employers, gig platforms, financial institutions and fintechs aimed at creating behaviourally compelling short-term savings solutions. UPS, Uber, Mastercard, Etsy, Brightside, Arizona State University and Acorns are the first group of companies who have committed to join BlackRock's initiative, helping their employees, customers, gig workers and college students take the essential first step towards long-term financial well-being. Each partner participating in the Initiative will work with experts from Common Cents Lab, Commonwealth, and/or the Financial Health Network, three nonprofits focused on consumer financial health. Funded by BlackRock, the nonprofits will work with the organisations to build, test, and pilot custom solutions. Proven innovations will be used, such as behavioural nudges, prize-linked savings, rounding up transactions or rounding down deposits, and percent-based automatic savings transfers aligned with income. Each organization will help tackle the challenge with an approach aligned to its business and people. Additional partners are expected to join the initiative imminently, with planned expansion to the United Kingdom in 2020. To learn more, visit www.savingsproject.org

Part 3

Addressing the Poverty Premium, where everything costs more when you are poor, from buying white goods to accessing affordable credit.

Case Study: INCUTO Credit Union platform to help deliver cheaper loans

Sometimes life shocks exceed any savings that workers may have in the bank. The need for credit at that point can be acute, but access to credit is often a problem. How do we help people find credit at an affordable level? There are several options that are available like FinTech's Salary Finance or Wage Stream. Here however we highlight how innovation is unlocking the potential of the Credit Unions.

Incuto – Credit Union Case loans Study

Incuto is a platform for Credit Unions ('CUs'), allowing them to become as flexible and responsive as payday loan companies. By improving the infrastructure of Credit Unions, Incuto directly contributes to the impact they have on their members, presenting CUs as credible alternatives to the payday loan market, but offering loans at a far more affordable level.

Case Study: Loqbox by Mastercard

Loqbox – Mastercard

As we have seen, when budgets are so tight, the psychology of saving is difficult. Loqbox takes a truly innovative approach to savings and credit scores. It is an online tool that helps people decide what they would like to save in a year, then it 'locks away' that amount as a 0% loan in your LOQBOX' . If a person pays off the loan over 12 months, then they not only get a cash sum at the end but they also grow their credit score to unlock a better rate of borrowing for the future.

Part 4

Falling into Debt

Falling into debt can happen as a result of life shocks, or small imperceptible steps as people take on multiple high street credit cards, which are relatively easy to access, but have high interest repayment terms. Life can quickly become a round of juggling the cards to keep on top of bills as people are dragged into the Poverty Zone. Salary Finance is one of the organisations that provide a range of financial tools to help workers through an employers payroll, including debt consolidation.

Salary Finance – Provide access to loans and debt consolidation through an employer's payroll

Over the last two years, Salary Finance has surveyed over 13,000 UK employees and found that people are far more stressed about money than their health, career and relationships. Salary Finance partners with employers to develop holistic financial wellbeing programmes that help employees, especially the most vulnerable, improve their financial situation. Salary-linked benefits enable employers to offer their people an affordable alternative to high-cost debt, build a savings habit, and protect their future income. Everything Salary Finance does is underpinned by financial education that helps build healthier money habits. The outcome is a more secure financial future, leading to improved mental health and more productive lives.

Part 5

Sliding into Problem Debt

The slide into pernicious problem debt happens when monthly income is no longer enough to cope with high interest payments and meet the daily costs of living. Rent moves into arrears, meals are missed and worries mount, repossessions and bailiffs beckon. It is a very dark place, and people need help in navigating a way through. Which is why advice agencies are so very important, though they would always, always prefer to be available to people earlier.

Step Change and Christians against Poverty

As well as new fintech entrants there are organisations who have been dedicated to helping people out of problem debt and the associated issues that go with them, for many years. Backed by the Archbishop of Canterbury and Money Saving Expert Martin Lewis. CAP are on a mission to release thousands of families from grinding poverty through award winning debt counselling and community groups. By equipping and empowering local groups and churches to reach out on their doorsteps, they help over 21,500 families every year. StepChange also help people to deal with their debt in a manageable way. They offer free debt advice that is based on a comprehensive assessment of each person's individual situation, providing practical help and support for however long it's needed. In 2018 they helped 650,000 people.

Part 6

Overcoming the unrecognised struggles of simply living

As we have seen living in the Poverty Zone applies a crushing weight to workers lives impacting mental health, shaping and often stunting children's lives and can lead to an overall sense of desperation. How can we help to alleviate those burdens in the short term, whilst longer term and more sustainable and structural answers are being developed?

Talking about Mental Health

As we have seen throughout this report there are serious and debilitating impacts of the stress the working poor endure. Part of the challenge occurs when these stresses turn into mental health conditions. Talk for Health is not a first aider led approach, instead it equips workers to support each other in discussing challenges they are each facing, with the benefit of learning techniques which demystify the psychology and provide a tool kit which everyday working people can use to explore the issues they face and provide support to others who are experiencing similar challenges. It is all part of a process to build up self-esteem, solidarity and mutual support.

Case Study: Lloyds Banking Group

Mental Health & Money Advice Service

In today's climate, where there is an increase in zero hours or 'gig' contracts, those in work often don't have a reliable income each month; an increased cost of living often results in people in work resorting to food banks to feed themselves and their families. Those who find themselves in debt and struggling with money are put under severe pressure which in turn has a negative impact on their mental health. Taking time off sick often simply isn't an option, which pulls people further into the downward spiral of poor mental and financial health.

Through Lloyds Banking Group's partnership with Mental Health UK and the fundraising from colleagues and customers, the charity has been able to build and launch Mental Health and Money Advice, the UK's first advice service dedicated to helping people understand, manage and improve their financial and mental health. Recognising that mental health and money problems often amplify each other, Mental Health and Money Advice fills a significant gap in providing combined support for people with both mental health and money problems. This pioneering service also supports the Group's wider ambition to help Britain prosper through tackling social and economic issues.

Since the service launched in November 2017, the telephone casework team have supported over 2,000 individuals with their money and mental health problems. The team has helped people gain almost £5.5million pounds, either in additional income or expenditure saved, which equates to each person being over £2,500 better off. Perhaps even more importantly, service users have also reported an increase in their mental wellbeing and increased confidence managing their money. Over 600,000 people have visited the website.

FairShare #Activate Scheme

Up to 3 million children are at risk of going hungry over the school holidays.

Charity FareShare provides over 340 tonnes of food through its 21 regional centres to in excess of 400 projects over the summer holiday period. This helps to give nutritious meals and snacks for over 50,000 children a week across the UK. The scheme is based on donations of food often from the retail and hospitality sectors to help children facing hunger in Britain.

5x

Women in the bottom 20% of income groups are five times more likely to experience depression.

(Source Deborah Belle Research)

7. Recommendations

Putting financial inclusion first

Business needs to make financial security, wellbeing and inclusion the bedrock on which every other people strategy is built.

There is one thing that everyone who is a member of the working poor has in common – they all have an employer. This report puts the role of employers at the centre of its recommendations. It believes that employers can be the gateway through which effective support and services of all kinds can be delivered cost-effectively and quality-assured for workers who are struggling. There are three broad recommendations:

[1] Every employer should make a public commitment to address the issues facing the working poor in Britain, by signing up to the UN's Sustainable Development Goal on Poverty. This states that Business will work 'To eradicate poverty in all its forms everywhere'. As part of this commitment every employer may for example, set out in their annual report how they will achieve this goal both internally and in their supply chain. Progress towards this goal should form part of all reviews of progress and ESG assessments by investors and companies.

[2] We propose the establishment of a new standard for 'Decent Work' in Britain. Building on the recommendations of the Taylor Review on Good Work, and other bodies, it would specifically address issues of financial security, wellbeing and inclusion, through a new and much needed industry standard and set of principles. A commitment to adopt this standard may include the following:

I A commitment to pay the Living Wage and honour Living Hours as the foundation for Financial Security.

II. A commitment to provide financial education throughout a worker's employment, with Annual Financial Wellbeing Days made available to all employees by their Company, at which financial planning, credit and debt advice and other related services will be available (both online and face to face).

III. A commitment to provide in-work **LifeSaver** funds, to help workers build up savings for the future and a buffer against life shocks. These schemes could, where permissible, operate through auto-enrolment, where all employee pay rises could automatically be put into a savings account; if employees didn't want to participate, they could simply opt out of the arrangements. Financial education could also be put in place to support positive choices. Some organisations already have facilities for employees to save on a regular basis through share schemes. These are usually extremely popular with workers. [Please note - it might make more sense for a worker to pay off a high interest credit / loan first before embarking on savings].

IV. Employee Benefits should be re-structured around Key Life Events. This happens to some extent in large organisations, but could be taken further to cover issues like death of a spouse or divorce. Given the significant impact unplanned life events, as the issue most likely to tip someone into problem debt, we recommend that Employee support should always include advice on the financial implications of such events and related decisions.

V. A commitment to provide access to low-cost credit and debt consolidation services to workers via an Employer's payroll. Implementation of such services can be provided by a range of recommended suppliers or Credit Unions. [It is noted that financial services firms are unable to provide debt consolidation and other related services do under market conduct guidelines].

VI. A commitment to establish Employee Wellbeing Funds, which recognise that - even with all the other support in place - workers may still encounter situations which leave them financially vulnerable. The Wellbeing Fund would operate as a form of insurance scheme and possibly through very low subscription rates, could enable workers in extremis to find short-term solutions away from the payday moneylenders. Cont...

We are creating a movement of leading organisations who are committed to making this happen.

The report also acknowledges that the multi-dimensional nature of living in the Poverty Zone requires business to seek partnership with social entities in their community to provide some of the wider support that will be required.

[One route forward could see The Financial Inclusion Alliance exploring whether there is an opportunity to establish a market for new services with the insurance industry. To help provide better 'cover' for other life events, as they do already for 'death in service', or 'critical illness']. We would propose also working with existing bodies in developing this work further including for example 'The Retail Trust', 'Hospitality Action' and the 'Bank Workers Charity'.

VII. A commitment by employers to support 'Employee Clubs' which would operate across a range of areas, from procuring energy and white goods, to enabling employees to set up clothes swap schemes. The key to success is that the 'Clubs' should engender greater social solidarity amongst participating workers.

VIII. A commitment to provide training and experience to enable workers in lower paid roles to be more equipped to step into better paid work.

IX: A commitment to create a joint working party between business leaders within the Financial Inclusion Alliance and the Department of Work and Pensions, to produce a more effective tapering of Universal Credit to stop workers being disincentivised from taking on more responsibility.

[3]

I. A Fund should be be established by employers to create a software platform and help desk which would provide employers with access to knowledge and expertise on creating and delivering on the commitments outlined above and which will help to scale up the implementation of services to support the working poor. This should be augmented by an advisory service to support employers on how best to implement.

II. We need to join together to turn the Financial Inclusion Alliance into a movement for significant and sustainable change across the UK, made up of all businesses working together with civil society committed to "Serving All"

The Financial Inclusion Alliance would now look to bring together a wider group of organisations, who can see the opportunity to act on this agenda and who will work together to review these recommendations and turn them into workable plans within their own organisations.

8. Concluding remarks: Trusted gateways to a better future

Through the course of this report we have understood how widespread insecurity about money is in modern Britain. Moreover, we have seen how such concerns are amplified in the lives of the working poor, balanced precariously on the edge of the Poverty Zone, frequently without savings, at permanent risk of falling into problem debt. We know that in these uncertain times business is all about priorities, and so whilst we have argued that putting financial inclusion first makes great sense as a people strategy, we have also shown that it first and foremost makes good business sense by boosting performance, engagement and safety. However, despite a huge amount of financial and social innovation, we have found that the market to help the working poor is not operating as it should. The Financial Inclusion Alliance believes that there is now an opportunity for thoughtful businesses to bring together the best of the innovation and support that is already there and to become trusted gateways through which workers can access the financial, social and psychological support they need.

This report has outlined how a Financial Inclusion First Strategy may operate. As we said at the outset of this report, this is not a journey any one company can take alone. That is why we assembled the Financial Inclusion Alliance as a group of companies, social innovators and tech entrepreneurs to create the beginnings of a new ecosystem of practical support for the working poor.

Mark Carney, the outgoing Governor of the Bank of England, observed that capitalism either learns how to be inclusive or it fails. Over the past year we have found enough examples of organisations who are taking bold steps towards greater inclusivity and this gives us confidence that we are travelling in the right direction. Our shared challenge is how we help this group of pioneers become a movement across industry and that is why we are looking to the business community to commit to the recommendations in this report.

A Financial Inclusion First Strategy can 'Serve All'. It represents an opportunity to open up access to better food and nutrition, better savings and less anxiety, better relationships, better prospects for children, greater participation in society and a better chance of living a secure life in retirement.

Report Author
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Co-Founder: The Financial Inclusion Alliance

This report by Tomorrow's Company is part of its work in inspiring and enabling business to be a force for good in society. The concept of the Financial Inclusion Alliance was developed under the leadership of Norman Pickavance. We hope you agree that this is a cause worthy of further exploration. If you would like to participate in the Financial Inclusion Alliance, or find out more about Phase II of the project, please contact Norman Pickavance of the Financial Inclusion Alliance. 07718 511484

Appendix

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Tomorrow’s Company and Norman Pickavance would like to thank; Andrew Naughtie and Dr Scarlett Brown for their insights through the research process and Claire Dobson for her operational support.

Support for the Financial Incluson Alliance...

"Financial Inclusion and Financial Resilience sit at the heart of L&G's model of Inclusive Capitalism. As this excellent Report highlights, too many hard-working people are still only 'Just About Managing' - institutional funds can invest to fund new homes, cities and higher-productivity, higher-pay jobs to help people become more financially included and resilient. Finance should be for all."

Nigel Wilson, CEO Legal and General

"Good Business is the engine of prosperity across the UK. But there is a huge opportunity to do more and to respond to the challenge of inequality that holds back communities. Financial Inclusion is at the heart of this, and this report can be a valuable catalyst for change. The CBI strongly encourages firms to engage with this campaign."

Carolyn Fairbairn, Director General of the CBI

"This is an important report. The 'working poor' are not on the other side of the world or even in a distant neighbourhood. They work alongside us. They are our colleagues working in warehouses, kitchens and delivery vans. If we allow our colleagues to suffer, as the 'working poor' suffer, then what does it say about whom we have become? I firmly support the work of The Financial Inclusion Alliance."

Cardinal Vincent Nichols, Leader of the Catholic Church in England and Wales

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"Financial challenges afflict people across all communities. They manifest in many forms such as rising levels of debt and the inability to provide the basic essentials for our loved ones, or to save to any meaningful extent – all of which cause significant distress to individuals and families. This is of significant concern and gnaws at the very fabric of our society. It is our responsibility, together with the involvement of business, to find ways to help foster greater financial resilience. I applaud the aims of the Financial Inclusion Alliance and commend the Alliance on its important work."

Chief Rabbi, Ephraim Mirvis

"As I argued in the research report Prosperity and Justice, a fair economy is a strong economy. It is neither justifiable nor sustainable that a majority of the poor today are working families. We have a moral responsibility to ensure that our economy and financial systems are structured to provide all those participating with a decent standard of living, to enable all to flourish. I support the work of the Financial Inclusion Alliance in highlighting the struggles of the working poor."

Justin Welby, Archbishop of Canterbury

"This important report highlights the financial fragility of so many millions across our country. It makes clear that one of the biggest risks many working people face is not having the savings they might need in case of unexpected expenses, such as needing a new boiler, home appliance or car repairs. Having some financial reserve, just in case, can make all the difference and help avoid getting into debt. So I am proud to back the Financial Inclusion Alliance proposal that every worker should have a 'LifeSaver' fund. Business has an important part to play in helping working people in Britain manage their money and move on from debt into saving. Not just because it will benefit their staff, but because reducing employees' financial stress can improve productivity and boost the bottom line."

Baroness Ros Altmann, Pensions and Savings Leader

"Mitigating financial vulnerability is core to Fair By Design's mission to tackle the poverty premium. By backing innovative business models that are inclusive and designed to address the needs of vulnerable consumers, we aim to tackle many of the issues highlighted in this report. We believe we can use the power of technology and partnerships to help low-income families to manage, plan and strive for a better future." We are pleased to be working with the Financial Inclusion Alliance"

Kip Meek, Chairman of the Fair By Design Fund, set up to tackle the poverty premium

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"One in eight workers live in poverty, struggling to meet basic needs. Stability, security and support should be vital to any job yet financial wellbeing is often an overlooked piece of the puzzle. It's time to take notice. By offering good work and the right financial tools employers improve the health of both their workforce and their business - the last and very vital piece of this puzzle."

Amanda Mackenzie OBE, Chief Executive, Business in the Community

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"The Financial Inclusion Commission was established to alert policymakers and the public to the dangers of financial exclusion and to argue for a financially inclusive Britain.We applaud the Financial Inclusion Alliance for its efforts to address financial security, wellbeing and inclusion in the workplace and look forward to working with them on this important issue."

Sir Sherard Cowper-Coles, Chair of the Financial Inclusion Commission

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