



COMMERCIAL INSURANCE

EMPLOYEE BENEFITS

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SURETY



How Financial Wellness Affects Workplace Productivity

Did you know that the average American has \$58,604 in debt? The total personal debt in the U.S. is at an all-time high of \$14.96 trillion, with 77% of American households having at least some type of debt.

Although many employers may think that their employees' debts are not their problem, financial stress can have a clear impact on employee work performance. When people are struggling to pay off their debts, it affects their mental state and ability to focus on the tasks at hand. This can have a severe impact on workplace productivity.

This article is designed to break down how debt affects workplace productivity and how employers can help employees manage their finances to directly affect productivity and company revenue.

We'll explore the top questions surrounding financial wellness affecting an employee's overall well-being. Should HR teams be listening to the noise? Should they care about employee finances? Is this an invasion of their privacy? Is this a real opportunity to enhance employee well-being and reduce turnover?

WHAT IS FINANCIAL WELLNESS?

The U.S. Consumer Financial Protection Bureau defines financial wellness — also known as financial well-being — as “the feeling of having financial security and financial freedom of choice, in the present and when considering the future.” A financially healthy individual can manage their bills, pay their debts, handle unexpected expenses, and plan for long-term financial goals. IMA's Whole Health consultants help clients find the right financial wellness programs that fit their budget as well as the needs of their unique employee population.

Having enough money to cover bills is essential; it is why your employees come to work. However, even if every employee has significant wages, that doesn't mean they are financially well. Unfortunately, what financial wellness means versus what companies' package as financial wellness does not always match. For example, simply offering short-term loans, while helpful in the right circumstances, is not financial wellness. IMA's Whole Health consultants help clients find the right financial wellness programs that fit their budget as well as the needs of their unique employee population.

9 out of 10 employees worry about money.

75% stated these concerns affected their **productivity at work.**



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FOUR ELEMENTS OF FINANCIAL WELLNESS

| | Present | Future |
|-------------------|---|--|
| Security | Having control over day-to-day and month-to-month finances. | Having the capacity to absorb a financial shock. |
| Freedom of Choice | Having financial freedom to make choices that let you enjoy life. | Being on track to meet your long-term financial goals. |

Source: U.S. Consumer Financial Protection Bureau



HOW DOES FINANCIAL STRESS AFFECT EMPLOYEES

At the very least, an employee in debt may lose focus on their tasks while they worry about their financial situation. In a worst-case scenario, this financial stress could lead to burnout, mental health conditions, or even accidents on the job.

Financial stress is a distraction, but it can take a toll on your company's bottom line in more quantifiable ways.

Interruptions Employees who owe debts will likely be chased by lenders or try contacting creditors to mitigate their situation. These creditors operate on the same business hours as your company, so calls will occur during work hours.

Even if a phone call lasts only a few minutes, that can break an employee's focus and affect their productivity and those around them.



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MULTITASKING

Employees who experience financial stress might choose to bring in extra money by taking up a second job or “side hustle.” While some employees can handle these additional responsibilities outside your company’s business hours, others may be tired and worrying about their additional commitments.

REDUCED MORALE

A financially stressed employee can become disengaged, and disengagement spreads fast. Unhappy and unproductive, disengaged employees are unlikely to make positive contributions, whereas engaged employees are more productive, have lower turnover rates, lower absenteeism, and drive higher profits.

INCREASED ILLNESS

Financial stress is, unfortunately, chronic stress. Too much stress for too long can negatively affect every body system, including heartbeat, breath, muscles, and brain function. Researchers from the National Library of Medicine found that financial stress can lead to more days of sickness absence and more absence spells per year.

Multitasking increases your error rate by 50%.

Disengaged workers make up 87% of the global workforce.



EMPLOYER RESPONSIBILITY TO THEIR EMPLOYEES

Now that we know how financial stress surrounding debts can affect employee work performance, what can employers do about it? As an employer, i.e., the source of income for your employees, you have a responsibility to help build, foster, and promote employee financial wellness.

More than 8 in 10 employers believe employee financial wellness programs and tools help to create more productive, loyal, satisfied, and engaged employees.

- + 62% of employers feel “extremely” responsible for their employees’ financial wellness.
- + 1 in 5 employees want employers to focus on helping them manage their day-to-day finances by prioritizing access to services to manage debt.
- + 46% of employees believe financial apps and online tools should be a core part of their employer’s benefits.
- + 45% of employees prefer help from an advisor with their retirement savings rather than help with day-to-day finances.

Just as employers offer healthcare programs in their benefits packages to promote physical wellness, employees now expect financial health as part of their benefits package. Employees want employers to make retirement their top priority.

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A HOLISTIC SOLUTION

As we know, financial advisors can be costly. Offering financial education through employee benefits packages can help employees become their own financial advisors.

Employers can focus on ways to engage employees and improve overall financial literacy, including offering a holistic view of compensation and benefits. This involves providing information designed to help employees better understand all the programs offered, the cost through payroll deductions, and the value of these programs given employees' personal needs and life stages. Short and effective videos on topics like Health Savings Accounts (HSA), budgeting, and being a healthcare consumer can go a long way in providing employees with the resources and education they need. IMA has a variety of no cost options in the financial well-being space.

Every employee is unique. That's what makes your workplace great. IMA can create customized material as well as a personalized communication strategy based on the needs of the clients and meeting the employees where they are.

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