Why employee financial wellness matter?

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The prevalent economic conditions have adversely affected employees. The impact has been mostly felt significantly around issues to do with finances. According to research employee remuneration has been significantly diluted to less than 40% of what it was a year ago. With the Zimbabwean economy facing a combination of hyperinflation, stagflation and economy contraction organisations have to begin to speak about the importance of financial awareness. This will allow organisations to realize the benefits of financial wellness programs.

Employers need to start emphasizing the importance of smart personal finance skills and initiate programs that are designed to increase the happiness of employees by assisting them to manage their finances. Some employers, noticing the uptick in employee stress over their finances, have since started to adjust salaries (some at interbank exchange rate), provide cushioning allowances and offer groceries. Other employers have begun to implement workplace programs that focus on steps to increase financial wellness.

Imagine two competitors, Spike and Heathsville. Heathsville is having trouble retaining employees, plus worker performance and morale are starting to slip. Managers are reporting that it’s hard to keep things on track. Over at Spike, things are running more smoothly. Turnover is down. Their time management software shows clock-ins happening on time and a decrease in missed shifts. Managers are reporting good productivity and overall high morale. So what’s the difference between Spike and Heathsville? Since they’re in the same industry, and about the same size, most of the similarities you’d expect are indeed there: They pay roughly the same, and both companies offer a variety of benefits ranging from healthcare to commuter stipends. But Spike’s leadership found research that alerted them to a growing trend. Intrigued, they spotted it within their own workforce: financial stress.

Financial wellness can be defined in many different ways, and because money is implicated as a major stressor in society; it plays a major role in influencing many individuals from a mental or even physical standpoint. Wellness isn’t about how much money you make, it’s about money management, your attitude towards your financial status and your relationship with your money. A financially well person is someone who is the most money organized and the least stressed about it. Because financial wellness affects aspects of an employee’s current and future lives, it is a topic worth discussing further in detail. Here is why financial wellness matters.

In PwC’s 2018 Special Report: Financial stress and the bottom line, over half of employees surveyed felt stressed about their personal finances — mostly because they couldn’t cover emergency expenses. Surveys from Bankrate and the Federal Reserve also painted similar pictures. Among the 1,600 full-time employees in PwC’s study, half reported spending three or more hours each week dealing with personal finances at work, while 12 percent said they’ve missed work more than once to deal with money problems. All this stress is bad for business. For an employer with 10,000 workers, PwC estimated the productivity cost of all this distraction to be as much as $3.3M per year — with an additional $166,000 for absenteeism. This is what happens to organisation that does not have an employee financial wellness program. Its workers are distracted at work and even missing shifts, all because they're stressed about their finances.

In a study by the Financial Consumer Agency of Canada money, worries were found to be the biggest source of stress for Canadians. 40% felt overwhelmed by debt. Financial stress was found out to impact employee's health and an organisations bottom-line. A financially stressed employee is twice as likely to report poor overall health. The same employee will be 5 times more likely to be distracted at work. 46% of financially stressed employees said it impacted their performance at work.

The Financial Health Network (FHN) did extensive research on financial wellness in an effort to determine what it means to be financially well. FHN found that financial wellness hinges on four factors: borrowing, spending, planning, and saving.

1. Borrowing: Having a manageable debt load and a prime credit score
2. Spending: Spending less than income, and paying bills on time
3. Planning: Having a financial plan and appropriate insurance
4. Saving: Being on track to meet long- and short-term financial goals.

These factors are also the steps that one can take to grow their financial wellness. The study also highlighted that financially well employees score well across all four factors. And, according to FHN's data, higher financial wellness is highly correlated with lower financial stress.

The take-home message in this article is that better financial wellness means lower financial stress, which is better for business. The employer will enjoy benefits such as higher productivity, lower absenteeism, improved morale, and higher retention. Given the economic trend in Zimbabwe, one of the sure ways to achieve better financial wellness is by helping employees with all four financial health factors.

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