

The following is from a web article on the site of the
Society for Human Resource Management.

Address Financial Ills to Reduce Other Workplace Problems

By Rebecca R. Hastings, SPHR, June 2008

Employer efforts to help employees address financial challenges might lessen the side effects financial stress can have on the workplace.

“Financial problems are toxic,” said Reeta Wolfsohn of the Center for Financial Social Work, during a June 12, 2008, Employee Assistance Professionals (EAP) Association webinar. “They manifest themselves in every area of a person’s existence, corrupting their home and work life, their relationships, their thinking and their behavior.”

When the economy is unbalanced, employees might experience a wide range of spillover effects including bankruptcy, foreclosure, car or boat repossession, high medical bills and/or 10-12 maxed out credit cards, she said. Some might be going through a divorce settlement linked to the financial problems they’ve experienced.

Wolfsohn said employees with financial problems might not be able to pay child support or child care, take a vacation, keep up with mortgage or rent payments, contribute to a retirement account or cover college expenses.

Employers can watch for warning signs that an employee is under financial stress such as absenteeism and tardiness, reduced productivity and accuracy and requests to change or eliminate 401(k) contributions.

Wolfsohn said employees might be more confrontational, distracted, irritable and less reliable, patient and dependable. They might even engage in high-risk or illegal behavior such as gambling, self-medicating, embezzlement or theft.

Financial stress can manifest itself in health issues such as high blood pressure, insomnia, depression, anxiety and weight gain, she added.

It Can Happen to Anyone

According to Wolfsohn, 40 percent of employees say they have financial problems, and 80 percent of financially stressed workers spend time at work dealing with or worrying about money.

And Wolfsohn said employees might unwittingly increase their debt load by failing to pay a bill on time as a result of “universal default” that allows all of an individual’s creditors to raise interest rates to as high as 34 percent if they are one day late on a payment to a single creditor.

Such an outcome is understandable when one considers that the average credit card debt per American household is \$9,200, according to Wolfsohn, and the average interest rate on credit cards is 19.2 percent. This is why 75 percent of Americans are reportedly just three paychecks away from bankruptcy.

Tackling the Problem

EAP professionals participating in the webinar noted they have seen a significant increase in the number of employees with financial problems. The key to solving such problems, according to Wolfsohn, lies not in an understanding of finance but in an understanding of behavior.

“It doesn’t matter if you make \$20,000 or \$120,000, if you are spending more than you make,” she said. That’s why employers need to find ways to reach employees who are not contacting the EAP for help. “There’s a tremendous amount of shame and isolation,” she says, particularly for those with high incomes.

Financial social work focuses on personal awareness as much as financial awareness. Wolfsohn likened it to substance abuse treatment or weight loss support: “Until and unless behavior changes, nothing changes.”

However, some EAPs take a reactive approach to employee financial challenges, a strategy Wolfsohn discouraged.

“A reactive approach doesn’t understand how much employee’s financial problems and stress impact the workplace environment and the company’s bottom line,” she said. As a result, EAP counselors might simply refer clients to consumer credit counseling services or bankruptcy attorneys.

But these services have downsides, according to Wolfsohn: “Neither one of these offers any kind of behavioral model for change,” she says, and both experience high recidivism rates. Moreover, she said, the reactive approach “doesn’t take into account how dangerous and unstable employees with financial problems and stress are to themselves, to their families, their colleagues and the workplace.”

A proactive approach begins with a company culture that supports employee efforts to become more money-wise, Wolfsohn said. Such companies realize that employees who are financially stable are typically emotionally stable. And this, she said, affects the company’s bottom line as much as it benefits an employee’s personal life.

Employers can start by increasing their awareness of the problem and by educating themselves and their employees about the risks associated with overreliance on credit cards. They should make every effort to create an environment in which employees feel safe talking about money, Wolfsohn said.

In addition, Wolfsohn suggested that EAP professionals routinely ask all clients, whether they are seeking financial help or not, to identify their level of credit card and other debt when they complete an intake questionnaire. This can help identify employees who are at risk before a situation becomes unmanageable.

“People need education, motivation and support to make the choice to take greater responsibility for their own financial future,” Wolfsohn said, adding that employees must understand that how they spend their money reflects their values.

“Remember that financial problems and issues are enduring, long-term challenges, not one-time events,” she concluded. “If the behavior doesn’t change there will be future problems.”

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