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Archive: *Think Twice: It's Their Debt But It's Your Problem*

Content

Think Twice: It's Their Debt But It's Your Problem



Your employees are up to their eyeballs in debt.

By **Todd Raphael**

Unless you've got dead batteries in all your radios, you know what the hot advertisements say these days: "Get Out of Debt." Advertisers are flooding the airwaves because they've crunched the numbers and found that there's a big market for their services. People are broke.

This problem dwarfs other money issues. Nearly four times as many employees call Financial Finesse, a financial-education provider, about debt as call about stock options. You hear a lot about college costs rising, but 40 times as many employees call about debt. Eight times more people call about debt than about mortgages. Personal debt is hotter than Winona Ryder's new clothes.



You're thinking: Why should I care? What am I supposed to do, be my employees' parent? Are their personal lives really my business?

You shouldn't be their parent. It shouldn't be your business. Unfortunately, personal debt is not a personal issue. It's a business issue.

Tom Garman is one of the leading experts on employee debt. For 25 years at Virginia Tech, he has studied how employees' money woes end up haunting the companies they work for.

"Financially distressed workers are like a poison poured on the floor of the workplace," Garman declares. "You can't see the poison, but it's there. It permeates more than just the employee who has a problem. It permeates the workforce. And most employers don't give a damn."

About a third of employees say that financial problems are affecting their job performance, he notes. He has found this to be true with clerical employees in Virginia, chemical workers in Louisiana, and white-collar employees in three midwestern states. These employees are more stressed, less productive, and absent more often than others. They make more personal calls about money, they send more personal faxes, and they talk about the issue longer with coworkers. Their physical health is worse. They waste about 20 hours of work time a month dealing with money problems, according to Garman's research on employees in 25 states.

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Another study, by the Military Family Institute, shows that employee financial problems cost the U.S. Navy about \$250 million annually (mainly because of the stress these problems bring).

Bill Pomeroy is president of The Edsa Group, a company in Baton Rouge that provides financial education to employees. He says that debt not only costs companies money, but specifically causes a strain on HR departments. When employees are in debt, HR spends more time garnishing wages. HR and benefits professionals also spend more time handling 401(k)s, because employees borrow from themselves more often.

Pamia Guttenberg, a financial planner at Financial Finesse, compared the number of calls her company received in the third quarter of 2002 to the number it received in the first quarter of the year. There were 40 percent more calls that concerned debt.

Could debt cause turnover? Guttenberg says that some of her callers are spending work time looking for new jobs. "They're just convinced a little bit more money will help them out."

You can do something about debt. Talk to the financial-education vendor that educates your employees about 401(k) planning. Chances are good that they have workshops and materials about money management, and they'd be glad to host brown-bag lunches at your company.

If your vendor doesn't offer workshops, you could switch vendors. Or keep using Fidelity or T. Rowe Price or whoever handles your 401(k), but hire an additional vendor that works exclusively on financial education.

Let your employees know if your employee assistance program provides financial advice. Bill Arnone, a partner at Ernst & Young who calls debt a "dirty little secret" no one wants to talk about, says that before you rely on the EAP, be sure the program has experienced financial experts on staff.

There are also nonprofit credit counseling programs available, and your company's credit union may be a good source of information.

Education will pay off. Research by Jinhee Kim of the University of Maryland's Department of Family Studies shows that four months of financial education and one-on-one advice results in improved employee health and work performance. Dorothy Bagwell, an assistant professor at Texas Tech, found a relationship between a year of credit counseling and higher job productivity.

You could wait to deal with the issue of employee debt until the economy picks up. Then again, bankruptcy filings jumped 150 percent from 1983 to 1990, during a long expansion of the American economy. This tells us that it makes sense to act now.

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