

The financial crisis has brought a new urgency to the need for employees to know how to manage their debts, savings and expenditure.

EDUCATION ON THE MONEY

By Steve Packer

The sudden economic turnaround has everybody talking about their shrunken superannuation savings, their mortgage commitments, their devalued shares and so on. And they are talking about these things at work as much as anywhere.

In the short term, that's a distraction and a time waster. In the longer term, it's a heavy hit to morale and engagement.

"It's the sound of the fear and uncertainty that has gripped the western world," says Matt Hern, principal of workplace financial education specialist Findre. "It is also the sound of plummeting productivity precisely when companies can't afford it. Uncertainty about the future and financial stress is permeating the lives of workforces, distracting people from fully focusing on their jobs."

Hern says financial wellbeing is an area employers don't want to dabble in for fear of breaching financial services regulations and being associated with improper advice, but the problem can be avoided by providing access to education and not personal advice.

"Increasing workforce productivity by improving financial wellbeing has three stages—acknowledgement, education and support," he says.

"Acknowledgement is about the employer demonstrating empathy. You can reduce employee stress with regular, consistent briefings on the financial stability of your company and what staff can do to secure the company's and their own future.

"Education is the way to overcome suboptimal financial behaviour rooted in inadequate financial literacy. Many people need to learn more about managing money

so they can make more informed choices and decisions.

"Support involves providing tools and opportunities for employees to deepen and embed their learning so they can apply their new awareness and skills."

The education should not be the occasional well-meaning seminar from an employer superannuation fund, the company's bank or a local financial planner, says Hern. "Avoid one-off exercises, which plant seeds that are likely to die through neglect. You need to implement a comprehensive program. Financial wellbeing is an ongoing problem that requires an

ongoing solution. Engage specialist educators who can provide programs that match the diversity of learning styles and operational situations in your organisation."

HR departments can also head financially troubled employees towards their employee assistance programs, says Michael Solomon, CEO of Learning Seat Compliance. "Making sure employees get financial advice is an interesting one for employers," he says. "You can indicate to people that there are organisations they can go to if they are concerned about their situation. However, I would also suggest that you direct them to the more general counselling of your employee assistance program where their financial hardship can be dealt with in the context of the stress they are experiencing."

New masters needed

An economic downturn is often followed by increased enrolments in postgraduate business programs, particularly MBAs, says Melbourne professor John Toohey.

"We are already seeing this in some American schools and I expect we'll see the same in Australia," says Toohey, head of the Graduate School of Business at the Royal Melbourne Institute of Technology.

"Now more than ever, business schools need to know what they stand for. We have a responsibility to develop the whole person, to ensure they are motivated by ethics as well as profit. The considerable rewards afforded by a career in business bring an additional responsibility to put something back, to perform to the highest standards of duty and care."

SOLOMON SAYS THE first step is for organisations to promote respect for openness in the workplace so employees feel able to communicate freely with the management team. "They need to feel that there is an open door policy so they can discuss these issues with their line manager or HR. It's like having the ability to communicate openly with your bank regarding mortgage payments before the situation gets too stressful and depressing, when struggling to meet commitments. They need to know that there's a forum where they can express their concerns before they get to the point of phoning in sick due to stress and not coming to work."

Similarly, openness is the key to easing people's worries about job security, especially in businesses resorting to cutbacks and layoffs, says Solomon. "Have conversations with your staff to let them know how the

business is travelling and why you are doing what you are doing. If there are redundancies, explain the cost benefits of those redundancies, why you have made them and how it will impact on the remaining staff, as well as reassuring them about their own future.”

Learning Seat Compliance, a provider of online compliance training and management, is a division of News Ltd, which also owns Career One. “We’ve already seen a marginal drop in Career One’s job advertisements,” says Solomon, “but the number of people going online to look for a new job is growing, with new unique browser activity well up. It indicates that many talented people are nervous and therefore considering other opportunities, and that’s a serious matter for employers. The long-term shortage of talent isn’t going to go away, regardless of the short-term indicators that we may be seeing in employment markets.”

The only thing employers can do in times like this is make staff more resilient, says

Catherine Birchall, CEO of financial education company Money 101. “In the bull and bear markets we’re experiencing, employers have to help staff gain confidence,” she says. “They can do that by providing access to education to assist them in meeting their retirement expectations, or to think about and plan for a secure financial future.”

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“Most of the people we provide financial education for have incredible credit card debt, home loan debt and the like. They’re worried about that, and about their jobs, and they need some assistance to cope.”

Birchall says her company’s research indicates 90 per cent of people don’t know

how much money they will need to retire. “Most people don’t know what insurances they have in their superannuation. Most people don’t know if they should save for a holiday or pay it off when they return. These statistics are alarmingly high and they’re no better in the financial institutions than in general corporate.”

“In the current crisis, we’ve changed our message. We’re talking about what people can do in regard to belt tightening and minding what they already have. We’re sending out messages to people about taking a day off to tidy up their finances and how to end their love affair with their credit card.”

Smaller employers often get more out of arranging financial education programs for staff, she says, because they haven’t done so before. “Maybe I’m too close to it but I don’t see it as an extracurricular activity. I see it as a core skill, almost like management skills, because it has an impact on entire careers.” ●

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