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PERSONAL FINANCE EDUCATION IN THE WORKPLACE: WHAT WORKS

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Many employers in the United States are offering financial education programs for their employees, an area of rapidly growing importance. This paper examines the ways of presenting personal finance employee education programs, motivations for employers to offer personal finance employee education to employees, the high costs for employers who do nothing, the components of a comprehensive personal finance employee education program, and describes "Personal Finance Employee Education" and the PFEE Outreach Project.

Interest in worker productivity has long been a concern of employers. At the turn of the last century, time management research showed employers how to get their workers to be more efficient. In recent years, interest in the twin goals of increasing worker productivity and keeping costs low has shifted toward greater use of technology and attention to human factors. Many employers now pay careful attention to a growing number of personal factors about workers that affect job productivity, such as substance abuse counseling, flex time, child care facilities and wellness programs.

Today many private sector and non-profit employers in the United States are offering financial education programs for their employees, an area of rapidly growing importance. Some of the leading employers include IBM, Welbuilt, United Parcel Service, Florida Power & Light Company, Kimberly-Clark Corporation, Phillip Morris USA, The Mead Corporation, Coors Brewing Company, R.J. Reynolds, and the US Navy. Many of these employers have collaborated with providers of information, education and services on personal finances. Some of the leading providers include Cooperative Extension, Consumer Credit Counseling Services, American Express Financial Education Services, and Ernst & Young, as well as excellent consulting practioners like Grady Cash, Robert Weagley, and Edie Milligan.

These organizations and individuals have positive stories to tell. It is useful for other employers and providers of information, education and services to learn what others are doing in personal finance education for employees—to share "what works." This paper is organized as follows: ways personal finance employee education programs can be offered, motivations for employers to offer personal finance employee education to employees, the high cost for employers who do nothing, the components of a comprehensive personal finance employee education program, and a description of "Personal Finance Employee Education" and the PFEE Outreach Project.

How Personal Finance Employee Education Can Be Offered To Employees

Personal finance education may be offered via written materials (brochures, newsletters and memos containing useful information), lunch-time and after-shift education sessions, half- to full-day information and education seminars and workshops, drop-in sessions at work sites, displays at work sites, focus groups, educational videos, interactive voice response systems, interactive computer software, intranet- and Internet-based self-service to manage data and conduct transactions (Burzawa, 1997), free 800-number telephone, and face-to-face counseling or financial planning for employees and significant others.

Motivations for Employers to Offer Personal Finance Education to Employees

There are four broad motivations for employers to offer personal finance employee education to employees: (1) productivity losses, (2) genuine negative costs to employers, (3) poor participation of employees in employer-provided pension plans, and (4) threats of class action lawsuits from employees and former employees. Further, the cost when employers do nothing is high.

Profits and Losses and Productivity

For profit making organizations, poor employee productivity often makes the critical difference between success in business and financial ruin. Failure due to poor worker productivity in non-profit organizations can mean a poor public relations reputation and budget cutbacks for the next funding cycle.

All employers today—and rightly so—are vitally interested in identifying factors associated with productivity and figuring how to increase productivity without raising costs. Two scenarios exist. First, in some instances holding the line on costs means separating low-productivity employees from the workforce. Second, in other cases, likely in the great majority of situations, it may be more economical for the employer to find ways to help employees effectively deal with their personal difficulties so that they will become more productive on the job.

The poor personal financial behaviors of employees is an area of growing employer interest since it is clearly related to employee productivity. Leading-edge employers know this intuitively because workers who have personal financial management difficulties—not unlike workers who have other types of serious personal problems—genuinely do cost their employers time and money.

What are the Negative Costs to Employers?

Some direct employer costs of employees with poor personal financial behaviors are absenteeism, tardiness, accidents, thefts, and, in some states the expense of handling wage garnishments. Numerous indirect factors associated with personal financial problems also negatively impact worker productivity and swell employer costs. Examples include fighting with co-workers and supervisors, sabotaging the work of co-workers, job stress, reduced employee productivity, lowered employee morale, loss of customers who seek better service, loss of revenue from sales not made, increased risk taking, disability and worker compensation claims, substance abuse, suicide and murder, increased use of available health care resources by the employee and dependents, loss of security clearance, nondeployment of employee to an overseas' operation, lack of employee focus on the strategic goals of the employer, greater use of employee assistance program services (including those for spouse and child abuse), employer time to deal with poor financial behaviors of employees, and loss of trained personnel (both for workday losses due to temporary suspension from duties as well as for termination of employment).

Poor Participation in Employer-provided Pension Plans

An additional substantial cost to employers exists when, because of personal financial difficulties, employees cannot participate in employer-sponsored retirement programs. Some workers are disappointed about their prospects for a financially sufficient retirement because they are unaware of such retirement plans, because they have so many financial difficulties that they cannot afford to contribute, or because they cannot contribute the maximum amounts. It is not unreasonable to predict that such disappointed workers are more likely than other workers to (1) be less satisfied with the conditions of their employment, (2) be more stressed at work, (3) have difficulty meeting work productivity standards, (4) change jobs for economic reasons, and (5) at some point in the future join a class-action lawsuit against an employer for having a "lousy pension plan."

Research Finds Substantial and Genuine Costs to Employers

Research shows that employees who have poor personal financial behaviors cost their employers big money.

15% of Employees Experience Productivity Losses A research study by Virginia Tech shows that poor personal financial behaviors are costly to employers. A study by Garman, Leech and Grable (1996) concluded that, "Approximately 15 percent of workers in the United States are currently experiencing stress from poor personal financial behaviors to the extent that it negatively impacts their productivity." The costs of reduced employee productivity due to poor personal financial behaviors are substantial, but the full extent of the costs is unknown. More research is needed to measure both the costs and the benefits of personal finance employee education.

Productivity and Other Losses by the US Navy Exceeds $200 Million Annually A research study by the Military

Family Institute concludes that the annual productivity loss to the US Navy for the poor personal financial behaviors of service members is conservatively estimated to be $207 million annually, including $172 million in measurable productivity losses and $35 million in paper processing costs (Luther, 1997). Since there are approximately 425,000 service members in the U. S. Navy, the productivity loss for poor personal financial behaviors amounts to over $517 annually per service member.

Potential Lawsuits From Employees

"Public policy is moving toward making employers more accountable for their employees' retirement funding deficiencies" (Harrison, 1997). Some law firms currently specialize in "workplace stress claims resulting from negligence, rather than deliberate victimization," and in the US "nine out of 10 are successful" (Pressure points, 1997). Leading-edge employers are taking productive steps to avoid class-action lawsuits from former employees who claim that the employer was negligent "for having a "lousy pension plan," "for not teaching me how to invest," and "for not offering a comprehensive personal finance employee education program." Unisys Corporation will be defending itself from such litigation in a retrial this fall (Lee, 1997)

The 1996 Department of Labor *Final Interpretative Bulletin* regulations have "created a safe harbor for virtually all the commonly used forms of participant education" (Berg, 1997). The time has never been better for employers to offer comprehensive personal finance employee education programs.

Why the Cost for Employers Who Do Nothing is High

"No company is immune to the effects of financial entanglements no matter how good the pay and benefits" (Brown, 1997). Brown (1993) very conservatively deduced that "employees with financial problems cost their employer no less than 10% of their salaries per year in lost productivity ... The waste factor could be 15 - 20%!" It is vitally important that employers take proactive measures to guide employees toward organizations and agencies that can provide them with financial help, such as credit unions, non-profit credit and budget counseling services, and reputable financial service providers.

Wise employers are increasingly offering personal finance education to their employees. An Ernst & Young research study of large employers in the United States found that 65% of companies offer long-term retirement planning to employees and 45% offered retirement planning just preceding retirement (Fee-based education favored, 1997). This is in contrast to only 17% of large employers offering education on day-to-day finances, 14% providing information on planning for major life events, and 12% offering education on debt management. "Nearly 80% of all companies with more than 5,000 employees are planning to conduct some sort of financial education program by the end of next year" (Arnone & Pape, 1997).

The Components of a Comprehensive Personal Finance Employee Education Program

The number one goal of employers should be to provide personal finance education that will change employee behaviors and motivate 100 percent of employees to participate in retirement plans. Employers with lower participation rates do not offer employees a leading-edge personal finance employee education program. Such employers are inviting future lawsuits and, even worse, they are not effectively competing to attract and retain the best employees. Such information and education programs should emphasize the importance of equities as part of a diversified portfolio. "The size of a worker's pension distribution will be directly dependent upon several key financial decisions made by that worker..." thus, "it is *crucial* for workers to become financially knowledgeable" (Berg, 1997).

The second goal of employers should be to seek out employees experiencing stress from personal financial management difficulties and provide them with assistance. These employees, and possibly members of their families, need information, education and perhaps counseling to help make better decisions. It is vitally important here to recognize that people with financial problems typically get in bad situations because of bad decisions, not bad luck. Workers today live in a financial world of great complexity and challenge, a society far different than a generation ago. Living today requires many good decisions on complicated financial matters. Employers need to take the advice of the Ford Foundation study titled *Relinking Work and Life* that concluded that "paying attention to employees personal lives increases corporate productivity" (Kleiman, 1997).

What is "Personal Finance Employee Education" and the PFEE Outreach Project?

Personal finance employee education is information, education and/or services provided by an employer to help its employees make informed decisions about (1) employer-sponsored retirement plans, (2) cafeteria plan employee benefits, (3) credit and money management, and (4) consumer rights.

Through distinguished faculty at Virginia Tech and outside experts, the Center for Organizational and Technological Advancement (COTA) disseminates research findings which advance technology transfer, provides training and education which update employee skills and overall workforce development needs, and promotes best practices in the private and non-profit sectors.

Personal Finance Employee Education (PFEE) is a COTA outreach project designed to exhibit model information and education programs for employees, conduct research, and host meetings to share knowledge about the best practices at the Hotel Roanoke and Conference Center. "PFEE Best Practices and Collaborations" conferences are scheduled for November 5-6, 1997 and May 14-15, 1998 (see the PFEE web site at **http://www.chre.vt.edu/~/pfee/**).

Our vision for the future is that leading-edge employers will compete to attract and retain the very best employees by offering top quality, comprehensive personal finance employee education programs. Our PFEE credo is "Personal financial wellness increases employee productivity, and our 'best practices and collaborations' conferences will prove it beyond a doubt."

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