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Why Employers Should Pay Attention to the Financial Wellness of their Employees



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Financial stress could be an invisible shackle hampering the productivity of your employees.

Stacks of research clearly show that happy, stress-free employees are the most productive. It is in an employer's best interest to cultivate a positive workplace atmosphere, but these efforts are wasted if employees are dealing with serious personal problems at home. Home-life affects work-life, and vice versa. Every employer must draw the delicate line

between maintaining an appropriate professional distance and taking responsibility for their employees' welfare, even outside of the office.

Money trouble is one of the most powerful sources of stress out there. Ensuring and strengthening the financial health of employees is a valuable, and often overlooked, opportunity to nurture employees' overall well-being. **According to a report issued by the White House**, financial education efforts in the workplace are important to reducing financial stress, increasing workplace productivity, and promoting long-term financial well-being. Financial wellness programs should be a core part of any efforts to help employees reach their full potential.

Happy Workers = Productive Workers

Studies correlating employee happiness and productivity have emerged in a steady stream since 2006. Earlier this year, a team of economists at the University of Warwick found that **happy workers are 10-12% more productive**, in the first **"scientifically-controlled evidence"** of the link.

Conversely, lower happiness is strongly linked with lower productivity. Gallup pegged the cost of **America's "disengagement crisis"** at \$300 billion in lost productivity annually. When workers are unhappy or bogged down by stress, they are less motivated, less efficient, less creative, and the quality of their work suffers. Recruiting the best talent in the world is useless if they are not engaged in their work, and discontentment can be contagious.

Most of today's employers realize that promoting employee happiness is about more than "doing the right thing." It is a smart and necessary business strategy that optimizes employee performance and drives outcomes. However this knowledge only gets you so far. The tricky question is *how* to cultivate employee happiness.

What Employees Want

Google is perhaps the most well-known example of a company that goes to great lengths to keep its employees happy. Free lunch, snack kitchens, happy hours, casual dress code, commuter shuttles, on-site laundry service. Other tech companies followed suit, guided by the belief that perks were a critical weapon in the war to recruit top talent.

But an **employment confidence survey** from Glassdoor found that just one-in-five employees rates office perks as important. These fringe benefits rate ninth in a ranking of what matters most. So what really matters? Medical coverage, as well as holidays/vacation/sick time, retirement plans, and wellness programs — all benefits that serve to reduce stress outside of the workplace.

If someone is worried about their ability to get treatment for a chronic illness, mounting debt, or the care of their kids after school, they won't be too impressed by unlimited organic peanut butter cups. These perks are like the icing on a cake. They should come after employers establish a foundation for addressing employees' more serious needs.

Money Matters

Money is a universal and pervasive cause of stress. **A 2011 report from the American Psychological Association** stated that out of the 8 top sources of stress in America, 5 were financial. A CNN poll found that money was the **number 1**

source of stress for citizens across 16 countries.

“Money stress” can mean a number of things. It can result from student or housing debt, when income does not cover costs, bad spending habits, or not having enough money to buttress against emergencies. Another common source of stress is feeling no control — not knowing how to budget (or choosing not to) can trigger feelings of anxiety, helplessness, and even shame.

When people are dealing with debt, they are far more likely to report health problems, as well as exhibit irritability, anger, fatigue, and sleeplessness. Financial stress is linked to higher rates of headaches, abdominal pain, ulcers, insomnia, muscle tension, and heart attacks. They are more likely to adopt unhealthy behaviors, such as smoking, alcohol and drug abuse, and gain weight.

Researchers have also identified a link between financial stress and days of work missed. Financially stressed workers tend to spend more time at work handling personal finances, and one study found that 15% of American workers experience financial stress to such a degree that it impacts their productivity. Another study found that financial stress is significantly linked to personal and work satisfaction. Workers with low levels of financial stress tend to miss work less often and are more productive while there.

If financial health is intimately connected to physical and mental health and productivity, why don't employers take a more active role in promoting it? Employers already take responsibility for their employee's finances by paying their salary, and many offer retirement savings programs. Helping them manage that money effectively is the next logical step.

“An investment in knowledge pays the best interest” (Benjamin Franklin)

President Obama created an advisory council on Financial Capability in 2010 that was tasked with recommending ways “to empower Americans to better understand and address financial matters in order to improve their financial well-being.” The resulting resource guide in 2012 called on employers of all sizes to get more involved.

“American employers are a trusted source of financial education for their employees,” it said. “Effective financial education programs can improve employee finances [...] Improved employee finances can improve employers' bottom line.”

While employers can't dictate where, how, and when to spend their employee's spend money, they can provide education and tools to ensure they spend it wisely. The first step should be to assess and define financial wellness for each employee, which provides insight into problems, informs strategy, and outlines goals. Financial literacy programs that teach topics like basic budgeting, credit counseling, and saving for retirement are also imperative. These should be targeted towards specific demographic subgroups (young women, near-retirement employees), as well as factor in major life events (marriages, children).

Employers can also move beyond education and benefits packages by offering access to financial advisors, helping employees make significant life purchases, and setting up incentives and contests that promote positive habits.

Eat your Financial Broccoli

A Gallup poll found that workers **who are overweight or obese** miss an estimated 450 million additional days of work, as compared to healthy workers, costing an approximately \$153 billion in lost productivity a year. Realizations like this have turned physical health into the central concern of employee wellness programs over the past decade. Spending on wellness incentives continues to rise and **a survey from RAND Corp** found that 95% of companies plan to offer some kind of health improvement program for their employees. The primary motivation? **Reducing costs and boosting productiivty.**

While high, \$153 billion is only half of the losses associated with financial stress. In terms of productivity, financial health is even more important than regular exercise and a nutritious diet (and certainly more than on-site dog parks.)

Ultimately all of these facets of happiness need to be addressed. Financial health is inextricably linked with physical and mental health, and the most effective programs are integrated into a holistic wellness strategy.

About the Author



Josh Verne is the CEO of **workpays.me**, an employee benefit that allows people to pay for purchases from its e-commerce platform at 0% interest over 12 months. **workpays.me** provides education and support resources to foster financial responsibility and make a material difference in people's lives

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