

THE IMPACT OF EMPLOYEE FINANCIAL STRAIN ON YOUR BUSINESS



Engaged and invested employees are the backbone of any successful business, especially in the service industry. From waiters to retail clerks, these employees provide the first – and sometimes only – human interaction a customer has with your brand, which means that having employees who are committed to your company can be an invaluable asset.

Composition of Hourly Workers in the U.S.

The face of the American workforce has changed dramatically over the last several decades. With rapid changes in technology and the globalization of work, the “gig” economy is on the rise, creating a labor market where short-term contracts and part-time employment are becoming more common than permanent jobs. Today’s hourly employees are no longer limited to the high schooler serving popcorn at the local movie theater during summer break or the first-year college student bagging groceries on Saturday mornings.

Hourly Worker Demographics in the U.S.

82.3

million hourly workers
in the U.S. in 2019

52%

of low-wage hourly
workers are millennials
(age 20-34)

51%

of hourly workers
come from households
making less than
75,000 per year

70%

of hourly workers
are not confident in
being able to pay for
their basic needs

The majority of today’s low-wage hourly employees are millennials with families, more responsibilities and stressors outside of work.

Today’s Workers Are Most Stressed About Finances

Money problems continue to plague the American workforce. A recent poll conducted by Workplace Options, an independent provider of integrated employee wellbeing solutions, found that financial stress is not only a concern for the average working professional, but a stress that’s affecting their lives to a significant degree.

According to a 2020 study conducted by Gallup, only 34 percent of Americans feel engaged at work

Debt is one of the biggest sources of employee financial stress. And when workers are worrying about their looming mortgage payment or overdue credit card bill, you can be certain employee engagement in the workplace will suffer.

Financially Stressed Employees Are Disengaged

According to a 2020 study conducted by Gallup, only 34 percent of Americans feel engaged at work. That means a staggering 66 percent feel disengaged. Today's hourly workers are even less satisfied with their jobs than individuals in salaried positions – but it has less to do with the nature of the job than the benefits that come with it.

Hourly Workers Work-Related Satisfaction

- Only 34% are satisfied with the benefits offered by employer
- Only 29% are satisfied with their pay

Gallup's research also shows clear links among financial distress, workplace productivity, and health. Employers who improve employees' financial well-being will see improvements in their bottom lines as well, as findings show that engaged employees are involved in, enthusiastic about and committed to their work.

Financial Stress by the Numbers

The grim reality that many Americans are struggling financially is nothing new. In fact, CNN recently reported that the average American doesn't have enough available cash to cover a \$400 emergency. "The finding that four-in-ten adults couldn't cover an unexpected expense without selling something or borrowing money is troubling," Greg McBride, chief financial analyst at Bankrate.com, told CNN.

What's more, according to Workplace Options, 13 percent of today's employees are worried about money on a daily basis, 24 percent have had to take on an extra job to make ends meet, 15 percent have resorted to selling blood or plasma for extra cash, and 11 percent have had to borrow money at a high interest rate in order to pay their bills.

Still, it hasn't been thoroughly examined until more recently to what extent these issues are impacting the American workplace. "Traditionally, employers have viewed employees' financial worries as personal issues without much of an impact on their bottom line," said Dean Debnam, CEO at Workplace Options. "Financial stress among employees is taking a toll on productivity for business of all shapes and sizes."

ONLY 34%

of hourly workers are satisfied with their benefits!

Why Employee Financial Strain Is Bad For Business

Employee financial strain isn't just a societal problem – it's a business problem, as well. Here are four ways employee financial strain can have a negative impact on your bottom line.

Distracted Employees

Poll results show that 45 percent of millennials – which make up a majority of today's hourly workforce – say personal finance worries impact their ability to do their job.

- 85% of working Americans say they deal with personal finance issues during working hours at least occasionally.
- 56% believe they have coworkers whose job performance has been impacted by financial stress.
- Less than 50% say their employers offer some type of help or benefits for employees seeking financial assistance.

**Information via Workplace Options*

Each time you switch your focus, you compromise your effectiveness at work. Employees who are distracted by outside stressors like finances are more forgetful, less attentive and less capable to make quick decisions. These distractions not only affect the quality of your customer service, but depending on your business, can simply be dangerous.

Absenteeism

Worry over financial matters can cause anxiousness, irritability, fatigue and sleeplessness, all of which can take a toll on one's overall health. This, in turn, means more sick days and higher health costs. According to research conducted by the Society for Human Resource Management, absence and tardiness is 34% higher among financially stressed employees.

Higher Turnover

Employee turnover in the U.S. is at an alltime high, especially within service industries, which are largely made up of hourly employees.

In 2018, the restaurant industry saw a whopping 74.9% employee turnover rate

A recent survey conducted by Gallup found that in 2018, the restaurant industry saw a whopping 74.9% employee turnover rate, with the retail industry not far behind at 65% turnover. With only 29% of hourly employees reporting they were satisfied with their wages, this leaves the majority of our hourly workforce on a constant search for better opportunities and more likely to quit their job for more money elsewhere.

Higher Company Costs

With higher rates of distractions, absenteeism and employee turnover comes increased costs for businesses across the board. Distractions could cause workplace accidents, on-the-job errors and customer dissatisfaction. Absenteeism could mean higher health care costs, as well as lower productivity, and employee turnover means a constant need to spend money on recruiting and training new employees. At the end of the year, this could result in hundreds of thousands to even millions of dollars lost, depending on the size of your business.

Research also shows that highly disengaged employees cost the U.S. between \$450-\$550 billion each year in lost productivity. Disengaged workers are more likely to steal from their employers, negatively influence their coworkers, and drive customers away by failing to provide a good service experience.

Solution: Offer Employees A Way to Ease Financial Stress

Understanding your employee's struggles allows you to offer them solutions that will make a viable difference in their lives.

While increased wages and health benefits can be a great incentive for employees, they aren't always options that businesses can afford. However, there are other financially-focused work perks that can be just as attractive.

Financial education sessions — which can provide employees with useful strategies to save money, pay down debt and live within a budget.

Professional development plans — including mentorship, training, tuition reimbursement and other ways to help employees advance professionally.

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Employee reimbursement or discounts — on things like gas or mobile phone service. Flextime — which allows employees to have more control over their schedules, allowing them to easily change shifts around life commitments like picking up children from school, doctor's appointments, trips to the bank, etc. without having to use up sick/ vacation time.

Instant Pay — Increased pay frequency and quicker access to their earned pay. When employees are less stressed about their finances, they're happier and ultimately more productive at work. By offering this benefit, you're eliminating stress about making money last 'til payday, and removing the need to turn to friends or family for emergency funds (or worse, predatory payday lenders).

Why It Matters to Your Business

There are many simple, yet extremely impactful ways to help ease the financial stress experienced by so many hourly employees who often deal with cash shortages during the traditional two-week pay period. And, when your employees are less stressed about money, that means:

Stronger company culture — Employees working under manageable levels of stress are generally happier, more creative and more invested in their work.

Fewer sick days — Stress is among the leading cause of employees calling in sick. Healthier employees are more likely to come to work regularly and be productive while they're there.

Lower turnover — Happier, healthier employees means lower rates of turnover, improved shift flexibility, and increased workplace motivation. These factors combine to substantially reduce overall labor force costs.

Higher applicant and retention rates — By giving employees more control over their own pay, employers provide a resource that increases employee financial well-being. This develops a sense of loyalty and respect towards their employer.