

Reference document

Finances and psychological health

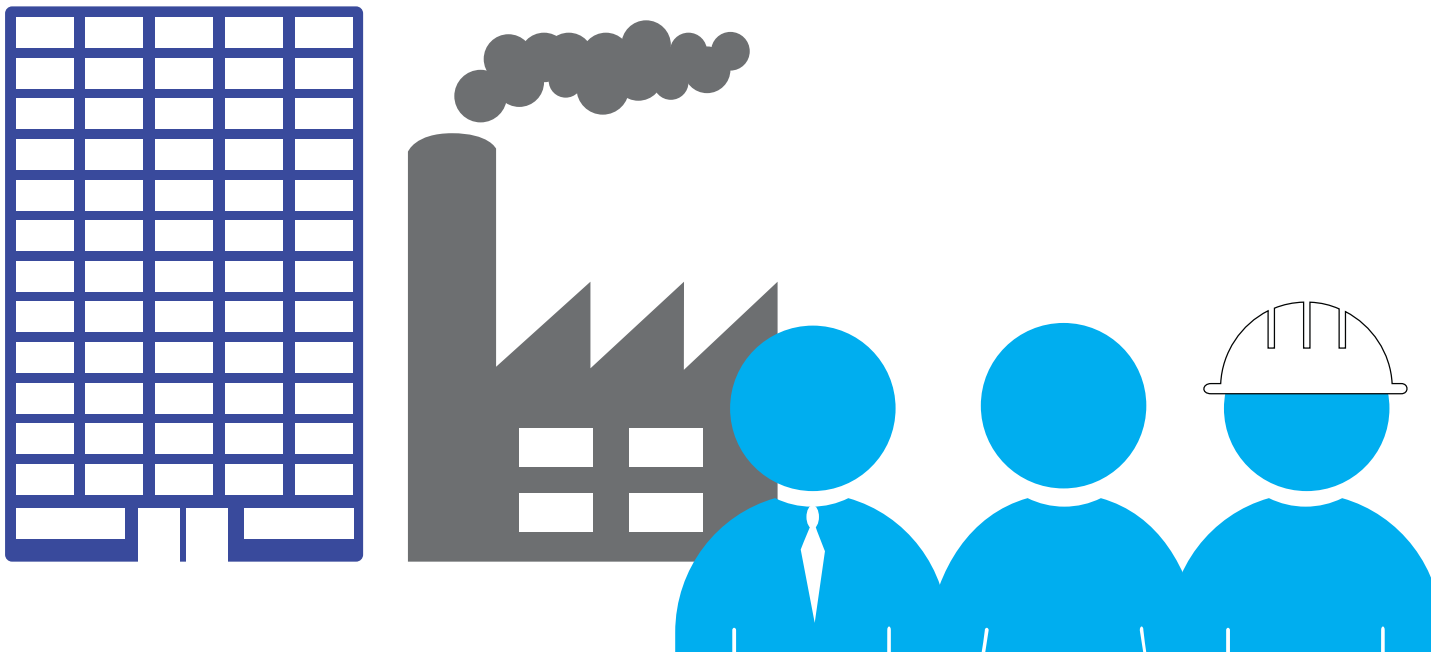


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Introduction

Psychological health and effectiveness at work can be impacted by financial stress. Employees with major financial concerns can become preoccupied, distracted, worried, dissatisfied or even depressed. At work, this can affect motivation, productivity and effectiveness, leading to time wastage, errors, more frequent leave, absenteeism and presenteeism.* Financial stress can therefore have an impact on employees' ability to do their jobs well, which can have negative consequences for the organization over time. For this reason, it is a good idea for companies to take care of their employees' financial health.

State of the situation

Financial problems are a heavy burden and are not something people are comfortable discussing openly. Simply talking about finances can be very personal and is still taboo. Shame seems associated with debt problems, and many people can be in debt without ever talking about it. Debt can also be perceived as a personal inability to adequately handle one's affairs. A study by the Coalition des associations de consommateurs du Québec (CACQ) revealed that in 70% of cases, debt leads to feelings of worthlessness and incompetence. This makes it harder for people to open up and ask for help.

According to various studies, personal finances are the most common source of personal and family stress:

- 45% of employees agree that personal finances are a source of stress that affects their health.
- 3 out of 4 employees show high levels of stress with regard to money.
- 12% of employees take time off work to resolve financial problems.
- 52% of employers believe that absenteeism increases when employees are experiencing financial stress.

* The constant presence of an employee at work, regardless of their health status.

Financial stress therefore has individual and organizational consequences. For individuals, ongoing financial difficulties can lead to debt or even excessive debt. This generates more and more stress and has considerable effects on their health and performance at work.

For organizations, it follows that stressed employees are more likely to be in poor health, less productive and less attentive at work, and to lack motivation and suffer from sleep deprivation and insomnia. The organization is thus less successful as a result of decreased productivity, which can become costly.

Debt

Nowadays, debt is practically a lifestyle. Consumerism can increasingly be justified by reasons such as social identification and recognition, belonging or measuring up with others. The pressure to maintain one's standard of living combined with consumerism can lead people to lose control of their personal finances and fall into debt. In addition, more people are making compulsive purchases, meaning they spend unnecessarily without much thought or control, which can contribute to this problem. According to Statistics Canada, the level of indebtedness continues to increase. The rate of debt in relation to available income was around 70% in the mid-1980s, compared to 148% in 2010.

A few debt indicators

The 2014 report of the Canadian Index of Wellbeing revealed that 76% of Canadians said they were affected by excessive stress. The three main sources of stress were related to one's financial situation and concerned personal or household finances (41%), budget compliance (31%) and unexpected expenses (30%). However, it is possible to recognize that a person is indebted when they:

- Spend more than their budget allows for
- Use their credit cards out of necessity, for everyday purchases
- Borrow money to make ends meet
- Reduce spending on everyday items such as clothing and food
- Are frequently late in their payments (rent, mortgage, credit card, hydro, etc.)

- Consider taking a second job to balance their budget
- Frequently receive calls from creditors
- Make only the minimum payments on their credit cards
- Use a credit card to pay off the balance of another card

Consequences of financial stress

Being in a situation of excessive financial stress does not come without consequences on one's physical and mental health. In fact, according to a study carried out by the Centre d'intervention budgétaire et sociale de la Mauricie (CIBES), 95% of people living with debt say they have symptoms of anxiety, 94% report physical health problems, and 47% admit to having had suicidal thoughts. The most frequently experienced ailments are sleep loss, back pain and persistent fatigue. Debt not resulting from temporary, short-term financial difficulties can cause chronic stress problems that affect mental health.

When overly stressed, people are more likely to experience disrupted sleep, have trouble concentrating, be more anxious and underachieve, which can negatively impact their work performance. To that end, a CIBES study indicates that 69% of employees claim that financial problems have affected their work. Furthermore, *The power of financially secure employees* study carried out by Manulife, shows that people struggling with financial stress are 16% less productive on the job. For an employee who earns \$50,000 annually, this drop in productivity equates to \$8,000 in wages. If several employees in the same organization are faced with significant financial stress, the annual cost of the associated loss of productivity can be huge.

Tips for reducing financial stress

There are actions one can take to mitigate financial stress. It is important to first identify the main source of financial stress, in order to establish an effective action plan. Other methods can also be used to reduce financial anxiety: make a list of income, essential expenses and debts before making and following a budget; pay off debts; limit the use of credit; think more before spending; start saving; or seek expert help. Psychologically, it can be beneficial to consult a professional to better understand what drives one to spend and identify the factors associated with this tendency.

Employers can encourage their employees to use specialized resources to receive support and advice from professionals. An organization can implement strategies for middle management to provide support. Employers can also be more present and available for employees who appear to need help. The support provided can be direct or indirect and consist of short- or long-term actions.

There are also associations, like the Associations coopérative d'économie familiale (ACEFs), that offer consultation and support services. It is also possible to consult financial institutions and seek advice from their qualified personnel. Trustees in bankruptcy are other resources available to take stock of one's debt situation and the possible solutions, such as a consumer proposal, debt consolidation or bankruptcy.

Conclusion

Good financial health promotes better overall health and has a positive effect on motivation and productivity at work. In that regard, employees should stay alert and use the means necessary to maintain good financial health. As for employers, staying alert for signs of financial difficulties could help prevent financial losses related to productivity.

Resources

The following resources can also be used:

- Credit Canada: <https://creditcanada.com>
- The Credit Counselling Society: www.nomoredebts.org
- Use the Employee Assistance Program (EAP) to receive advice and support from professionals.
- Seek advice from an ACEF (in Quebec only).
- Meet with a financial adviser to talk.
- Meet with a trustee in bankruptcy.