EMPLOYEE PERSONAL FINANCIAL WELLNESS AND JOB PRODUCTIVITY—RESEARCH IS NEEDED TO CONVINCE TOP MANAGEMENT TO MAKE THE INVESTMENT IN WORKPLACE FINANCIAL EDUCATION

E. Thomas Garman[1], Virginia Tech

Employers, shareholders and other stakeholders should have a vital interest in the impacts of quality financial education on employees, their families and employers. Researchers are finding that employees not only want workplace financial education, but that such education improves their personal financial behaviors and job productivity. However, those who make the investment and spending decisions in top management will not become 100 percent committed to supporting massive efforts to increase the financial wellness of employees until they receive convincing evidence on the bottom-line savings that result from workplace financial education. The message should be clear: No convincing research evidence, no bottom line progress.

Times have changed in workplace financial education over the past 20 years. The financial education of yesterday, primarily narrowly focused retirement education, saw employers hold meetings with workers nearing retirement age to explain the defined benefits each would receive upon retirement. Change occurred with the creation of the employer-sponsored 401(k) retirement plan. Employers then adopted this defined contribution plan as a substitute for the traditional defined benefit plan. Years ago financial education was provided for employees just prior to when they left full-time employment, perhaps at about 55 or 60 years of age. Now financial education is offered to all employees and at much earlier ages.

The emphasis on financial education today is still on saving and investing for retirement. However, smart employers are taking a more comprehensive approach to workplace financial education. They are offering on-going educational programs to employees that focus on saving and investing for retirement, in addition to emphasizing wisely selecting employee benefits, making personal assessments about credit use and money management, and understanding how to use consumer protection laws (Garman & Bagwell, 1999).

Workers with Financial Problems and Challenges Cannot Save, or Save Enough, for Retirement

Workers with financial problems and challenges cannot save, or save enough, for retirement. As a result, nearly 50 million of the nation's 125 million employees, or 40 percent, have yet to begin saving for retirement.

The participation rate in employer-sponsored 401(k) retirement plans at large employers is only 80 percent, and among small employers, it is an abysmal 20 percent. Plus, most employees who do save in employer-sponsored retirement plans do not save the maximum amount. For participants who are saving and investing, the mean retirement plan portfolio is $37,000 while the median is only $11,700 (Are workers taking advantage, 1999).

The sum of $11,700 is not enough to purchase a new car, let along support a retired family for one year. The sum of $37,000 would not last long during retirement either. These numbers hardly reflect a population of American workers fully prepared for retirement. Therefore, this is one reason why these employees are not financially well. Indeed, this should be an alarming situation.

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[1]E. Thomas Garman, Personal Finances and Worker Productivity, Volume 3, Number 2, Fall 1999 pp. 65-68. At the time of publication, Garman was Professor and Fellow, Center for Organizational and Technological Advancement, and Director of the National Institute for Personal Finance Employee Education, Virginia Tech, Blacksburg, VA 24061. Garman retired in 2000 as Professor Emeritus at Virginia Tech. E. Thomas Garman, Distinguished Scholar and Director of Educational Services, InCharge Institute of America, 1768 Park Center Drive, Suite 400, Orlando, FL 32835; E-mail: tgarman@incharge.org; Phone: 407-532-5883; Fax: 407-532-5750; Web: InCharge.org.

Research indicates that, on average, about 15 percent of employees in the United States are so stressed about their poor financial behaviors that their job productivity is negatively impacted (Garman, Leech & Grable, 1996). Examples of cost areas for employers are absenteeism, increased stress, increased work time wasted, reduced job productivity, and higher health care costs. Twenty years ago, Brown (1979);calculated that 10 percent of employees were suffering from stress from money problems; now Brown (1993) observes that the figure could be 15 to 20 percent who are not fully productive at work. Money problem behaviors are over-indebtedness, overspending, unwise use of credit, bad spending decisions, poor money management, and not enough money to make ends meet.

Virginia Tech's National Institute for Personal Finance Employee Education (NIPFEE) estimates that about 15 to 40 percent of employees have money challenges (Garman, 1998a). Money challenges are practicing better money management to avoid overspending, making effective decisions on employee benefits, finding enough money to maximize retirement plan contributions, and learning more about comprehensive financial planning.

Employee financial problems and challenges are expensive for employers, in part, because inattention to work to focus on financial concerns reduces job productivity. For example, at the U.S. Department of Defense the estimated loss is $1 billion annually (Kristof, 1998). Employees who are not financially well cause expensive productivity costs for their employers (Garman et al, 1996).

Financial Education Has Positive Impacts on the Financial Wellness of Employees

There is good news. Researchers are finding that employees not only want workplace financial education (Garman, Kim, Kratzer, Brunson, & Joo, 1999; Joo & Garman, 1998a; Kratzer, Brunson, Garman Kim & Joo, 1998), but that financial education changes their personal financial behaviors and job productivity (Kim, in press).

Research by NIPFEE and others show that there are many positive changes in personal financial behavior as a result of financial education. It increases:

- awareness about the need to plan and save for retirement,
- the number who have calculated how much they need to save for retirement,
- knowledge of personal finances,
- feelings of control over their personal finances,
- confidence in managing money to achieve personal financial goals,
- participation in salary set-aside pre-tax benefit programs for health and dependent care,
- the number who developed a budget or spending plan,
- the number who reduced some personal debts,
- the number who paid their credit bills on time (Garman et al, 1999; Kim, in press; Kratzer et. al., 1998),
- understanding of the relationship between risk and returns in investing,
- confidence in making investment decisions,
- improvement in their personal financial situation,
- the participation rate in employer-sponsored retirement plans,
- the amount of money saved toward retirement (Bernheim & Garrett, 1996; DiPaula, 1998; Gorbach, 1997; Milligan, 1998),
- confidence about how their retirement assets are allocated (diversified), and
- development of plans for their financial future.

Financial Education Also Impacts the Employer's Bottom Line

As shown above, financial education results in better financial wellness for employees. This is good news for employers, too, because financially well employees are the most productive workers (Garman et al, 1999; Kim in press; Kratzer el al, 1998).

Workplace financial education reduces the amount of time wasted by employees dealing with financial concerns during working hours. Financial education participants report better health, higher bosses' performance ratings and higher job productivity (Garman et al, 1996; Joo, 1998; Kim, in press). Financial education can be used to both recruit and retain valuable workers (Decker, Decker, & Love, 1998; Kim, in press; Pomeroy, 1997). Also, it increases the number of workers who are financially able to retire early (Pomeroy, 1997). This is important to employers because when highly paid older workers retire they are often replaced with employees earning lower salaries. Employers also save on Social Security taxes and health care expenses by replacing older employees with younger ones.

The potential return on investment for workplace financial education is estimated as at least 3 to 1 (Garman, 1998b). The first-year savings from workplace financial education that improves some employees' financial wellness that reduces absenteeism and work time wasted is calculated to be over $400 per employee (Joo & Garman, 1998b).

Employers and Other Financial Education Providers Need to Support Research

The top management of employer s in America and their shareholders and stakeholders need this information to augment their decision making strategies. Employers, creditors, non-profit credit counseling organizations, trade and professional associations, and other financial education providers need to know about these positive impacts to employees and employers. NIPFEE is confident that research will demonstrate that financial wellness improvements translate into concrete and measurable positive impacts to the employer's bottom line. We anticipate that it will reduce many employer costs, such as health care, absenteeism, work time wasted, turnover and workers compensation claims. Early indicators from research are favorable. Many positive relationships have been determined financial wellness and higher job productivity and lower costs for employers.

To obtain concrete and totally persuasive evidence supporting these findings, however, will take more research. If employers and other financial education providers desire definitive causal relationships between workplace financial education and positive impacts on the bottom line, they need to help pay for the research to build the case. Otherwise it will not happen (and this is likely) or it will take many, many years.

Employers, creditors, non-profit credit counseling organizations, trade and professional associations, and other financial education providers need to financially support valid and reliable research that supports the bottom line case for comprehensive financial education in the workplace. So far, the evidence is tantalizing and persuasive. But top management will not commit to heavy investments in workplace financial education unless the evidence convinces them that they indeed will save money. Because so many influences affect the bottom line, research could prove to be very profitable in the long run.

Researchers, employers, unions, creditors, non-profit credit counseling organizations, trade and professional associations, and other financial education providers need to know if employees are getting through money problems and challenges and becoming well-prepared for retirement, both financially and from a life-planning perspective. These institutions have a social responsibility to find out how financial educational makes positive changes in employee financial behaviors.

More research evidence is needed to demonstrate that employees with good personal financial wellness initiated by comprehensive workplace financial education are profit centers for their employers. Research must have the financial support of employers and other providers of workplace financial education because it is very much in their interest.

The need to partner together to conduct research that convincingly demonstrates the causal relationships between workplace financial education and positive impacts on the bottom line is evident. Also, research also needs to identify ways to change employees' financial behaviors in order for millions of workers to be able to accurately report that they are fully on track and well prepared for a successful retirement.

Many stakeholders and shareholders have a vital interest in the impacts of quality financial education on employees, their families and employers. Individuals who make the investment and spending decisions in top management will not become 100 percent committed to supporting massive efforts to increase the financial wellness of employees until they receive convincing evidence on the bottom-line savings that result from workplace financial education. The message should be clear: No convincing research evidence, no bottom line progress.

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