The Impacts of Financial Stress on Your Employees

by Patricia A. Bonner, Ph.D., CEBS

This article is excerpted from a new International Foundation report, *Financial Wellness in the Workplace: Strategies and Best Practices*, which shares what the Foundation has learned from research that can help employers and plan administrators help workers manage money more effectively and achieve financial security. The full report is available at www.ifebp.org/RetirementSecurityCanada.
The Impacts of Financial Stress on Your Employees

How does an employer know its workers may need a financial well-being program? This article provides many of the signs.

Reproduced with permission from Plans & Trusts, Volume 34, No. 6, November/December 2016, pages 18-24, published by the International Foundation of Employee Benefit Plans (www.ifebp.org), Brookfield, Wis. All rights reserved. Statements or opinions expressed in this article are those of the author and do not necessarily represent the views or positions of the International Foundation, its officers, directors or staff. No further transmission or electronic distribution of this material is permitted.
People confront an array of challenges in their efforts to achieve and maintain financial security. Financial decisions surrounding retirement planning and investing are complex, and the options for credit cards, mortgages and other credit vehicles have multiplied.

Unfortunately, too many people are not equipped to handle money matters. Research consistently shows that many people—young and old, male and female, rich and poor—lack the knowledge, skills and other traits required to manage money effectively.

Add recent economic conditions such as unemployment, underemployment and pay stagnation, and it is not surprising that an alarming number of people are living paycheck to paycheck, saddled with debt, not saving for the future and feeling financially vulnerable.1 See the sidebar "Signs of Financial Distress" for additional indicators.

Financial distress takes its toll both mentally and physically—affecting the quality of an individual’s personal life and work. Increasingly, employers and benefit plans are recognizing that workers’ financial problems and the accompanying stress are having a negative impact on worker behaviour, productivity, benefit plan costs and profit. Employers and benefit plan administrators are seeing financial well-being as an important component of workplace health and wellness programs.

The Impact of Financial Stress

According to a three-year study by the Financial Planning Standards Council, money is the leading source of stress among Canadians—significantly more than work, personal health and relationships.2 How many people are stressed? In 2014, 76% of Canadians said they were stressed.3

As the stress from financial issues intensifies, the likelihood of interpersonal conflicts, high-risk behaviours (e.g., gambling, substance abuse), accidents caused by fatigue and distractions, and poor health escalates. Persons who suffer from “money worries” also tend to be absent more frequently, less engaged and less productive in the workplace.

While precise amounts are difficult to pinpoint, there have been some efforts to place a dollar cost on how much worker stress costs employers:

- One study places the cost of workplace stress in the United States at nearly $300 billion a year. In Canada, the annual cost is estimated to be $16 billion.4
- Pension Consultants, Inc., estimates workforce stress costs a company with 1,000 employees $5,655,500 per year.5
- Tom Garman, founder of the Personal Finance Employee Education Fund (PFEEF), estimates the price tag to an employer ranges from $750 to $2,000 per employee annually.6

High-Risk Behaviours

The stress of financial problems can also lead to (and escalate) risky behaviours that negatively affect a person’s physical health, damage personal relationships and worsen financial problems. Consider:

- Substance abuse. Some people turn to tobacco, alcohol or drugs to dampen the effects of stress.
- Gambling. Some people think a “big win” will solve their financial problems. For others, gambling provides an emotional high or a way to temporarily escape the pain they are feeling from financial distress.10
- Shopping. Impulse and excessive spending are additional short-term remedies for coping with stress.11
- Eating. While some people find food a comfort in difficult times...
and overeat, others lose their appetite. In worst-case scenarios, the result is an eating disorder such as anorexia or bulimia.

**Personal Health**

People vary in their ability to cope with stress. How their body reacts can also differ. Some experience digestive problems, while others have headaches, sleeplessness, fatigue, a depressed mood, anger and/or irritability. People under chronic stress are prone to more frequent and severe viral infections such as the flu or common cold. Vaccines (e.g., a flu shot) are less effective. Continued stress can lead to serious health problems such as heart disease, high blood pressure, diabetes, depression and anxiety disorder.

**Accidents**

Financial stress can be a significant distraction at home and at work. Persons who are distracted or experiencing stress-induced fatigue are more prone to errors and injuries. On the job, an estimated 60% to 80% of accidents are attributed to stress-related distraction or sleepiness. Stressed workers are more likely to damage equipment than those fully focused on their work.

**Absenteeism**

Financially distressed workers are more likely to miss work—not surprising given persons with financial stress tend to have more physical and mental health problems than those who are financially healthy. In fact, 70% of all job absenteeism has been tied to stress-related illnesses.

**Presenteeism**

Even when employees do show up for work, they are likely to demonstrate some degree of presenteeism due to fatigue and/or an inability to concentrate. Presenteeism occurs when employees come to work but are not functioning up to their capabilities. It manifests in a host of ways including more time spent on tasks, poor-quality work, impaired social functioning, burnout, anger and low morale.

One in five employees (20%) reports issues with personal finances have been a distraction at work. More than one-third (37%) say they spend three hours or more each week thinking about or dealing with issues related to personal finances. 

**Morale**

The mental and emotional dynamics (e.g., anger) that negatively affect personal relationships at home also appear in the workplace. When workers are financially distressed, their problems tend to have a ripple effect creating tension and reduced morale among co-workers. In addition, absenteeism and presenteeism force fellow employees to shoulder extra work.

**Ethics**

Financially stressed workers are more tempted to steal from their employer, and a small percentage of employees have been caught doing just that. Retailers estimate “shrinkage losses” in the U.S. totaled $44 billion in 2014, and 35% of these losses can be attributed to employee theft.

**Turnover**

Financially stressed people tend to be focused on the dollar amount of income coming in and what is going out. They may view compensation from their employer as the solution to their financial challenges. They are less likely to be satis-
fied with their pay, job and benefits and more likely to look for greener pastures. Employee departures cost a company time, money and other resources.

**Delayed Retirement**

Not all turnover is negative. An employee's retirement may generate an opportunity for a new hire who is more skilled or productive. In addition, payroll and benefit costs may be reduced with a younger, healthier workforce. But many financially distressed individuals barely pay their bills, let alone set aside sufficient funds for retirement. The only option for too many of these employees is to continue working beyond normal retirement age.

**Employee Benefits**

According to the National Institute for Occupational Safety and Health (NIOSH), U.S. workers who report they are stressed incur health care costs 50% higher than those of nonstressed workers. Another report calculates the health care costs of stressed workers to be twice as high as those for other employees. It is likely that workers' compensation claims—both legitimate and fraudulent—also increase. Personal financial problems also lead to higher use of employee assistance programs (EAPs) and outpatient mental health services for help dealing with these issues.

**Human Resource and Benefit Services**

The financial stress of employees can also put a strain on HR and benefits personnel. These persons handle the calls from bill collectors and ex-spouses seeking past due payments, deal with requests for pay advances, process wage garnishments and help employees file bankruptcy claims. In addition to the extra paperwork and phone calls, staff persons often are pulled into the conflicts that erupt between financially stressed employees, domestic partners and co-workers.

Signs in a workplace that an employee may be dealing with personal financial problems include:

- Frequent volunteering to work overtime
- Requests for an advance in pay or a loan from an employer
- Borrowing from a retirement account and/or discontinuing contributions
- Calls from lenders to verify employment and wages
- Garnishment of wages
- Frequent phone calls to the employee
- Changes in work performance, attitude or behaviour
- Overly emotional behaviour.

**Endnotes**

9. Michael L. Benson and Greer Litton Fox, Economic Distress, Community Context and Intimate Violence: An Application and Extension of So-
Signs of Financial Distress

Most people occasionally make a mistake or are careless with their money. It seems to be a natural result of today’s hectic living and complicated financial world. When there are many mistakes or careless behaviours, however, something more serious is probably happening. Following are 35 indicators suggesting a problem that goes beyond the occasional error.

**Saving**
1. Typically having a low or nonexistent emergency fund
2. Typically not contributing to a retirement plan

**Spending**
3. Regularly spending too much money
4. Regularly running out of money
5. Regularly being unable to pay due bills (e.g., utilities, rent, child care, credit cards)
6. Regularly relying on a second income to pay living expenses and debts
7. Regularly borrowing, perhaps by obtaining a cash advance to pay for living expenses and/or other debts
8. Regularly losing money to ripoffs and fraud
9. Regularly losing money by gambling or buying lottery tickets and/or gambling in an attempt to “fix” one’s financial situation
10. Regularly allowing insurance (e.g., vehicle, renters’/homeowners’, medical, life) to lapse
11. Choosing not to access preventive/routine health care due to its cost
12. Regularly writing bad checks that result in additional fees/penalties due to insufficient funds in an account

**Borrowing**
13. Being denied additional credit because of poor credit history
14. Regularly overspending credit
15. Regularly paying only the minimum amount due on a credit card
16. Regularly reaching the maximum limit on a credit card
17. Regularly paying some bills and installment debts late
18. Regularly being unable to repay installment debts
19. Habitually receiving “overdue” notices from creditors
20. Regularly obtaining debt-consolidation loans
21. Regularly receiving communications from collection agencies
22. Having utility services cut off
23. Having property securing a debt repossessed
24. Being evicted from rental housing or having one’s home foreclosed
25. Filing for personal bankruptcy

**Ethics and criminal behavior**
26. Committing check fraud
27. Stealing from a family member, employer or other source
28. Filing false expense account requests
29. Evading income tax payments
30. Filing deceptive loan statements

**Other**
31. Regularly making a request for welfare support (e.g., cash grants, food stamps, subsidized housing)
32. Being sued for financial reasons
33. Having one’s tax refund intercepted by a government agency or court order
34. Having one’s wages garnished
35. Having a lien placed on one’s personal or real property.


14. Figures from the American Institute of Stress as cited by The Herman Group, The Herman Trend Alert (May 2003).
Financial education


Patricia A. Bonner, Ph.D., CEBS, is associate director of content support at the International Foundation, where she provides leadership for the Foundation’s Financial Education/Retirement Security Initiative, among other activities. She has more than 35 years’ experience as a personal finance educator—teaching as well as developing and marketing educational materials for persons aged 5 to 90-plus years. Prior to joining the Foundation, Bonner trained other educators in personal finance, economics and the use of educational technology. She holds a B.S. degree in home economics education from Mansfield University and a Ph.D. degree in family and consumer economics from the University of Missouri–Columbia.