

Financial Capability: Boosting well-being and productivity in the workplace

There are many reasons why your employees come and go. They may simply want to move up the ladder to better themselves in their career, or they may want to improve their financial situation. Whatever the reason may be, it is well-known that no matter how much they earn, be it small or large, they will spend most, if not more than, what they actually earn – definitely not the best space to be in.



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There are many factors which can influence financial capability and many differing opinions. A great deal of research has been conducted about what financial capability is and whether New Zealanders are financially capable.

So, what is financial capability you may ask? It is having the skills, knowledge, confidence and motivation to make informed financial decisions. And so now as you covertly glance around the room at your colleagues, you may be thinking that they appear to have it 'all sorted' - nice clothes, flash watch, big house, new car, always out and about - but the truth is often hidden when it comes to our

financial situation. We are usually not that open about our financial affairs with others and on the surface those around you may appear sorted but the real truth is that 46 percent of employees, yes nearly half, worry about their finances!

There are multiple generations of New Zealanders which have not had access to financial capability resources and knowledge in order to provide them with the foundations required for even an average level of understanding, let alone a strong understanding, of financial matters and therefore the confidence to put these into practice. It is extremely likely they will have passed their lack of knowledge, understanding, confidence and preconceptions on to the generations that have followed them. Where does this leave them? And you as their employer? What is the likely impact of having low levels of financial capability for individuals, their families, their workplaces, their communities and New Zealand as a nation?

Research suggests that your employees may be coming to work and spending up to an hour a day worrying about their (or their family's) financial situation – that equates to 20 hours a month or 13 percent of each workday trying to solve their financial problems. This can lead to well-being issues such as stress, ill-health, absenteeism along with other workplace and family problems. People with high debt suffer higher levels of anxiety, depression, migraines, heart attacks, muscle tension and ulcers to name a few, compared to those without high debt stress.

For a moment, let's put aside the well-being issues for your employees, and look at what some of the direct costs to your organisation are:

- › The impact of lost productivity due to financial worries impacts the bottom line by four percent as a result of employees not being fully engaged and spending time worrying about their finances (over 83 percent of employers say employee productivity was impacted by concerns about financial problems).
- › the cost of employee absenteeism is calculated at nine percent of payroll, where replacement labour and loss of productivity costs are added to absence benefits that are paid (over 58 percent of employers believe 'financial illness' plays a role in absenteeism)
- › the impact of employee turnover because the 'grass is greener on the other side' - it costs between 25 percent and 150 percent of the average worker's salary to replace them
- › issues with organisation and team culture
- › low morale
- › lack of loyalty.

Calculate the cost for your business and you may be surprised at the overall impact.

A sense of future, a feeling of belonging and an organisation that is a fun place to work are all highly important drivers in motivating and retaining great employees. When you make your employees feel they are valued and show you care, they are far more likely to be committed and to therefore value your organisation in return – producing at a higher level and sharing in your vision to succeed. Research indicates that companies with the best people-management practices can generate nearly twice as much value to shareholders as their average competitors.

The support you provide now as part of



your overall well-being programme will enhance their overall financial well-being and capability, and will extend far beyond their working career with the benefit of having been able to consider their options in a more knowledgeable manner and been able to plan accordingly for both the short, medium and longer term.

As an employer there are multiple benefits for taking a key role in educating and assisting your employees. By taking advantage of the various strategies available, you will add value for your employees; and this strategy could deliver numerous benefits for your organisation, creating a more committed, involved and effective workforce. **HR**

References available on request.



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