The Business Case for a Financially Resilient Workforce

From reduced healthcare costs to improved performance, both employers and employees benefit when the workforce is financially resilient.

Every time we face a large scale financial crisis the word “resilience” rises to the top of our national dialogue. Broadly speaking, resilience is the ability to “bounce back” when encountering life’s inevitable challenges.¹

These range from the day-to-day challenges we all face to more traumatic hardships such as the death of a loved one, serious illness or injury, or a job loss. Being able to weather and recover from life’s small and large challenges is at the heart of building resilience, and financial resilience (i.e., the ability to address and overcome a financial challenge) is an especially important subset.

Recent years have had no shortage of financial challenges. From the COVID-19 crisis, to the partial government shutdown in 2018-19, to the collapse of the housing market in 2008, many Americans have faced significant financial hardship. These risk events have underscored the importance of financial resilience.

Even during the good times, millions of Americans were already living their daily lives under financial strain. In 2019, despite a strong economy, only 29% of Americans were financially healthy.² Most Americans were not in a position to readily bounce back from even a modest financial shock, and the workforce continues to be largely populated with individuals who have low financial resilience. This impacts U.S. businesses in significant ways.

Understanding the Business Cost of Low Resilience

Lack of resilience, especially financial resilience, adds healthcare costs to U.S. businesses of approximately $190 billion dollars per year.³ Lost workdays alone account for almost $30 billion annually.⁴ Productivity also
takes a hit, as employees with low resilience tend to be more distracted at work (and thus more prone to workplace accidents) and less productive.⁵

Compounding this is emerging research in psychology and economics around the “cognitive tax” that follows individuals into the workplace when facing persistent financial worry.⁵ This “tax” is an energy and attention drain that slows down an individual’s ability to be productive in the workplace. Put another way: worrying about money means an employee is unable to perform at their highest potential. And that has consequences for employers.

Making the Business Case to Build a Financially Resilient Workforce

Although education is a vital component, building and sustaining the business case for a financially resilient workforce requires more than just highlighting the costs of low resilience. Employers also need to understand the challenges their employees face and design a program that helps alleviate them. To do this, employers can incorporate the following best practices into their programs:

- **Diagnose and Design**: Understanding the financial needs of employees using HR data and survey tools can help an employer translate those needs into actionable decisions about where to invest in programs. For example, an employer may look at their retirement plan participation rates and notice that significant numbers of employees do not participate. Through the accompanying survey the employer may learn that the reason for this is due to student loan debt, which may result in the employer adding or redesigning a student loan solution.

- **Financial Coaching as a Pillar of Resilience**: Employees’ needs change over the course of their life, as their family, finances and challenges change. They can benefit from a flexible and responsive
coaching program that helps address and meet their evolving financial needs. In practice, a coaching program should be integrated with a communication strategy that builds awareness and engagement, particularly at key moments such as new hire orientation, or when the employer knows that the employee has entered a new life stage (e.g., new baby, etc.).

- **Financial Coaching and Mental Well-Being**: A good coach will also help individuals and their families approach money decisions more thoughtfully, helping reinforce principles such as mindfulness, goal-setting and self-growth that can help build financial resilience. How people think about money can play a big role in how they approach financial challenges. If an employee feels overwhelmed, having a coach to help them make a balanced and realistic decision can keep the challenges in perspective, alleviate their stress and build their resilience.

- **Don’t Forget About Measuring Impact**: Having a measurement framework with key success indicators can help employers understand whether interventions are having the desired impact. Employers do not have to reinvent the wheel here. They can leverage the same HR data sets and proven survey tools (as mentioned in the Diagnose and Design bullet) to capture trends and track progress over time.

Financial resilience does not happen overnight. Individuals will need time to engage with any new program, build their capacity and ultimately improve their financial wellness. But with consistent communication and encouragement from you and other workplace leaders, you can build a lasting program that helps improve people’s financial lives—and that will help lower your costs and boost your organization’s performance.

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