Financial Literacy and Workplace Outcomes: Presenteeism and Absenteeism

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While lack of financial literacy results in poor financial management behaviors and affects employees' financial well-being, employers are becoming concerned about its effects on workplace outcomes. There is evidence, for example, that employees bring money worries into the workplace in the form of "presenteeism," or being at work but performing sub-optimally due to illness (Johns, 2011), stress (Baker-McClearn, Greasley, Dale, & Griffith, 2010; Levin-Epstein, 2005; MacGregor, Cunningham, & Caverley, 2008), financial distress (Bagwell & Kim, 2003; Kim & Garman, 2003; Kim, Sorhaindo, & Garman, 2004; Merrill et al., 2012), or engagement in personal business (D'Abate, 2005; D'Abate & Eddy, 2007; Prater & Smith, 2011). It is estimated that presenteeism costs employers about $180 billion/year in productivity losses (Weaver, 2010).

In a study of employees' engagement in personal business, including personal financial activities while at work, D'Abate and Eddy (2007) found that employees reported spending over an hour each workday engaging in personal business. Prater and Smith (2011) found that employees reported over 2 hours per day spent on personal business. Such behaviors were estimated to cost employers an average of $8,875/employee each year (D'Abate & Eddy, 2007).

There are a number of individual and organizational factors that contribute to employees' engagement in presenteeism (Baker-McClearn et al., 2010). Some researchers have studied the relationship between financial distress and presenteeism, and have found that those reporting more financial distress also report more presenteeism (Bagwell & Kim, 2003; Kim & Garman, 2004). Prater and Smith (2011) reported that 19% of their respondents spent work time dealing
with personal debt and credit issues. Merrill et al. (2012) found that financial stress/concerns contributed significantly to presenteeism, more so even than did health limitations or depression and anxiety, with nearly 40% of employees reporting inability to concentrate on work at optimal levels due to personal financial issues.

Absenteeism is another workplace behavior that is costly for employers. A conservative estimate of the cost of employee absenteeism to organizations is $118 billion (Weaver, 2010). In a study of the financial impact of employee absenteeism, Mercer (US) Inc. (2008) estimated the total cost to be 36% of a company's base payroll. While illness is one reason employees take unscheduled time off, there are other reasons as well, some of which are known to stem from financial distress (Bagwell & Kim, 2003; Kim & Garman, 2003; 2004). Some researchers have found that increased financial literacy reduces employee absenteeism (Bagwell & Kim, 2003).

References


