FINANCIALLY STRESSED EMPLOYEES AT WORKPLACE: A MALAYSIAN PERSPECTIVE

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ABSTRACT

Financial problems have clear negative consequences on worker health and job performance. Many researches have found that financially troubled employees do bring their financial related stress to work, and hence effecting the productivity, organization's overall profit figure and also the work culture in the long run. Hence this paper will bring forward the repercussions of the workers who face financial stress based on a number of studies conducted among workers. Results showed that employees who faced financial stress demonstrate poor financial management and the stress they suffered do effect their work performance, health and their workplace behavior. Finally the paper will outline strategies for organization to manage financially distressed employees at the workplace.

Keyword : financial stress, employee behavior, health and , financial management and work productivity

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Introduction:

Financial stress or strain occurs when he or she is unable to meet their financial responsibilities and one of the most significant causes of worker stress is personal finance (Kim & Garman, 2003). Individuals experience financial stress at any income level when they cannot meet financial obligations or support the desired lifestyle. Especially the present generation has grown up in a consumer culture and are accustomed to debt and asy availaility of credit (Roberts & Jones, 2001).

Financial hardship has been found to be related dissatisfaction at workplace. According to at least 10% of employees experience financial problems and bring those issues to work where it affects their productivity (Brown, 1993, 1999) This is because financial stress was found to contribute to increased financial-work conflict, a situation where pesonan financial issues will interfere with one's job. Hence employees who are suffering from financial stress has proven to effect an individual's personal, psychlogical and behavioral at work (Garman, Grable & Joo, 1997). In sum productivity of the organization will be at stake if workers are faced financial stress.

PREVALENCE OF FINANCIAL STRESS IN MALAYSIA:

At present in Malaysia, financial stress has become an issue for many Malaysians not just for the low income or those earning below poverty line income. Indicators that are being used to reflect the prevalence of financial stress include household debt to GDP ratio, household debt service ratio as well as the bancrupctcy rate. In general household debt has been linked to financial distress (Georgarakos, 2009). According to the department of Insolvency Malaysia recorded 1086 civil servants declared bankrpt in 2009, whereby 72.74% or 790 are males (http://www.murkiester.com/Blog/2011/03/1086-penjawt awam muflis.html).

Specifically, in the case of Malaysia, according to the statistics, annual growth of household debt averages about 14.8 growth for the period of 2001-2007. Then the growth pace slowed to 7.9 at 2007. Household debt stood at a staggering percentage of 56% of total loans on the year 2007 (Endut, N. & T.G. Hua, 2009). Household debt to GDP ratio increased from 68.8% in 2006 to 76% in 2010, (Bank Negara Malaysia, 2010). On average, over the five years, household debt to GDP increased by 1.4% a year. Another indicator, ratio of household debt to disposable income displayed similar trend. It stood at 136% in 2009 and increased to 138.2% in July 2010, (Ministry of Finance, Malaysia; 2011).

Furthermore, household debt service ratio is equally alarming since the ratios increased from 41.1% in 2007 to 49% in 2009; when the acceptable ratio is 30%. While the number of individuals declared bankrupt keeps on increasing over the years, from 13 907 in 2008, to 16 228 in 2009 and the figure reached 18 119 in 2010, (Bank Negara Malaysia). Hence this suggest that possibly, geographical location of the workers be it from the advanced or less advanced countries have similar problems in terms of financial stress and workplace. This calls for a study on the extent of financial distress among workers in Malaysia.

EFFECTS OF FINANCIAL STRESS:

Data indicated that many personal life stresses, whereby financial stability can influence an individual's psychological state and behavior at work (Fox & Chancey 1998).

Effects at work

Research indicated that employees who is experience financial problems will bring the issues to work where it effects their productivity (Bagwell, 2000). Financial stress is also related to commitment in the organization includes things like pride in the organization and feelings about whether this is a good place to work (Kim & Garman, 2006).. Examples of personal financial-work conflict include failure to arriving at work on time and completing daily tasks. Financially distressed workers are also found to be related to absenteism (Kim & Garman, 2003). Clearly such occurrences can decrease job productivity, a condition of special interest to employers.

In a study of both civilian and military research, Garman, Leech, and Grable (1996) calculated that 15% of employees in the United States are experiencing personal financial stress to the point that it negatively impacts their job productivity (Garman, Kim, Kratzer, Brunson & Joo, 1998; Joo, 1998). Other researches (Bagwell, 2000 ;Garman et al, 1998 ;Garman, Camp, Kim, Bagwell, Baffi & Redican, 1999) also found that greater absenteeism was associated with poor financial management.

Effects on Well being

Further, financial stress might affect an individual's well being and thus effecting their productivity (Bagwell, 2000). A number of studies indicated that those with debt problems often report that their health is influenced by the financial problems (Bagwell, 2001; Drentea & Lavrakas, 2000). Prolonged financial stress could also lead to detrimental impacts on an individual's wellbeing where it can spill over to workplaces. With those unfulfilled responsibilities, financial stress can become a chronic stress which is a state of ongoing physiological agitation from an unresolved issue or situation. In fact financial stress was found to have positive relationship between financial strain and depression in workers (Ensminger & Celentano, 1988).

Implication on Employment

Stress at work not only affects the individual but has also been estimated to cost American industry more than 100 billion dollars annually in absenteeism, productivity loss, and health-related expenses (Jacobson, Aldana, Goetzel, Vardell, Adams & Pietras, 1996; Rosch, 1984). Due to all the negative effects of a worker's financial history, study conducted by Jones and Terris (1991) found that job applicants with a history of irresponsible fiscal management are more susceptible to engage in counterproductive behaviors. It also is becoming a major concern, as some employers have suggested that financial history to be used in the selection of their workers Hence employers who fail to manage their personal finances create financial concerns to employers as well. (Joo & Garman, 1988).

AIM OF THE STUDY:

Employees who have money problem are cost to the employers. Hence the study aims to explore the the implications of financial strain on physical and mental health, behavior at workplace and work productivity. Further the findings of the study is intended to provide strategies for the involvement of management in aiding distressed workers, which is utterly important not only for the workers but also the organization in the long run.

METHOD:

This study reports findings from two separate research. The first reseach explores the issue of the nature of financial distress among working households and their financial behavior, while the second study focuses on the implications of financial strain on work place behavior and productivity.

As for the first study, the analysis was based on data collected from a self-administrated survey conducted between January and April 2011. A sample of 1000 was randomly selected from head of household living in Klang Valley, Malaysia, as to reflect the population of working class. The sampling was done using stratified multi-stage sampling, to ensure that socio-economic and geographical considerations are represented in the population. The respondents were approached in public places by a group of research assistants to fill up the questionnaire provided.

The second research was done among the administrative staffs in public sector. The questonnaires were sent to a representative to the organzations that were involved in the study. The questionnaires were distributed to the respondents in the organization by the appointed representatives with the persmission of the each organization involved. A total of 450 questionnaires were distributed to the respondents. A total of 295 usable quesionnaires were returned by the representatives from the department throught mail to the reseaercher. At the end of each questionnnaire, for qualitative input, respondents were asked to fill up their contact address if they are willing to be interviwed.

FINDINGS:

The first set of study proceeded with the objective to understand financial behavior as well as financial state of the financially stressed households. Using Aldana Financial Strain Survey Instruments (1998), households were divided into two categories, high financial stress level and low financial stress level. The classification was done based on the median for the index. From the total respondents, 517 households (more than 50%) fell into the high financial stress level category. Then, a detail analysis was done to understand the financial, behavior of those workers, as well as the merits of the financial strain on their health and meeting financial obligations.

Financial Behavior

In the first study, guided by the instruments of financial practices by Joo and Grable (2004), respondents were asked to rate their financial practices on a 5-Likert scale, ranging from always to never. The findings showed that in general, households with higher level of financial stress do not practice responsible financial behavior. For instance, 66.9% do not allocate any portion of their income for savings purposes. As for savings per se, 22.2% admitted that they did not save at all, while another 55.9% only save if they have extra income. In other words, three quarter of the financially strained households do not save consistently. Without savings, households become very fragile to adverse circumstances that could either affect their income such as death of family breadwinner and loss of job; or any emergency that requires extra expenses.

Where planning is concerned, the findings dictate that majority of the financially strained households do not possess definite financial planning, be it to achieve certain financial objectives or even in budgeting, to ensure that their expenditure will not exceed income. 54.5% admitted that they do not have any financial planning while 43.7% do not do any budgeting to ensure their spending is within their income limit. Without proper planning and budgeting, it is not surprising that they ended up being financially stressed, especially in meeting their financial obligations. Again, this habit of spending without budgeting or living without proper financial planning is also observed among the general working class, where 34.7% do not have any financial budgets to curb excessive spending.

Financial Strain

In the first study the analysis focuses on the characteristics of financial strain among the working households, especially on the health and meeting obligations aspects. In general, households who are struggling financially face difficulties in meeting their monthly financial obligations. Meanwhile 63.2% disclosed that they did not pay bills on time, 54.4% reported that they often find it difficult to foot their bills while 50.3% admitted that they did not have enough money to cover their bills. Collectively, these contributed to the mental strain regarding financial matter, as explained by Boss (1988) where a continual pile-up of stressful reminders including unpaid bills and calls from creditors would cumulatively contribute to financial distress.

The second study reported similar findings. The financial stress is conceptualized as the subjective perception of one's personal finances. The financial stress is measured with a 4 item whereby the choice of answer ranges from agree to disagres on a 4 point likert scale. Financial strain/stress in this study was measured using 2 items. First, respondents were asked, in general, would you say that you have money that you need , just enough and not enough to meet their needs. The second question was related to how able are they in paying their monthly bills. Which was measured by a likert scale varying from not at all difficult to very difficult.

The result from the second study indicated that more than 50% of the respondents said they have just enough money and 47 % felt it is quite difficult to pay monthly bills. Findings also indicated that, the decline in actual income increases the financial strains on personal and family budgets and increases the chances of taking on additional personal debt, home equity loans, and other credit obligations or additional part-time employment. The study is simlar to past study in the West whereby forty percent reported having difficulty paying installment loans, car payments or insurance premiums (Atkinson, 2001).

These characteristics of financial distress register its impact on workers behavior at the workplace since more often than not, employers bring their personal financial concerns to the workplace. This is how workers financial strain then become a concern for employers.

Time used at work

One way to measure what is the cost of financially strain workers to the employers is through the amount of working time that is devoted to handling financial problems instead of working. This is captured through another instrument in the second study. The concept was measured by the responses to 11 behaviors related to financial stress that employees exhibited at work. Findings indicated that the three main activities that the respondents used while working was took time to handle personal financial matters (35%), second was spent time worrying about personal finances (27%) and talked about money problems (15%). The estimated working time loss (equivalent to output loss) to handling financial stress is estimated to be around 15% or equivalent to 1 hour and 12 minutes in an 8 hour working day.

In fact past study has indicated that for female workers, financial problems affect absenteeism directly and indirectly throug emotional exhaustion (Kim, Sorhaindo & Garman, 2006). According to Prawitz and colleagues, negative consequences from the emplyee debt to the organization is including absenteims lack of presenteism, meaning you are thinking about handling your bills and talking to your friends about the bills during work hours. (Human Potential Accounting, 2009).

Effects of Financial Stress On Health

Findings based on the first study lend support to the belief that failure to meet financial obligations is followed with adverse impact on physical well-being. Consistent with prior studies that find a link between health and concern about one's financial position, for instance, O'Neill et al (2005) and Drentea (2000), the findings also dictate that households with high level of financial stress suffer from various health problems. 46.9% claimed that they cannot sleep well due to financial worries; 46.7% experienced severe headache due to concern over financial matters; 35.9% experienced muscle tension when calculating monthly bills while 30.9% reported having other stress symptoms such as heartburn and stomach upset when thinking about financial position.

Meanwhile the second study also corrogates with the findings in the first study. Interviews with respondents who were willing to be interviewed showed common trend amongst them, whereby the financially distressed workers are more disturbed mentally and face a series of health condition. Among the conditions faced by the respondents are muscle tension, insomnia, high blood pressure, weight gain, migraines, anxiety and depression. Some confessed that they have taken sick days because they are not sure of how to handle their stress. The respondent too have mentioned experiencing problems with their spouse because of financial constraints. Some them agreed on having problems of concentrating on the job. They too loose their tempers very quickly at work and home as well. The cost to employers who provide health insurance for workers is also higher for debt-strapped individuals, who tend to utilize medical services more often than their counterparts.

EFFORTS TO COMBAT FINANCIAL STRESS

Not many employers are keen to invest in financial education for their staff. Some employers feel that it is not their responsibility to teach workers how to manage their personal finances. Others feel that providing financial education programs will not increase staff productivity or the company's bottom line. Ironically studies indicated that adults who use more of the financial management practices recommended by experts report a lower level of financial hardship or stress (Lea, Webley, & Walker, 1995).

In Malaysia, the Government is looking for ways to increase financial literacy levels from an early age to adulthood. According to the National Key Result Area, (NKRA) Financial Services handbook, an intensive long-term financial education program for the public will be implemented to create awareness and promote basic financial and retirement planning, as a critical element of the National Financial Literacy Program (NFLP). This handbook lists key activities including media campaigns, creation of a retirement planning handbook and tools, and public training sessions or seminars on basic retirement planning.

According to the handbook, when individuals improve their understanding of private pensions and retirement saving products and concepts, they become more aware of the inherent risks and opportunities. They develop the skills and confidence they need to make informed choices, know where to go for help, and take effective action to ensure an adequate retirement income.

RECOMMENDATION:

Employers who are serious about addressing the issue of stress in the workplace would be well served to focus on employee financial health issues. The support from their lmanagement is important because it will strongly effect influence their behavior (Chullen, Dunford, Benjamin, Angermeier, Boss et al. 2010). Further when when employees observe that they receice support, trust from their leaders they develop an obligation to reciprocate with appropriate work attitudes and performance. Hence the following are some of the steps that can be used by the human resource to manage present and future employees who are facing finanacial difficulties.

One of the first steps is to focus on the financial wellness program. Organizations can provide financial education programs to employees. It can also be implemented by introducing some seminars that help employees understand the basic tenants of financial responsibility.This is inferred from the findings in this study which generally showed that financially stressed households do not demonstrate responsible financial behavior, as recommended to achieve financial stability such as proper financial planning, consistent savings and more importantly, controlled spending to ensure that it is always lesser than or at least equal to income.

This suggest the possibility that part of the reason why the working class suffers from financial distress is due to their failure to manage their financial resources reasonably, even at the most basic level, that is allocating income to saving, spending and paying monthly bills. It is important to stress that effective employe finanacial educaton should first teach emplyees to manage their money, reduce their debts, and ease financial stress before teaching them how to invest for retirement.

Further, past research has found that financial education at workplace whereby the workers are equipped with appropriate knowledge and skills infinancial management will help to increase the financial wellness and whereby will improve their productivity at workplace (Garman, et al., 1996). Among the workplace financial education commonly includes the programs such as retirement planning, benefit of education, financial management, credit management, college planning, investments, estate planning, insurance,major purchases (vehicle or house), and tax planning (Joo & Garman, 1998). Financial literacy will boost the ability to handle day to day financial problem and will reduce the negative consequencesof poor financial decisions that otherwise might take years to overcome (Delafrooz & Laily, 2011).

Introducing financial wellness programme at the workplace would be able to increase their awareness on the importance of practicing responsible financial behavior. Researchers have suggested that workplace financial education programs could improve workers' productivity by reducing financial stress (Garman, 1997; Garman et al., 1998) and to increase the participants' confidence in their investment decisions, change their attitudes in positive directions (Fletcher, Beebout & Mendenhall, 1997), and improve their financial management, such as saving more money (Bernheim & Garrett, 1997). In addition, workers who attended financial education seminars and workshops reported less financial stress, and greater financial well-being than those who did not (Garman et al., 1998).

The need to launch financial wellness programmes in the workplace is also strengthened by the serious condition of financial illiteracy among workers. Our findings claim that 64% of the financially strained households admitted that they do not have financial knowledge. On the contrary, more than half, or 55.9% of the households that belong to the low level financial strain claimed that they possess financial knowledge. This piece of evidence suggests that equipping workers with financial knowledge might be able to reduce the problem of financial distress among workers.

Besides, previous researches, among others Perry and Morris (2005), Grable et al (2009), Hilbert et al (2003) and Hogarth and Hilbert (2002) and Chen and Volpe (1998); claimed that the tendency of workers to demonstrate responsible financial behavior depends strongly on their financial knowledge. Hence, educating them with financial knowledge is one way that could lead to the practice responsible financial behavior.

Further, based on the qualitative study in the second study, there is some evidence that workplace financial education can reduce financial stress and improve financial well-being. This is based on the experience of the respondents who gained such postive impacts due to attending courses on financial education. In fact organization should realize that financialy literate population can lesson the burder on social welfare programmes Governments have begun to take notice and act.

Financial wellness program can implemented to break down the barriers to improved financial health by providing employees with all of the resources they need to solve their entire financial issue. This includes web-based education, live seminars and not only help individuals top manage their income and debts, but also help them to resolve personal issues related to financial strain. It is also important that financial education should be offered in small workshops where employees play an active part in learning the tools and techniques. Neverthelss distance learning should be used with caution as employees need the opportunity to ask questions nd share their opinions in an open and inviting forum. Last but not the least is important to be aware is that the support from the organization should be ongoing as to empower employees for the long term to take control of their finances.

CONCLUSION:

Base on the findings it shows that job performance and work productivity has strong association with financil stress faced by the employees. Nevertheless a financially disterss worker not only a libility to the organization but also to their respective family. Since Malaysia is serious about balancing home and worklife, hence the organization should focus in overcoming financially stressed employees as part of their corporate social responsibility, towards buiding a workforce which is productive and healthy.

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