Employers Pay Dearly for the Poor Personal Financial Behavior of Employees

Financial behavior of employees affects employers' bottom line. When employees take time from work to deal with financial problems, spend time at work worrying about financial difficulties, have accidents because they are tired or not concentrating at work due to financial difficulties or steal from employees because of financial stress, it costs employers. A conservative estimate is that 15% of employees experience financial stress at any time. Employers get a five-to-one dollar return for spending on employee assistance.

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Financial Behaviors

At the individual and family level, a number of personal financial mistakes and careless behaviors exist. Examples of these behaviors include occasionally spending too much money, feeling emotionally stressed about financial matters and writing a bad check (Garman, Leech and Grable, 1996). Alone, these factors generally do not cause poor financial behaviors. In fact, most people experience many or all of these personal financial mistakes and careless behaviors at some point in life. In reality, they are some of the normal and quite typical financial practices, experiences and concerns of living in a modern society.

These personal financial mistakes and careless behaviors may lead to serious problems that negatively impact one's employer. This happens when an excessive number of these personal financial mistakes and careless behaviors, or factors, occur or accumulate, often in combination with other events and catalysts, particularly over a relatively short period of time. They collectively can result in poor financial behaviors.

Genuine poor financial behaviors are personal and family money management practices that have consequential, detrimental and negative impacts on one's life at home and/or work. While some of these behaviors, such as writing a check with insufficient funds in the account, may be classified as personal financial mistakes and careless behaviors, when they occur in excess they are in poor financial behavior. In addition, there are a number of other actions, such as garnishment of wages, that are always indicators of poor financial behavior.

Methodology

The literature review began with a search of over 12,500 journals, dissertations and books on the internet using a variety of key words and phrases. This was followed with a similar search of additional thousands of journals, newspapers, and the *Congressional Record* using Infotrak. These computer searches used such key terms as "finance," "personal finance," "credit," "bankruptcy," "substance abuse," "productivity," "accidents," and "stress."

Three manual searches of published books and proceedings also occurred: one of various library reference indexes, which led to a number of journals, and a second of the personal libraries of the researchers, which included a number of unpublished conference proceedings. A number of telephone calls were made to selected researchers as well as to find some of the more-difficult-to-locate publications.

Costs

There are many substantive areas of costs associated with poor financial behaviors. Poor financial behaviors negatively impact both families and employers. One major source of cost is stress. Tang and Hammontree (1992) estimate that stress costs businesses between $100 and $150 billion a year in lost productivity. Both mental and physical factors influence stress and poor financial management is one example of a mental factor. It can be caused by or can cause stress.

Stress can lead to absenteeism which costs employers between $25 and $35 billion each year Rogers & Herting, 1993). Even when employees work, they may be less productive because of taking breaks to attempt to deal with financial matters or because they take time to think about such concerns. They may reduce other employees' productivity by taking time to talk about their problems.

If an employee attempts to deal with stress by abusing substances, costs can increase further. Staroba (1990) reports that drug and alcohol abuse cost the American economy at least $177 billion a year, including $99 billion in lost employee productivity.

Clearly, the negative impacts of a person's poor financial behaviors at work lead to extremely high costs that are incurred by the employer. The relationship between poor financial management and overall reduced employee productivity is not linear but spirals to failure in personal and/or employment life.

Based on this study, it can be conservatively concluded that approximately 15 percent of workers in the U.S. are currently experiencing stress from personal financial mistakes and careless behaviors as well as from poor financial behaviors to the extent that it negatively impacts their employment productivity. Depending upon such employment factors as employee income levels, their range of ages and stage in the life cycle, and the cost of living in an area, the proportion of workers experiencing financial problems that negatively impact productivity for a single employer could range as high as 40 to 50 percent. The full extent of the costs on employers is unknown.

Cumulative Nature of Problems

There is an interlinking and cumulative nature of poor financial behaviors and stress, and it explains why the circular nature of life experiences, including many stress factors, can get out of balance. On occasion, some stress factors force the harmonious nature of life out of balance. When various life events and factors get out of control, including financial problems, they can result in failure in family life, personal finances, and/or employment. These out-of-balance factors, such as failure of a personal relationship, poor financial behaviors, and substandard job performance, are related.

The most advantageous time for successful employer intervention is before the problem(s) get totally out of control. Goldberg (1994) reported that there is a five-to-one return to employers for every dollar spent on an employee assistance program. Financial health programs are a new wellness trend (Cash, 1996).

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Endnotes

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