Willis Towers Watson

Employee financial wellbeing: The impact of employee financial health at work

The connection between employees' financial worries and work performance

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This report examines the connection between employees' financial worries and work performance through a case study of a large employer with two groups of customer-facing roles.

The impact of employee financial health at work

The 2017/2018 Willis Towers Watson Global Benefits Attitude Survey shows a clear relationship between employees' financial worries and their work performance, engagement and absence. Specifically, the survey finds that employees who are financially struggling:

- Lose 41% more work time to absence than peers without financial worries
- Have lower engagement levels than peers without financial worries (51% vs. 29%)
- Are less productive compared with peers without financial worries (32% vs. 5%)

Willis Towers Watson had the unique opportunity to explore in depth the association of financial stress and on-the-job performance using a large employer's experience. Our goal was to measure the magnitude of the difference in the performance of financially stressed employees and non-stressed employees. To do so, we used the employer's detailed records of work quantity and quality for a relatively homogeneous and sizeable group of 17,000 employees — all of whom served in consumer-facing roles.

We determined the financial stress level for each employee based on the employer's administrative records. We categorized the employees into high, medium and low levels of financial stress and then compared the three categories on a number of metrics (see sidebar, Willis Towers Watson's methodology, below).

Evaluating the financial wellbeing of the workforce

We began by integrating a number of indicators of financial insecurity, including:

- Not contributing to the employer's 401(k) retirement savings plan
- Hardship withdrawal from the 401(k) retirement savings plan
- Active wage garnishment
- Recent qualified domestic relations orders
- Loan from the 401(k) retirement savings plan

Then we used the results to group each employee into one of three levels of financial stress:

- High financial stress: One of the higher severity indicators or two of the lower severity indicators
- Medium financial stress: One of the lower severity indicators
- Low financial stress: None of the indicators

Our method placed nearly a quarter of the workers in the high financial stress group.

Total customer-facing employees: 17,587	Number (Percentage)
High stress	4,221 (24%)
Medium stress	5,804 (33%)
Low stress	7,562 (43%)

Financial stress and work performance

We then split the group of employees into two subpopulations according to their job specifics: field technicians or phone agents. After standardizing the performance measures to a scale with mean 0 and unit variance (see Performance measurement and analysis in two subpopulations), the differences between high, medium and low financial stress levels came into focus:

- The field technicians demonstrated a strong association between financial stress and job performance.
- The high financial stress field technicians demonstrated significantly poorer work performance relative to peers with low financial stress (statistical significance of the comparison $p < .001$).
- For phone agents, the pattern of differences was similar but not as pronounced.

This difference between the phone agents and the field technicians suggests that the impact of financial stress on productivity varies across occupations. There could be many reasons for occupational variation, but one speculation is that field technicians, lacking constant contact with supervisors and coworkers, may be more susceptible to the intrusions of personal financial problems during the work day. Financial stressors might be triggered by phone calls, or ongoing financial worries could become an overwhelming distraction. These effects could degrade the quantity and quality of work output as employees take longer or more frequent work breaks or, because of divided attention, take more time to perform tasks correctly.

Nevertheless, the impaired job performance observed in the employees with high financial stress are concerning because of the potential impact on customer satisfaction and customer retention, both key determinants in profitability.

Moreover, the impact could be more pronounced and worrisome in industries where worker impairment can create a hazard for coworkers or the public, such as utility, transportation, construction, petroleum, food, chemical and pharmaceutical production and manufacturing, and medical, to name just a few.

Financial stress and absence

In addition to job performance, we also analyzed the relationship between financial stress and time lost to absence measured by sick days, unpaid leave and non-pregnancy-related disability leave. Highly stressed employees took 1.75 absence days to every one day taken by low-stress employees (statistically significant, $p < .001$).

Performance measurement and analysis in two subpopulations

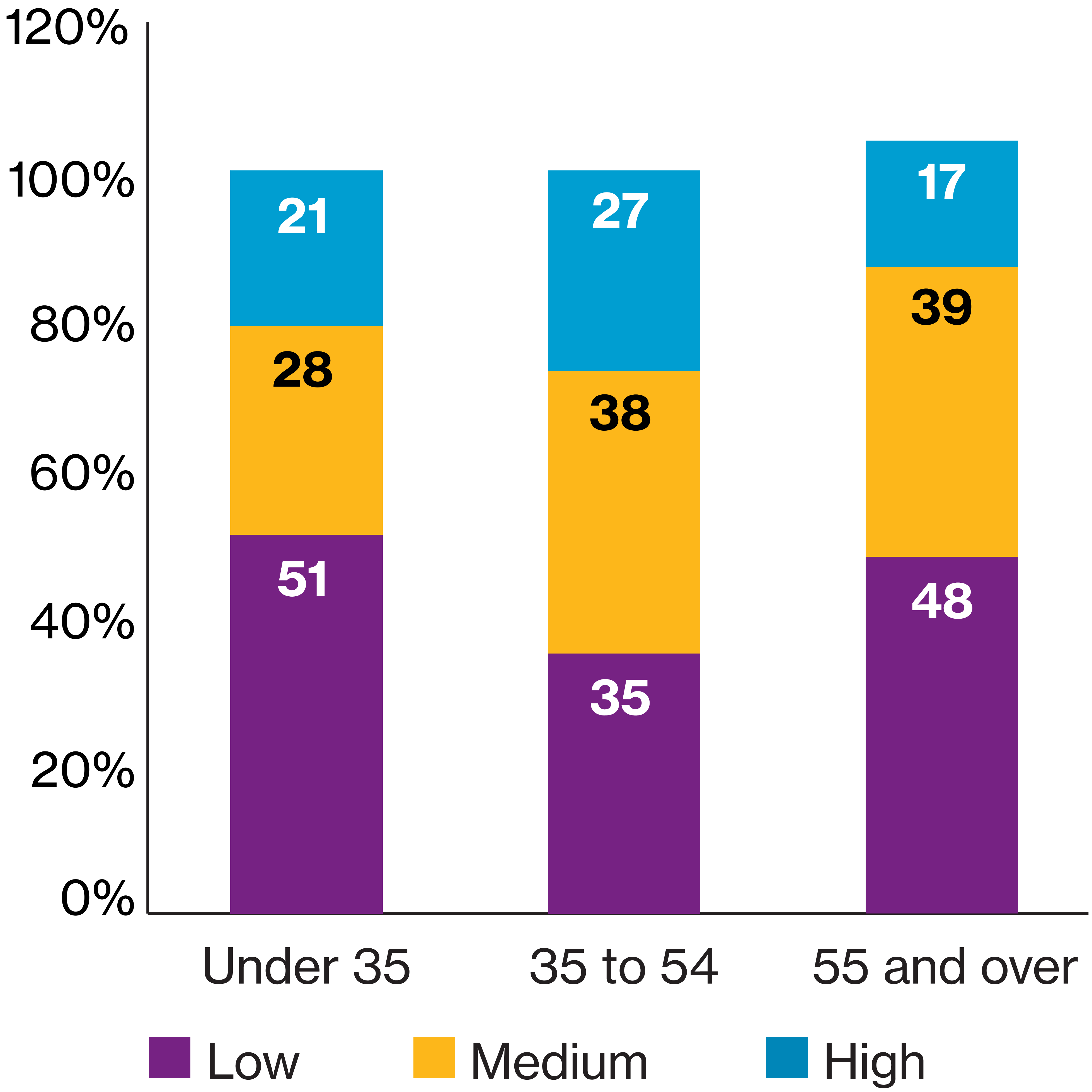

Figure 1. Life stages and financial stress (by age)

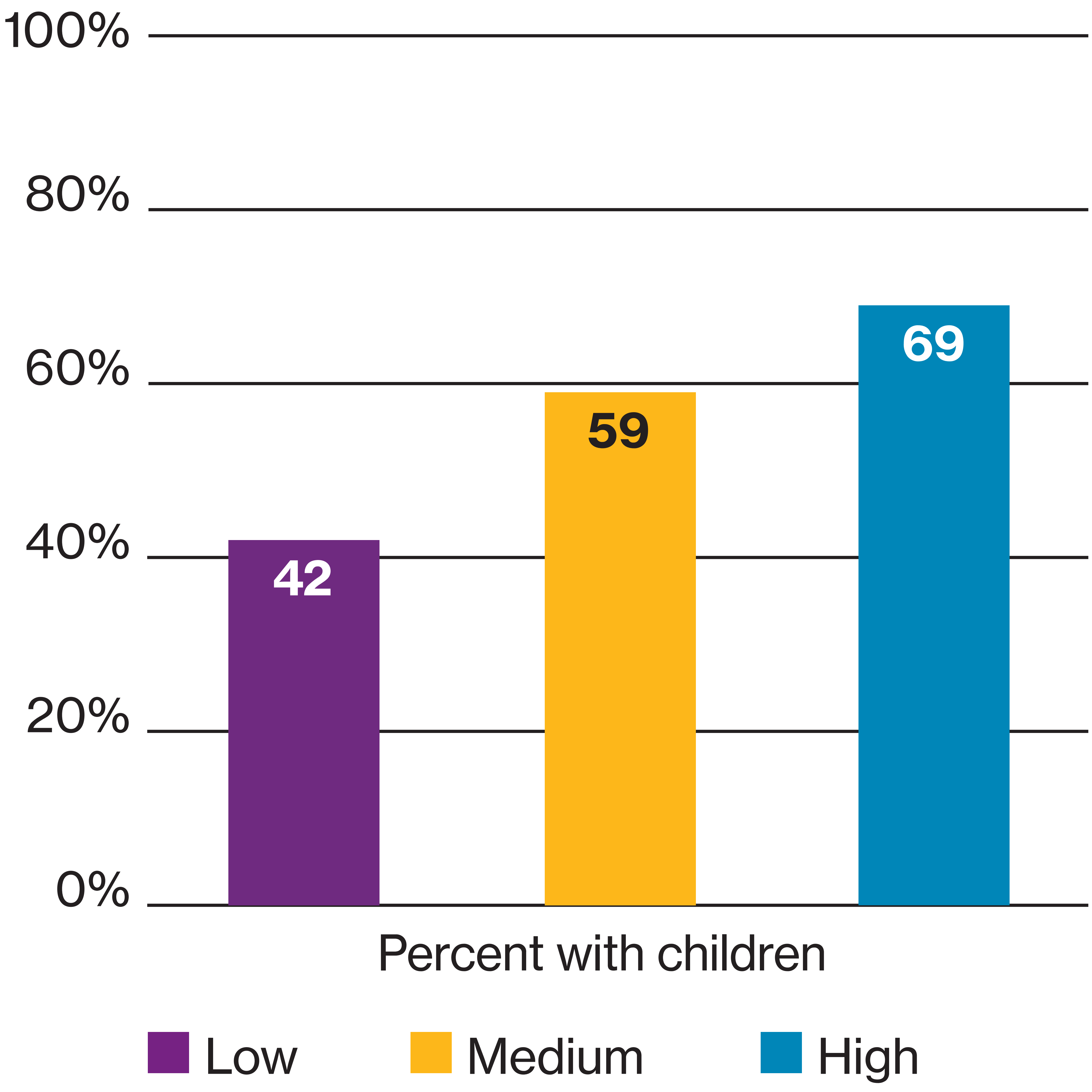

Figure 1 continued. Life stages and financial stress (percent with children)

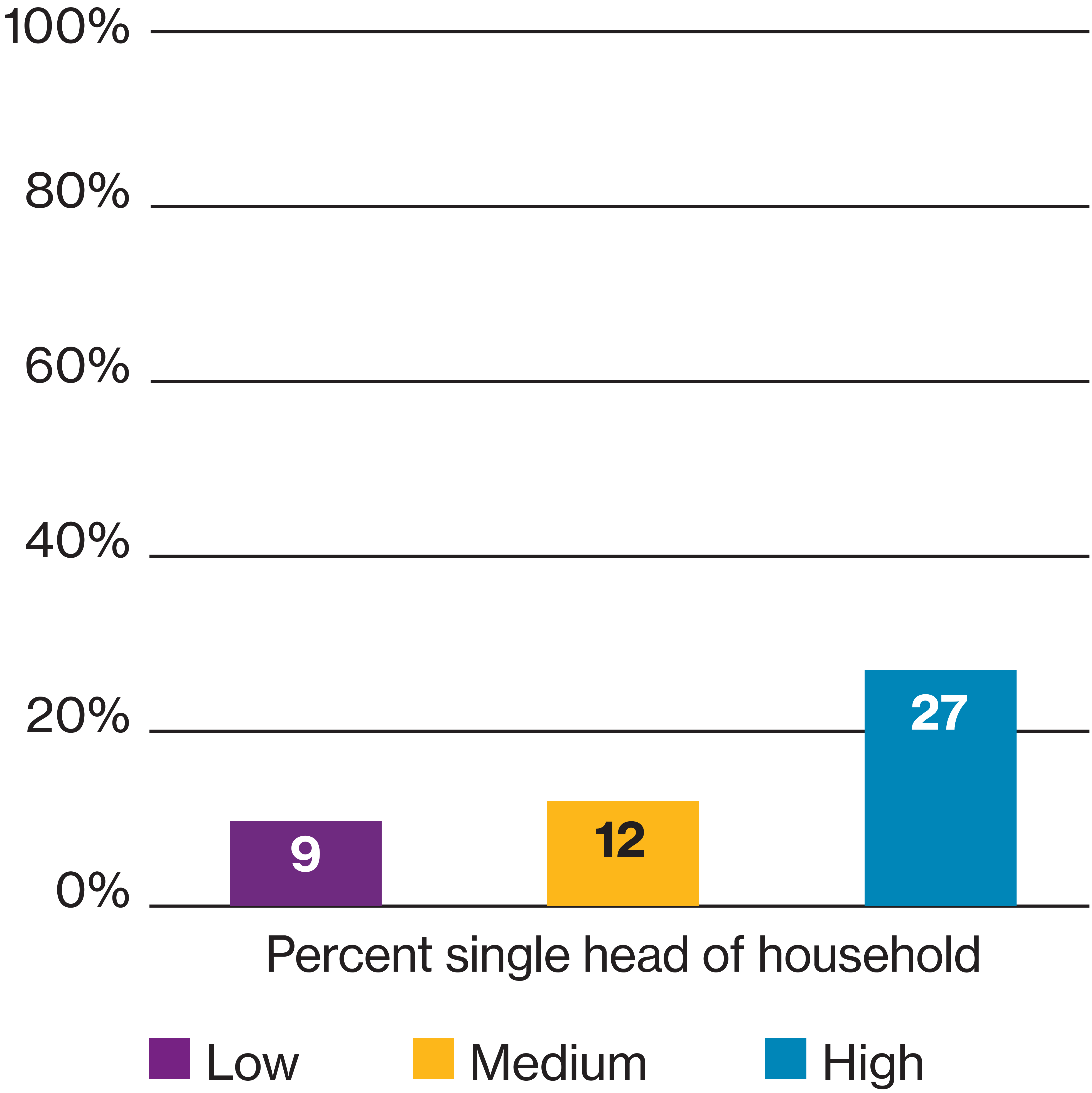

Figure 1 continued. Life stages and financial stress (percent single head of household)

Like most corporations with customer service units, the employer we studied measured the activities of its customer-facing employees on a routine basis. The company assessed the quantity and quality of each employee's work output. The employer used the specific benchmarks (e.g., percentage of first-call resolution) as well as a composite score resulting from a combination of the individual metrics.

For the one-year period of the study, Willis Towers Watson used the specific metrics to compute an average composite score for each employee who met the following characteristics: full time, permanent, benefits-eligible with at least six months tenure and adequate work quantity. Employees with limited overall work quantity — those in the lowest 10% of their group — were excluded.

Before looking at the differences between low-, medium- and high-stress individuals in the population, the employees were separated into two subpopulations: field technicians ("field") and agents serving customers on the telephone ("phone"). Because the responsibilities and work environments differed for the field and phone employees, the employer used different criteria to assess the performance of employees in the two roles.

Additionally, the demographic characteristics of the field and phone workers were different. The field technician population was almost entirely male (99%), with many having dependents, while the phone agents were more balanced in gender (41% male). The two subpopulations were considered dissimilar enough to warrant separate analyses.

Prior to analysis, the composite scores for each subpopulation were normalized.[1] Within field and phone groups, differences between the employees having low, medium and high financial stress were tested after taking into account any differences in age and gender inherent in the financial stress levels. The average performance composite scores by financial stress level are shown in **Figure 1.**

Echoing the findings of the Willis Towers Watson Global Benefits Attitude Survey, our employee study found financial stress varies according to life stage. Middle-age employees (age 35 to 54) were far more likely to be in the high and medium financial stress groups than their younger (age 18 to 34) and older (age 55 and over) cohorts.

It is easy to understand why middle-age employees are more financially stressed. Middle-age years are the peak for the expenses of family building and child-rearing, typically including pivotal financial decisions concerning housing, automobile, education, technology and day-care needs as well as more volatile medical costs. The study results show that 69% of the high-stress group had children compared with 42% of the low-stress group. Additionally, more than a quarter of the high-stress group were single head of household, compared with only 10% of the low-stress group.

What can employers do?

The bottom line

An employer's first step to devising a strategy for employee financial wellbeing support is to assess the level of financial stress in the workforce, gain insight on the specific situations where financial stress is most severe and identify the opportunities to best address the root causes.

There is no one-size-fits-all strategy for supporting the financial wellbeing of an employee population.

- At an aggregate level, each workforce has different characteristics that impact financial decision-making skills, influences and, ultimately, financial wellbeing. Characteristics of the population such as social and media preferences, family communication, education level, income and life stage are associated with variations in appropriate financial decision-making and confidence-building support.
- Within a given employee population, wants and needs vary according to life stage and other individual characteristics. As shown above, the most common challenges to financial wellbeing occur during early middle age, the peak years for pivotal financial decisions related to family lifestyle, such as acquiring a home and raising children.

Using these insights, develop a strategy and implement solutions centered on the wants and needs of the at-risk segments of the workforce that will improve decision making, deliver value and lower risks.

Whatever is the right course of action for your organization, the lesson is clear. Those organizations that address financial wellbeing can reap the competitive advantage of higher employee engagement, fewer absences and greater levels of productivity.

Willis Towers Watson view:

For best results in improving the financial wellbeing of workforces, leading employers will combine independent decision-support technology with unbiased financial counseling and discounts on financial products and services. We've already seen some employers have success through adoption of high-engagement decision-support tools such as Willis Towers Watson's myFiTage™ that help employees find hidden value, avoid cost and risk, and build confidence. And we've also seen new solutions on the provider side, including one recently introduced by Brightside (https://www.gobrightside.com/) that combines independent financial assistants with a range of financial products.

Endnote

1. To normalize scores, a consistent linear transformation was applied to each score in the group so that the mean for the entire group was 0 and the variance for the group was 1.

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