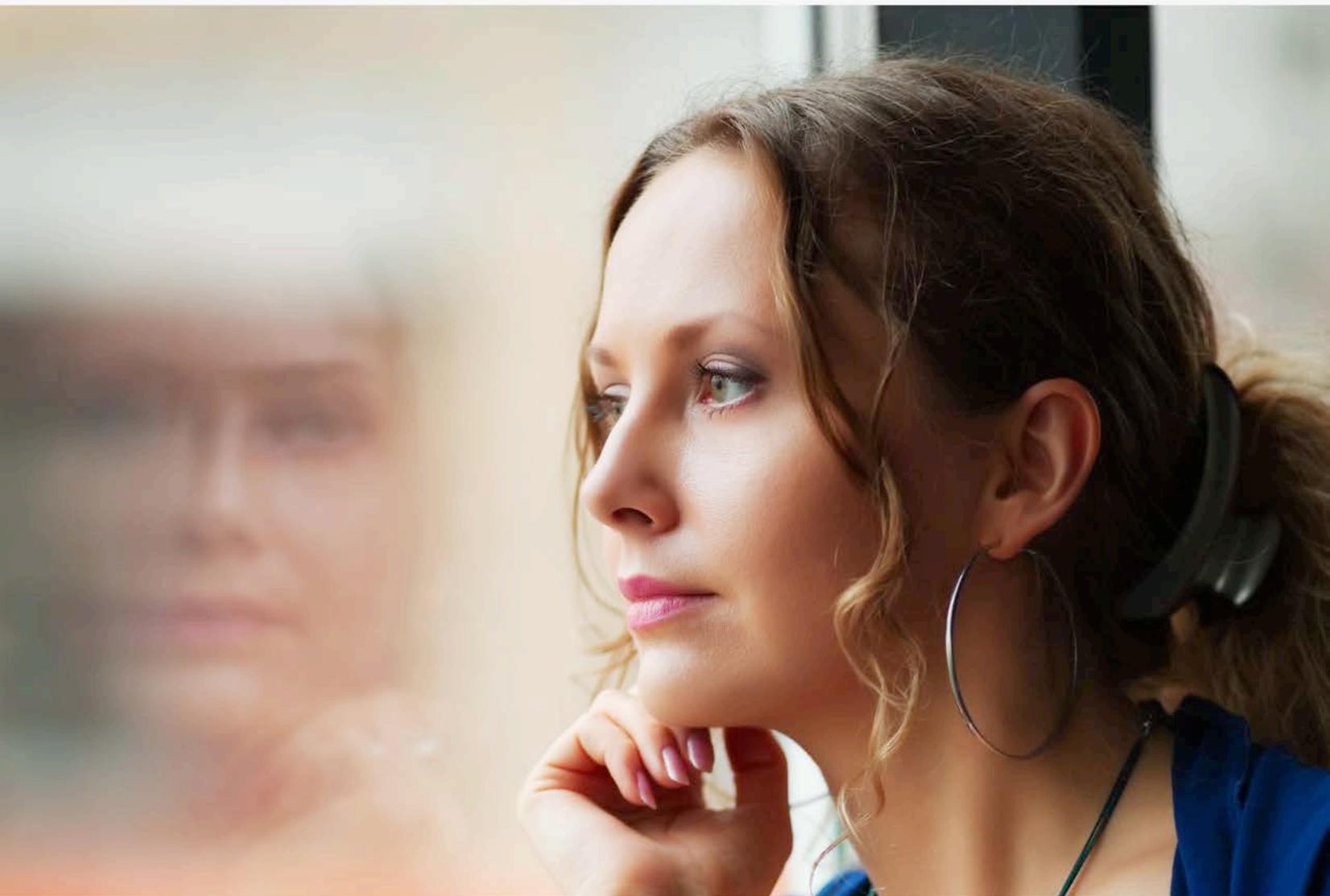


Employee Financial Wellness and Its Impact On Workplace Productivity and Cost of Benefits



Information **Experts**[™]



The Impact of Personal Financial Stress in the Workplace

EXECUTIVE SUMMARY

According to PwC's 2016 Employee Financial Wellness Survey, 37% of Millennials say that issues with personal finances have been a distraction at work. Across the entire workforce, 46% of workers spend three or more hours during the workweek taking care of financial issues and 8% say it impacts their attendance as they face ongoing struggles with medical expenses, credit card debt, student loans, and child and elder care expenses, among other things.

In light of these statistics and their impact on employee morale and productivity at work, more and more organizations are offering financial wellness education programs as part of their overall benefits. With financial stress causing an organization with 1,000 employees an estimated \$5 million a year, financial wellness benefit programs are growing in popularity and their return on investment is proving to be positive.

FINANCIAL STRESS IN THE WORKPLACE

Employees who have difficulty paying everyday expenses and recurring bills, or who have reduced options for improving their financial condition, or who feel that their financial condition limits their choices can feel stress and that stress carries over to work. Signs of financial stress show up at work as higher rates of absenteeism, presenteeism, loans from retirement plans, wage garnishments, and pay-day advances.

Regardless of economic level, age, or gender, many employees have emerged from the 2008 financial crisis experiencing higher levels of stress driven by financial insecurity.ⁱ Some workers report they live paycheck-to-paycheck, leaving them just one financial emergency away from disaster.ⁱⁱ This leads to more than half of them reporting their financial situation is only "only fair" or "poor."ⁱⁱⁱ

Financial stress hurts the health of millions of employees adding to the cost of benefits, and reducing productivity in the workplace.^{iv} As recently as 2014, Pension Consultants Inc. estimated workforce stress costs an organization with 1,000 employees more than \$5 million a year.^v



AN AFFORDABLE AND EFFECTIVE SOLUTION

Many organizations have found that adding a workplace financial wellness program to their benefits package is a relatively simple and cost-positive solution to this problem. These programs can have a profound effect on improving workplace morale and productivity and help reduce the cost of benefits. Research has shown meaningful improvements in employees' financial well-being can be achieved – and stress reduced – by providing a few simple, cost-effective financial educational resources to employees.

Including a financial wellness program in an organization's human resources strategic plan can help it address one of the root causes of employee stress and its resulting lower productivity and morale. It can also be a persuasive element in an organization's recruiting and retention efforts as it helps distinguish it from other organizations that are recruiting the same employee skill sets or that are trying to lure employees away.

WHY PROVIDING A FINANCIAL WELLNESS PROGRAM IN THE WORKPLACE MAKES SENSE

More than anywhere else, work is where most people make critical decisions about how to allocate their wages to current needs and their long-term goals through their selection of savings, insurance, investment, and other compensation options. These decisions have an immediate effect on employee morale, loyalty, and job performance, and a life-long impact on the employee's financial well-being. Because of the complexity and constantly changing nature of decisions employees have to make regarding benefits, it makes sense that employers provide educational programs, tools, and materials that help employees make financial decisions that are in their interests based on their needs and circumstances.

THERE IS NO STANDARD FINANCIAL WELLNESS PROGRAM AND ITS MORE THAN RETIREMENT PLANNING

Often, a financial wellness program is mistakenly thought to be just retirement benefits – such as a 401(k) plan – or a response to an employee's specific or unexpected financial need. But it's much more comprehensive; it proactively addresses an employee's overall financial health.



Employee financial wellness programs come in all shapes and sizes because every employee population is different. For a program to be beneficial, it should address the specific needs and interests of the organization's employees. Recent qualitative research also found that employees overwhelmingly prefer that any financial wellness program be implemented anonymously and preferably by a third party.

A WORKPLACE FINANCIAL WELLNESS PROGRAM IS COST EFFECTIVE

The help employees are seeking need not be expensive nor complicated to implement and maintain. An effective financial wellness program can simply be a more proactive, cost-effective method of delivering help that employers are already providing. A few hours of additional productivity per year or a one-day reduction in absenteeism per participant could be enough to cover the employer's per-person training and resource costs.

ASK US HOW A FINANCIAL WELLNESS PROGRAM CAN HELP YOUR ORGANIZATION

For the past three years, Information Experts has been working with multiple organizations on a number of financial programs. Included was a multi-year research effort on the state of financial wellness programs in organizations of all sizes. We have identified the best practices companies use to define, establish, and measure their programs. With this knowledge, we can help your organization assess the status of your workforces' financial wellbeing and the impact it is having on operations. We can then help you develop a program and provide cost-efficient training that meets your workforce's specific needs, increase productivity and reduce financial stress. Contact us today for a no-obligation consultation.

SOURCES:

- i. American Dream and Financial Security, Washington Post-Miller Center Poll (Sept. 6-12), Washington Post, http://www.washingtonpost.com/politics/polling/postmill-er-center-poll-american-dream-financial/2013/11/25/b9cec6ca-2892-11e3-8ab3-b5aacc9e1165_page.html; see also, e.g., Rakesh Kochhar & Rich Morin, Despite recovery, fewer Americans identify as middle class, Pew Research Center (Jan. 27, 2014), <http://www.pewresearch.org/fact-tank/2014/01/27/despite-recovery-fewer-americans-identify-as-middle-class/>.
- ii. Share of U.S. Workers Living Paycheck to Paycheck Continues to Decline from Recession-Era Peak, Finds Annual CareerBuilder Survey, CareerBuilder, LLC (Sept. 25, 2013), <http://www.careerbuilder.com/share/aboutus/pressreleasesdetail.aspx?sd=9%2F25%2F2013&id=pr781&ed=12%2F31%2F2013> (finding in a survey by Harris Interactive Poll that 36% of those surveyed report they "always or usually live paycheck to paycheck. Posing the question somewhat differently, the American Payroll Association, using a larger survey of more than 30,000, found 68% said they would find it "somewhat or very difficult" if their paychecks were delayed for a week).
- iii. Frank Newport, Americans See Finances as Better, but Worse Than Pre-2008, Gallup Economy (Apr. 25, 2013), <http://www.gallup.com/poll/162056/americans-finances-better-worse-pre-2008.aspx> (The poll finds 40% of respondents say their personal financial situation is "only fair" and 14% see it as "poor," but 47% see it as getting better).
- iv. See E. Thomas Garman et al., Financial Stress Among American Workers: Final report: 30 Million Workers in America - One in Four - Are Seriously Financially Distressed and Dissatisfied Causing Negative Impacts on Individuals, Families, and Employers 17 (2005), <http://www.personalfinancefoundation.org/features/feature-3full.pdf>.
- v. Stephen Moser, The Impact of Financial Stress on Workforce Productivity, Pension Consultants Inc., February 27, 2014.

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37%

of Millennials say that issues with personal finances have been a distraction at workⁱ

8%

of Millennials say it impacts their attendance at workⁱ

52%

of employees report they are stressed about financesⁱ

45%

of employees say financial matters cause them the most stress in their livesⁱ

61%

of human resources professionals say financial stress is having some impact on employee work performanceⁱ

\$5M

a year in lost productivity is what financial stress can cause an organization with 1,000 employeesⁱⁱ

57%

of organizations provide financial education to their employeesⁱ

18%

of employers use their benefit programs as a retention tool and 26% as a recruitment toolⁱⁱⁱ

SOURCES:

i. <http://www.pwc.com/us/en/private-company-services/publications/assets/pwc-2016-employee-wellness-survey.pdf>

ii. Stephen Moser, The Impact of Financial Stress on Workforce Productivity, Pension Consultants Inc., February 27, 2014.

iii. <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/Financial-Wellness-2014-Executive-Summary.pdf>