

How to Help Alleviate Financial Stress in Your Workforce

April 2021

Fidelity's international benefits newsletter focuses on key issues impacting employer-sponsored benefit plans and employee well-being. This edition explores the role employers are playing in supporting the financial wellness of their employees worldwide given their increasing needs in this area.

On the legislative side, there are updates to the Quebec parental insurance program in Canada, guidelines for the proposed retirement age increases in China, compulsory annuitization of retirement savings in South Africa, and a freeze of the Lifetime Allowance pension cap in the UK.

In the COVID-19 Global Developments section, we cover considerations for the return to the workplace along with the latest global vaccination update.

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How to Help Alleviate Financial Stress in Your Workforce

Financial wellness is becoming an increasing focus around the globe. As much of the world faces an uncertain economic outlook due to the impacts of a global pandemic and volatile markets, many workers are finding themselves dealing with financial challenges. Some face student loan or consumer debt, some find themselves looking after the financial needs for the younger and/or older generations of their family, and others are preparing for a reduction in income and more difficult times ahead. At the same time, saving for both immediate and long-term financial goals, including retirement, remains an area of challenge for many.

There is a clear link amongst financial stress, overall well-being and business performance – survey data from Fidelity shows¹ that **five of the top ten** causes of stress are related to money and that, on average, **four in ten** individuals who are financially stressed are detractors to their employer. Stress also impacts productivity and engagement. It's imperative for employers to support their employees' financial wellness, both out of care for their people as well as to mitigate the impacts on business results.

As highlighted in our [May 2020 newsletter](#), 90% of multinational employers are worried about the financial well-being of their workforce. However, only a third of employers have a global financial wellness framework, and only 15% of employers have implemented financial wellness programs across multiple countries. Employers are most concerned with budgeting and savings relative to their global workforce, as shown in the chart below.²

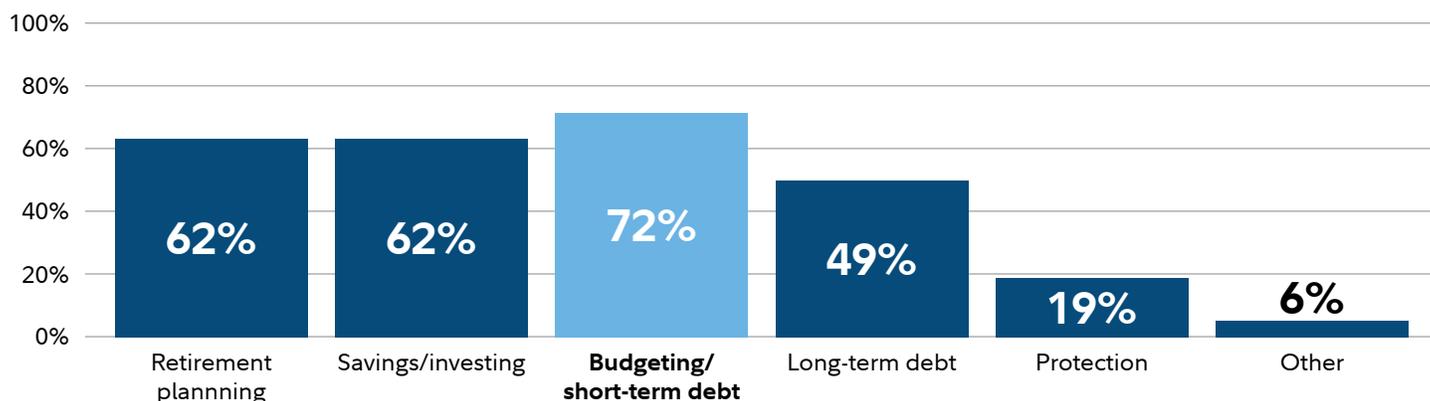


Key Takeaways

Employees need access to financial wellness education and guidance that:

- Meets them where they are
- Is relevant to their location and individual situation
- Is digestible and actionable
- Enables change
- Improves confidence

Three most common focus areas of employer concern as reported in the Fidelity client survey



¹ Source: Fidelity Investments Total Well-Being Research online survey of 9,315 active Fidelity 401(k) and 403(b) participants from across the United States. The survey was conducted by Greenwald and Associates, an independent third-party research firm, on behalf of Fidelity in September 2017.

² Source: Fidelity Investments survey participants based on 59 global corporations representing 4 million employees across the world.

Employees are asking for help. For example³:

1/3 A **third** of German millennials want help from their employer with financial planning.

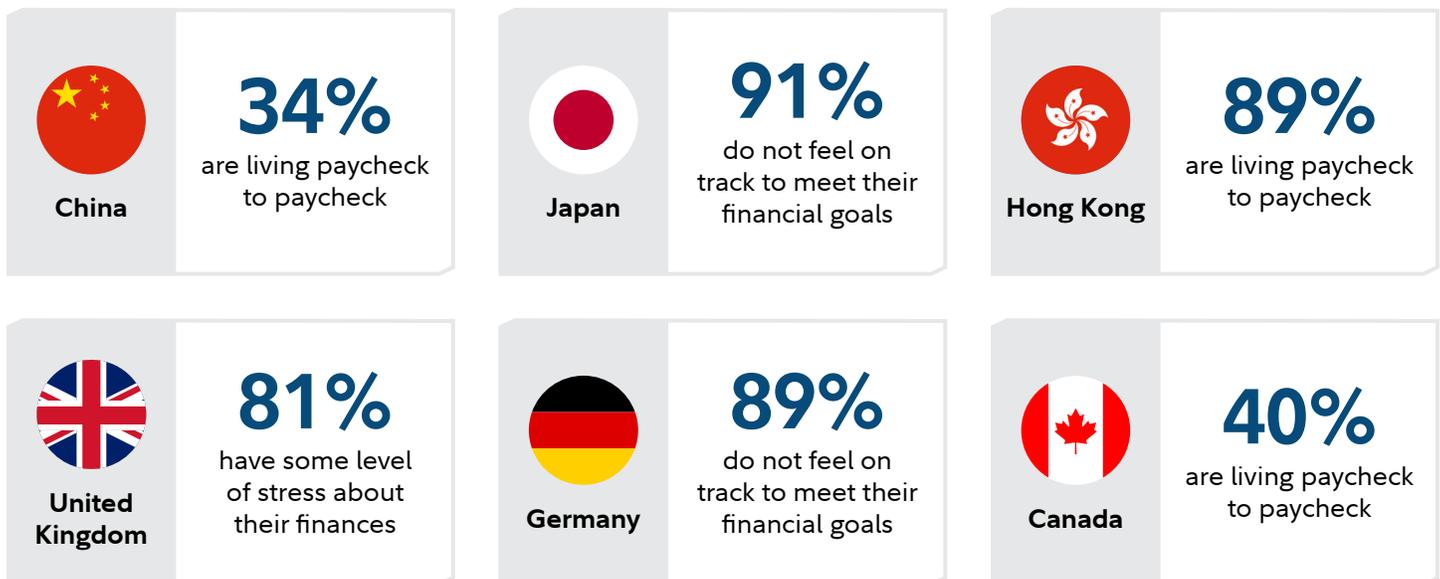
1/3 A **third** of British millennials believe their employer has an obligation to look after their financial well-being.

more than 1/2 **More than half** of Canadians don't think their employers do a good job helping them plan, save and invest for retirement.

There remains a disconnect between the growing financial issues faced by employees, and the continued lack of support available from their employers to help them in this area of life.

Fidelity's Global Financial Wellness Survey

[Fidelity's Global Financial Wellness Survey](#)⁴ measured the financial wellness of around 17,000 respondents across 6 countries. While there were some common themes across regions, there were some key differences that emerged, as illustrated below.



These results highlight the need for employers to adopt and supplement their global approach that is locally-tailored to the specific needs of employees in each location. Companies are beginning to take this a step further, offering employees individually-tailored support by way of individual assessments and recommendations.

³ Source: 2019 Fidelity Investments and National Business Group on Health (NBGH) Employer Sponsored Health and Well-being survey.

⁴ Source: Fidelity's Global Financial Wellness Survey 2020, conducted between March and May 2020.

Case Study: Financial Wellness in China

Fidelity conducted a recent financial wellness pilot for multinational clients with operations in China. The pilot consisted of an employee assessment, which provided employees with their own financial wellness scores, recommendations, and educational content, across all four domains of financial wellness (budgeting, debt, savings, and protection).

The median scores in this study were quite different from the results of the broader Fidelity Global Financial Wellness Survey, as shown in the table below. The savings scores for the employees that participated in the pilot resulted in a median score of 41 out of 100, indicating many need significant help when it comes to savings. The differences in these results also demonstrate the impact of each employer's unique workforce demographics, and why a personalized approach for employees is optimal.

	China Broad Study	Client Scores	Delta
Median Overall Score (out of 100)	71	60	-11
Needs Attention	1%	6%	+5%
Fair	11%	42%	+31%
Good	79%	46%	-33%
Excellent	9%	6%	-3%

Financial Wellness and the D&I Agenda

Diversity and Inclusion ("D&I") remains high on the corporate agenda in 2021, with companies looking to transform culture throughout their organization. We believe that financial wellness can contribute towards this objective - providing employees with access to relevant education and support will help increase financial literacy and reduce inequities that exist between different geographies and other demographics within the workforce.

Understanding the different needs of your workforce will allow employers to take appropriate action that fits within their broader efforts to address D&I concerns.

Impact of COVID-19 on Retirement Readiness

With COVID-19 financial hardship leading to reductions in retirement contributions or early withdrawals, and increased anxiety around turbulent financial markets, providing education and support is going to be critical to ensure that employees have sufficient retirement savings to achieve adequate income in retirement.

Around the world, legislation has allowed individuals hard-hit by COVID-19 to borrow or take from their future retirement savings to pay for today's expenses. Examples include the CARES Act in the US allowing individuals to take early withdrawals from 401(k) plans, and in Australia where individuals were permitted to take early withdrawals from superannuation retirement savings (official data⁵ showed that nearly 3 million Australians withdrew a total of AUD 36 billion from their retirement accounts).

Development of a Global Financial Wellness Strategy

We believe that a global financial wellness strategy should allow for some or all of the following:



Having a globally consistent framework (for example, using the Fidelity elements of Budgeting, Debt, Savings and Protection).



Prioritization of countries and employer resources (e.g., by headcount, known issues, or gaps in existing benefits offerings).



Understanding the diverse needs of the workforce through the use of employee assessments or aggregated census data and "personas".



Education of employees – while general information is necessary, pointing employees to solutions based on their needs is vital for engagement.



Revision of current benefit offerings – taking into account the data from employee assessments and current plans.



An ongoing engagement plan to measure needs, enhance utilization, and provide relevant communication.

What's Next for Multinationals?

We are in volatile financial times where workers face a multitude of competing demands, and many are not sure how to prioritize or what steps to take first to improve their situation. To address these matters and increase financial wellness both inside and outside the workplace, Fidelity encourages employers to consider the benefits of deeply understanding the financial state of their employees and supplying the solutions they need to build financial confidence.

If this is done well, it will support a variety of business needs, including employee total well-being, overall employee engagement and satisfaction with their employer, as well as D&I initiatives. It is an investment that needs to be made.

⁵Source: <https://www.abc.net.au/news/2020-12-30/super-early-release-withdrawal-scheme-superannuation/13021162>

COVID-19 Global Developments for Benefit Professionals

This section of our newsletter includes relevant key statistics, brief highlights, and/or ongoing developments impacting the employee benefit universe. Our intention is to provide a general summary of information that we believe will provide additional insight for benefit professionals.

General considerations for employers regarding the return to the workplace

Employers across different countries are in various stages of return to the workplace. Many have questions around how to ensure a COVID-19 – free environment and protect the safety of their employees.

Currently there are no rules in place to make having a vaccine compulsory. This situation may evolve, with the travel industry already considering country access based on the vaccination situation of the individuals, and many countries are looking into the possibility of vaccination passports and mandatory testing for unvaccinated employees. There are also various forms of allowances/incentives to encourage the vaccines - as well as differing levels of restrictions based on what would be acceptable versus legislation or laws in-situ. In certain countries, this may even differ for companies that may be able to apply their own rules to office attendance and other work site visits in addition to country requirements.



Belgium

Time off for vaccine

The Belgian parliament recently approved a draft act giving employees the right to paid leave in order to receive the COVID-19 vaccination. This will be effective until December 31, 2021, but may be extended further.



Israel

Return to the workplace

Regulations now explicitly allow employers to decide that certain employees can perform their work remotely and may define work arrangements accordingly. This now offers significant backing for employers when employees refuse to work remotely.

Employers may also require that employees present a state-issued "green pass" (having either been fully vaccinated or recovered from the COVID-19 virus) before entering particular public spaces in the workplace (such as cafeterias and gyms).



Netherlands

Tax-free commuting allowance

The Dutch government has extended the existing tax-free commuting allowance program until July 1, 2021. The government is also considering introducing a new tax-free allowance for expenses incurred when working from home.



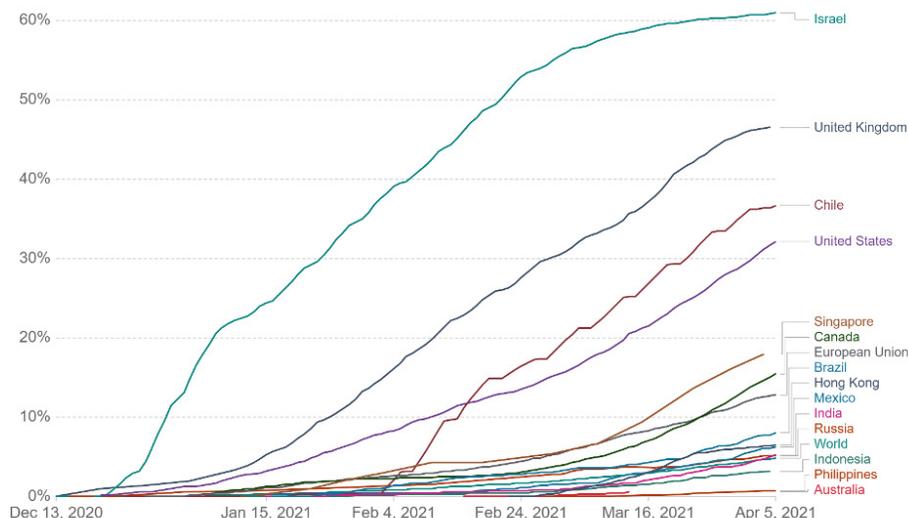
United Arab Emirates

Mandatory tests for unvaccinated employees

Unvaccinated employees working in certain hospitality, tourism and other customer-facing roles will be required to take a mandatory COVID-19 PCR test every two weeks.

Global Vaccination Update

Cumulative share of people who received at least one dose of COVID-19 vaccine⁶



List of Approved Vaccines by Select Countries⁶

Vaccination against COVID-19 has now started in 161 locations, covering 91% of the world population.

Location	Source	Latest Observation Date	Vaccines
Brazil	Ministry of Health	April 5, 2021	Oxford/AstraZeneca, Sinovac
Canada	Official data from provinces via covid19tracker.ca	April 5, 2021	Moderna, Oxford/AstraZeneca, Pfizer/BioNTech
China	National Health Commission	April 5, 2021	Sinopharm/Beijing, Sinopharm/Wuhan, Sinovac
Denmark	Statens Serum Institut	April 4, 2021	Moderna, Oxford/AstraZeneca, Pfizer/BioNTech
France	Public Health France	April 4, 2021	Moderna, Oxford/AstraZeneca, Pfizer/BioNTech
Germany	Robert Koch Institut	April 2, 2021	Moderna, Oxford/AstraZeneca, Pfizer/BioNTech
India	Ministry of Health	April 5, 2021	Covaxin, Oxford/AstraZeneca
Netherlands	National Institute for Public Health and the Environment	March 28, 2021	Moderna, Oxford/AstraZeneca, Pfizer/BioNTech
Poland	Ministry of Health	April 4, 2021	Moderna, Oxford/AstraZeneca, Pfizer/BioNTech
Singapore	Ministry of Health	April 3, 2021	Moderna, Pfizer/BioNTech
United Arab Emirates	National Emergency Crisis and Disaster Management Authority	April 5, 2021	Oxford/AstraZeneca, Pfizer/BioNTech, Sinopharm/Beijing, Sinopharm/Wuhan, Sputnik V
United Kingdom	Government of the United Kingdom	April 4, 2021	Oxford/AstraZeneca, Pfizer/BioNTech
United States	Centers for Disease Control and Prevention	April 5, 2021	Johnson&Johnson, Moderna, Pfizer/BioNTech

⁶ Source: [Coronavirus \(COVID-19\) Vaccinations – Statistics and Research – Our World in Data](#), data extracted as of April 6, 2021.

Legislative Updates



Canada

Quebec has amended its Parental Insurance Plan (“QPIP”) to provide additional parental and adoption benefits with effect from January 1, 2021. Key provisions are as follows:

- New benefits available to adoptive parents (shareable and individual weeks of benefits).
- Extended benefits for new births or adoptions (additional 3-5 weeks of benefits at different percentages of average weekly income, depending on the situation).
- Increasing the period during which benefits may be taken (up to 20 weeks for maternity, and up to 78 weeks for paternity, parental, or adoption).

Recommended Action:

Employers should familiarize themselves with the expanded provisions, then review their leave policies and make changes as necessary.



South Africa

The government has implemented compulsory annuitization of a proportion of employees’ provident fund balances at retirement, with effect from March 1, 2021. Key details are as follows:

- Fund balances at March 1, 2021 and future investment returns up to retirement are classified as “protected benefits” and can continue to be fully paid as a lump sum upon retirement.
- Contributions made after March 1, 2021 and future investment returns up to retirement are classified as “restricted benefits”, for which a maximum of one-third is permitted to be paid as a lump sum and the remainder as an annuity.
- For participants age 55 or older as of March 1, 2021, grandfathering rules apply, and both contributions after March 1, 2021 and investment returns up to retirement are considered “protected benefits” that can be fully paid as a lump sum upon retirement.

Recommended Action:

Due to the grandfathering arrangements it will take a number of years before individuals feel the impact from these changes; however, employers should ensure that plan administration is appropriately adapted to make record of protected benefits that apply from March 1, 2021.



China

Following the annual Two Sessions (Chinese parliament) meeting in Beijing, there have been further developments on raising retirement ages.

The current statutory retirement ages (60 for men, 55 for female civil servants, and 50 for other female workers) have remained unchanged for more than four decades. The Chinese Government have provided guidelines for raising retirement ages, including:

- Gradually phasing in the raised retirement ages over a period of time rather than immediately.
- Allowing individual workers flexibility to decide when they retire.
- Differing policies to be made for different retirement age groups, regions, and positions.
- Providing social security policy and financial support to ensure the retirement age plan is implemented smoothly.

Recommended Action:

Employers should monitor development of the retirement age guidelines and potential impact on both HR policies and retirement plans.



United Kingdom

During the Spring Budget, the UK Chancellor of the Exchequer announced that the pension Lifetime Allowance (a limit on the value of any payouts from pension plans that can be made without triggering an extra tax charge) will be frozen at £1.073m until April 2026 instead of increasing in line with the consumer price index. Over time, this freeze will increase the number of people who exceed the cap and the amount by which they exceed it vs if the cap increased each year.

Recommended Action:

Employers should ensure that employees understand the Lifetime Allowance regulations and potential impacts on their individual tax situation.

About Fidelity Workplace Consulting's Global Practice

Fidelity's Workplace Consulting Global team is independent and focuses on supporting clients in meeting their business objectives through the provision of impartial and tailored advice reflecting market trends and best practice.

1 Define and Implement STRATEGY AND GOVERNANCE

2 Monitor and Report MANAGEMENT AND OVERSIGHT

3 Drive Employee Engagement PERSONALIZATION AND DATA ANALYTICS

BREADTH AND DEPTH OF OUR FOCUS

 Global Well-Being	 Best Practices and Market Trends
 Benefits Financing	 Plan Design and Benchmarking
 Vendor Selection and Management	 Mergers and Acquisitions
 Consulting and Guidance	 Global Financial Wellness

ACROSS VARIOUS PROGRAMS

 Retirement	 Health & Welfare
 Stock Plans	 Global / Expatriate Plans
 Other Perquisites	 Global Mobility Strategy

For more information

For more information on the topics covered within this newsletter or to discuss your international benefit programs, please contact Fidelity Workplace Consulting at FidelityWorkplaceConsulting@fmr.com.