As featured in the August 2011 issue of

LiveWell @work with Iowa Methodist Occupational Medicine
Workplace Health & Wellness for Central Iowa Employers

The Cure for Employee Stress: Financial Wellness

Stress management is a critical component of health wellness initiatives. Unlike more specialized programs that deal with issues such as smoking cessation or management of chronic conditions, stress is something that impacts all employees to some degree. While somewhat subjective in how it's defined and measured, stress is a phenomenon that has proven to have a very real impact on the health and productivity of employees. For these reasons, employers have begun to make investments in programs that help employees manage and cope with stress.

A NEW APPROACH

But is there a more strategic approach we can take to deal with this widespread issue? A stress management program, by definition, provides techniques that help employees cope with stress. The natural question to ask, is whether it's possible to identify and treat causes of stress rather than provide remedies for the symptoms of it?

At this point, you're probably thinking that while getting to the heart of the matter makes a lot of sense, how could one possibly provide a program that deals with all the issues that cause employee stress? Well, of course, the answer is that you can't. No program is going to have an answer for everything. But what you will find, if you take a closer look, is that the "80/20 rule" applies here. Overwhelmingly, there is one very common theme when it comes to causes of employee stress and that theme is money.

The revelation that money is a wide-spread cause of employee stress may not be much of a revelation at all. It makes intuitive sense, particularly in this economic environment. You watch the evening news, you read the morning paper and you likely have a sense for the deteriorating financial health of the average American family. You likely know that money worries are impacting your employees but probably don't have a sense for just how broad and deep the issue is.

THE FINANCIAL STATE OF THE AMERICAN WORKER

The latest statistics tell us that a majority of Americans, your employees, are deeply concerned about their financial futures. A September 2009 poll by CNN declared that money worries are the world's greatest cause of stress, and it's not even close. A recent study by ComPsych reported that a staggering 92% of Americans are losing sleep over their finances. If you scratch the surface to get an understanding of the average employee's financial situation, it's not difficult to see why financial stress has become so widespread. Consider the following statistics:

- In a recent survey of over 45,000 American workers, 71 percent of respondents said they'd find it difficult to meet their financial obligations if their paycheck were delayed for just one week
- In early 2009, the Society for Human Resource Management reported that in the previous 12 months, survey respondents had seen a 26 percent increase in employees having their wages garnished by collection agencies; a 39 percent increase in requests for 401(k) plan loans; and a 20 percent increase in requests for pay advances
- 26 percent of Americans, or more than 58 million adults, admit to not paying all of their credit card bills on time

In an era where the average employee is living paycheck-to-paycheck with large debt obligations and little to no savings, you can expect that stress is taking its toll. This is particularly true in an environment where employment is so uncertain.

ESTIMATING THE IMPACT ON THE BOTTOM LINE

A number of studies have emerged recently that help employers wrap their minds around how the issue of employee financial stress impacts organizational goals. Not unlike other causes of stress, financial stress impacts employers by contributing to the already skyrocketing cost of health care while at the same time eating into corporate productivity.

Increases in health care costs

Financial stress is an epidemic and it's translating into health-related costs for employers:

- As discussed, workers cite financial problems as their most frequent cause of stress and an incredible 75-90 percent of doctor visits are related to stress
- In addition to insomnia, those who report high levels of financial stress suffer from a range of stress-related illnesses including ulcers, migraines, back pain, anxiety, depression, and heart attacks

While it's difficult to put a dollar amount on these issues, recent research by the Personal Financial Employee Education Foundation estimate the incremental cost of a financially distressed employee at $300/year.

Productivity drains

If you were experiencing the types of financial issues described previously, would you be distracted in the workplace? Would you spend time on the job or even miss work to deal with the situation? Would you look for a higher paying job? If you're like many of your employees, you answered yes to at least one of these questions.

You can be reasonably certain that a majority of your employees are distracted on the job by their personal financial issues. After all, if 92% of employees are losing sleep over money it's probably naïve to assume that they are able to somehow avoid bringing those issues into the workplace. However, not all financial issues are created equal and some employees will be better at focusing on their work responsibilities than others.

When it comes to breaking down the impact of financial stress on corporate productivity, there have been a couple of foundational studies. A recent study by the Personal Financial Employee Education Foundation showed that approximately 1 in 4 employees are in serious financial distress. On average, up to 80 percent of these individuals spend time at work dealing with their personal financial problems, wasting anywhere from 12-20 hours per month. A study by Financial Literacy Partners estimates the cost of this lost productivity at $7,000/employee/year.

RECOMMENDATIONS FOR HR

As we've demonstrated, employers have much to gain by taking steps to eliminate the debilitating effects of financial stress on employees. The following recommendations are meant to provide some short and longer-term solutions to dealing with this systemic problem:

Step 1: Start with a Survey

A good first step is to start with a survey. An employee survey can help your organization personalize some of the statistics provided in this article. Ultimately, the condition of stress is what impacts the health and productivity of employees and therefore stress is what you will want to measure. One tool that we have found to be useful is the Personal Financial Wellness Scale developed by the Personal Finance Employee Education Foundation (PFEEF). Based on years of research, the Personal Financial Wellness Scale survey will allow you to measure an employee's financial stress and compare it against national averages. PFEEF is a non-profit organization devoted to promoting financial literacy in the workplace and the scale can be used by your organization with written permission.

Step 2: Hold some seminars

You may want to think about introducing some seminars that help employees understand the basic tenants of financial responsibility. As you can imagine, this job is likely not well suited to your 401(k) provider who is really in the business of selling investment products. Generally speaking, it's best to find a "fee only" provider who is instead in the business of educating employees as opposed to financial services. There are some "free" seminar providers out there but make sure you understand their goals and objectives before inviting one in to help your employees.

Step 3: Consider introducing a Financial Wellness program

After you've had time to understand how financial issues are impacting your specific organization, you may want to take a more strategic approach to the problem. This may include adding a financial wellness component to your corporate wellness initiative. These programs aim to break down the barriers to improved financial health by providing employees with all of the resources they need to solve their entire financial issue. This includes web-based education, live seminars and one-on-one financial coaching to accommodate varied financial issues, learning styles and levels of employee commitment. Effective financial wellness programs have shown ROI of over 3 to 18.

SUMMARY

Personal financial issues are overwhelmingly the largest cause of employee stress. This stress is impacting employers in the areas of health care costs and corporate productivity in significant ways. Employers who are serious about addressing the issue of stress in the workplace would be well served to focus on employee financial health issues. Adding a financial component to your corporate wellness initiative can produce an ROI of over 3 to 1.

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Sources:
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http://www.stress.org/americas.htm

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