

Credit Delinquencies: A Portrait of Pain for Employers' Bottom Lines—Preliminary Findings

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A variety of factors can result in people considering themselves to be under stress, some of which can be attributed to the demands associated with interpersonal relationships, home life, school, work, or financial situation. This paper examines the relationship between financial problems, physical wellbeing and work productivity of a sample of workers who are delinquent on their debts. Responses from a sample of 173 consumer credit counseling clients indicates that they are experiencing a high degree of stress about financial matters because they have a great quantity of financial problems. Over 90% are suffering. Further, a substantive proportion report health problems and poor wellness. These spill over to the workplace, as the average worker spent 21 hours per month attending to personal financial issues while at work.

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Stress is one of the inescapable realities of life. It is everywhere and affects everyone. It does, however, affect each of us differently. While there are many definitions of stress in use, they all seem to be variations of the definition offered by Hans Selye (1956) that stress is "...the body's nonspecific response to a demand."

A variety of factors can result in people considering themselves to be under stress. Some of these factors can be attributed to the demands often associated with interpersonal relationships, home life, school, work, or financial situation. The physical effects that such demands can have on an individual have been well documented.

Catt and Miller (1985) provided one of the earliest looks at the relationship between stress and job productivity. They found a virtual laundry list of the ways in which stress would negatively impact productivity on the job.

- Increased consumption of alcohol
- Difficulty in concentrating on the job
- Continual feelings of fatigue
- Increased sense of irritability
- Increasingly negative views of colleagues, clients or the organization
- Loss of confidence in personal abilities
- Feelings of hopelessness and negative views of the future
- Increased episodes of headaches or stomach disorders
- Declines in relationships with family members
- General feelings of apathy toward work once considered exciting and challenging

This research was designed as an attempt to further clarify the nature of the relationship between financial difficulties, health patterns and job productivity.

Method

Data for this study were collected during the spring of 1999 by means of a questionnaire distributed to clients of a not-for-profit consumer credit counseling service in southwest Virginia. Following conclusion of their regularly scheduled counseling session, the project was explained to the clients, and they were asked to participate in the survey. This counseling service is in the business of conducting both in-person and telephone counseling. As a result,

respondents were drawn not only from Virginia, but also from several states nationwide.

Those who agreed to participate were given a survey packet containing a letter explaining the nature of the study, the questionnaire itself and a stamped, self-addressed envelope for its return. In an effort to increase response rate, a postcard was enclosed in the packet that enabled the respondent to participate in a drawing for \$100. Postcards were pre-stamped and respondents were instructed to return them separately from the questionnaire in order to preserve their anonymity. Respondents were instructed to complete the survey at home and not at the counseling service office.

One week following distribution of the original survey packet, a reminder postcard was sent as a follow-up. Two weeks after that, a second complete survey packet was mailed in a further effort to increase response rate.

Participation in the project was completely voluntary, and responses were kept anonymous and confidential. To encourage participation in the project, respondents were offered the opportunity to participate in a drawing for \$100.

Results

Demographics

A total of 173 usable surveys were returned, for a response rate of 37%. Although respondents were drawn from 23 states nationwide, by far the majority came from Virginia (60%) and Tennessee (26%). Geographically, no other state contributed more than 2% to the sample size of 173. The majority of the sample (74%) was female, with a mean age of 39 years (Range 21-76, SD=11.5 years).

Fifty percent of the sample reported that they were married and living with their current partner. An additional 25% of the sample were separated or divorced. Average household size was 4.4 (two adults and 2.4 children). While nearly all (87%) of the sample had graduated from high school, only 11% were college graduates (holding either bachelors or graduate/professional degrees). Income levels were low, as might be expected with this particular sample since the researchers believe that many participants were from rural communities. The modal annual household

income was less than \$20,000. One-quarter earned between \$20,000 and \$30,000, and 15% had incomes above \$50,000.

The majority of the sample (37%) rented their current housing, with another 30% reporting they were making payments on a mortgage. Fifteen percent reported that they owned their home outright.

Fifty-seven percent of the sample reported working more than 40 hours every week, and 21% worked between 30 and 39 hours. Over forty percent of the households had both spouses working full-time.

The great majority of the sample (76%) was white, with another 19% of the sample reporting an African-American heritage.

Financial Distress

As might be expected, given the nature of this sample-credit delinquents-respondents reported that they were experiencing a fair amount of financial stress. The vast majority (86%) expressed some level of dissatisfaction with their present financial situation. Thirty-two percent reported that they were “always in trouble” financially. Additionally, nearly 60% found it difficult to pay bills on a regular basis, while nearly 70% expressed that they felt some high degree of stress owing to their personal financial affairs.

Looking in more detail at the numbers suggest that this sample is experiencing financial problems that, while typically not intense, make up in quantity what they lack in severity. Even among a sample of credit counseling clients, reports of incidences of home foreclosure, repossession, and litigation were relatively rare. Instead, the problems being reported tended to be a more moderate, but quite frequent in occurrence. At the top of the list of reported financial problems were issues like these:

- Received overdue notice (84% of the sample)
- Assessed service charge for late payment (83% of the sample)
- Received phone call about past due bill (78% of the sample)
- Paid credit card bill late (72% of the sample)

In general, respondents tended to attribute their financial problems to lack of income (64% of the sample), overuse of credit (61%), spending too much (51%) and lack of a spending plan (51%).

Health and Wellness Issues

Overall, 28% of this sample considered their physical health to be a below average, relative to their peers. Nearly 44% claimed that they were bothered by health problems at least some of the time.

These data indicated that financial issues regularly spilled over into their home lives. The great majority of the sample (85%) indicated that concerns about financial matters pre-occupied their thoughts when at home. Nearly 80% reported that their normal sleep patterns had been disturbed. Sixty-five percent reported some change in their normal eating pattern, causing either an increase in their weight or weight loss. Ten percent reported an increase in alcohol consumption.

This sample reported that their family interaction patterns were in disarray, as well. Over half of the sample (56%) said that they were unhappy with how they were performing as a partner. More than one in three (35%) reported a deterioration in their ability to be a good parent.

Work Time Wasted

The average worker in this sample admitted to spending 21 hours per month attending to personal financial issues while at the work site. This figure represents about 13% of the work hours available in a given month.

Further, 36% of the sample reported that they had been totally unable to carry out their normal responsibilities for at least one day during the previous month. Fifty percent also admitted that during the previous month, they had to reduce the amount that they accomplished at work an average of more than 2 days.

When asked, “How often do you feel that concerns about your personal finances interfere with your responsibilities at work,” more than one-third said that this happened sometimes to very often.

The Missing Link

Respondents were then asked to assess the extent to which they believed that the stresses accruing from their financial affairs were influencing their

a) physical health, b) emotional health, and c) job performance.

Forty of the respondents report that money problems interfered with their work sometimes to very often, and 36% say that their emotional health has interfered with their work sometimes to often.

With regard to effects on physical health brought on by financial distress, 42% said this happened sometimes to very often.

Discussion

The results reported here represent preliminary finding in a research project that is still ongoing. More rigorous statistical analyses must be conducted on these date in the future, nevertheless, some conclusions seem warranted.

The argument that personal financial wellness (or lack thereof) effects personal lives in general and work productivity in general have been supported once again, and this time the finding are very clear. Workers with money problems are trouble for employers because they bring their concerns to work which reduces their job productivity. Stress arising from employees with money matters negatively impacts both their personal lives and their performance at work.

Health and wellness are reported to be quite severe for substantive proportions of this sample. This suggests additional costs for employers who provide workers health insurance, as these workers logically would utilize medical services well beyond the norm.

The work time wasted is for credit delinquents is phenomenal! And the total of hours is much greater than might be expected because there are multiple components to the analysis. First these credit delinquent employees waste a self-reported 13 percent of time at work, while a more typical group of employees—a normal workforce with fewer credit delinquents—could be expected to self-report perhaps 2% wasted time. Second, we can conservatively estimate that 50% or more of this sample of credit delinquents take time from work tending to money matters.

Indicators of the substantive amounts of wasted work time for this sample are as follows: 35% talk about money with co-workers, 40% have

consulted lenders, 52% handled money problems at work, 39% have missed a rent or home mortgage payment, 84% have overdue bills, 86% report that they have poor financial wellness, and 98% say that do have financial problems. Further, from a variety of research studies, including this one, we estimate that not all workers with money problems bring those concerns to work with negative results to their employers, rather it is perhaps 35%. Thus, probably one-third or more of this sample of credit delinquents likely bring their money problems to work causing wasted time and other losses of productivity.

Further data collection is underway with this study, and additional statistical analysis will be performed. The findings will be reported at a later time.

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