

FINANCIALLY EDUCATED EMPLOYEES MAKE BETTER EMPLOYEES

Educating employees about personal money management is likely to benefit the employer as much as it will the employees. That's because employees with financial problems tend to have lower productivity than financially healthy employees, according to the latest research.

Much of the financial education employers do these days focuses on retirement education; namely, efforts to boost employee participation in the employer's retirement plan. While this is valuable, it fails to address far deeper financial issues that affect not only plan participation but worker productivity that's so essential to an employer's bottom line.

Approximately 15 percent of the workers in the United States experience enough stress from their personal financial situation that it reduces their productivity, according to research by Virginia Tech's National Institute for Personal Finance Employee Education. And within some workplaces the negative impact may even shoot as high as 40 or 50 percent, according to Virginia Tech researchers. By their estimate, workers waste 24 hours on the job every month dealing with money problems. The U.S. Navy also found significant indirect costs due to the financial problems of its service members.

The issue isn't necessarily about higher wages. Often it's about how employees can make the most of their wages. Many employees don't know how to manage their money, how to save it, even how to spend it wisely. Consequently, workers run up debts, make bad spending and investment decisions, and worry about their finances.

These financial problems fall right to the employer's bottom line. Struggling employees spend work time talking to creditors, co-workers and supervisors about their money problems. They come in late or call in sick in order to tend to financial difficulties. They also are more likely to suffer health problems, be injured on the job, steal from employers or quit work.

Workers with financial problems also hamper workplace retirement plans. Workers who don't manage their money well are less apt to participate in retirement plans, or will contribute less to plans. This limits the ability of other employees, especially the owner and higher-paid employees, to contribute the maximum possible.

Conversely, employees who feel more secure financially have fewer problems on the job, and are more loyal, focused, motivated and enthusiastic on the job.

The notion of financially educating workers isn't a novel concept in the workplace. Many companies have started providing workout facilities and health information to employees because healthier employees reduce employer health-care costs. Why not financial education, as well?

In part, employers don't realize just how much employee financial problems affect the workplace. Also, employers have been skittish about providing financial education because of concerns about fiduciary liability. They worry that "education" could be construed as "advice," and that they could be sued if an employee suffers a financial problem. Employers are especially worried about investment education. It's not a problem as long as the bull market continues, but employers fear that when the market inevitably sours, employees may come looking to them to recoup losses.

Financial education experts say these problems can be avoided by simply providing fundamental financial education through such avenues as workshops and seminars. The education programs should touch not only on investing, but fringe benefits, credit and money management, and consumer protection laws.

Virginia Tech researchers recently assessed the impact of financial education workshops at a large manufacturer and found that workshop participants reported making better financial decisions, improving their financial situation, increasing their 401(k) contributions, and, in the case of 34 percent of the participants, joining the 401(k) plan.

That goes right to the bottom line.

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