

# Helping Employees Solve Financial Problems Is Good for Business

*More than a million and a half Americans file for personal bankruptcy each year, five times as many as just twenty years ago. Roughly 91% of them have recently experienced either a job loss, a major medical problem, or a divorce, suggesting that financial problems are only one of several major stressors (Administrative Office of the U.S. Courts, 2005). A survey by Impulse Research Corporation (Stewart, 2004) found that financial problems frequently lead to physical and psychological symptoms as well. The most common are headaches, inability to concentrate, and nausea.*

Filing bankruptcy does not solve a person's financial problems in most cases. Only certain kinds of unsecured debt, such as credit card balances and signature loans, are excused by a bankruptcy. The filer is not excused from such debts as taxes, student loans, back child support, and legal fees. And almost 50% of those who file do so again as soon as the law allows, in six years (Consumer Credit Counseling Service of San Francisco). Moreover, bankruptcy is not without its consequences—it stays on the filer's credit report for 10 years.

Complicating matters further, federal bankruptcy laws recently changed to make it more difficult to seek relief from debt by filing bankruptcy. The new regulations, which went into effect in October 2005, require financial counseling before filing bankruptcy, require a means-test to qualify, and more people are required to pay back more of their debts, albeit on a timetable that is judged to be manageable for them.

Why should employers be concerned about their employees' financial well-being? Simply put, because it affects employees' work. Correlations are well established among personal finances, stress levels, health, absenteeism, productivity, and turnover (Concours Group). Nearly 35% of respondents in the above Impulse Research survey reported trouble concentrating at work due to financial stress, and 17% admitted spending time at work dealing with financial issues. Employees with serious money and credit problems have lower productivity, higher absenteeism, higher *presenteeism* (that is, coming to work but not performing satisfactorily), higher health care costs, and engage in more theft (Garman, 2002). On the other side, employee financial well-being is associated with higher performance ratings and greater satisfaction with pay (Kim, 2000).

The good news is that helping employees find resources to manage their finances pays off for the work place. One study found that employees who received credit counseling (or debt-management counseling) increased their quantity and quality of performance, received higher supervisor's ratings, reduced their absenteeism and presenteeism, wasted less work time dealing with personal financial matters, and were bothered by fewer health problems (Bagwell, 2002).

*ABC Company's* Employee Assistance Programs can help employers improve the financial well-being of their employees. When EAP participants request assistance with financial matters, we offer two options. They may see an EAP counselor for an initial assessment to determine whether personal or emotional issues are exacerbating their financial situation, or they may receive a referral to a community resource, such as Consumer Credit Counseling Service, for credit counseling. CCCS provides information and advice on topics such as spending habits, budgeting strategies, managing credit, and debt consolidation. They will negotiate with participants' creditors to consolidate their debts into one affordable monthly payment, which is sent to CCCS to distribute according to what creditors agree to accept. This allows participants to avoid the devastation of personal bankruptcy.

Employees whose organizations purchase *ABC Company's* premium financial services, in addition to the EAP, are also eligible for more in-depth financial consultation with a financial planner, accountant, or other financial professional. Topics include tax planning, investment strategies, and saving for children's college and retirement.

Further, all *ABC Company* EAP participants are eligible for free legal consultations with licensed local attorneys. These consultations are thirty minutes per issue, for an unlimited number of issues. Finance-related topics include but are not limited to bankruptcy, taxes, problems with creditors, home mortgage questions, and landlord-tenant disputes. Topics are not limited to finance, however; the only subject area excluded from legal consultations is employment law.

For further information about *ABC Company's* products and services, contact <<< >>>.

### **References**

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