

# Financial Stress: The Quiet Culture Killer

Financial stress is often an unrecognized factor in the workplace. While its effect on mental health is well established <sup>[1]</sup>, its impact on productivity and employee loyalty is rarely discussed. A growing amount of research shows that addressing employee's financial stress is a key lever to performance.



## Is your company leaving money on the table by not addressing Financial Stress?

### KEY FINDINGS



Employees' financial stress has a significant impact on their employers.



Financially stressed individuals have the capacity to save more from their income than they spend, but do not do so due to the effects of stress.



Lack of liquidity is a main driver of financial stress.

## The cost: 19.5 days per year per FTE

Financial stress is one of the most common and persistent forms of stress in the world.



One in five employees admits that productivity at work has been impacted by financial worries.



49% of employees who are distracted by their finances at work say they spend three or more working hours each week thinking about or dealing with issues related to their personal finances.



Over a year, a full-time employee may spend more than 156 hours (or 19.5 days) distracted from work because of personal money matters.

**Finances are the #1 source of stress; more so than work, health and family issues.**



\* According to PwC's Annual Financial Wellness Surveys <sup>[2]</sup>

Employees burdened by money matters are nine times more likely to have troubled relationships with coworkers. <sup>[4]</sup>

2x more likely to be searching for a new job. <sup>[4]</sup>

Greystone Consulting, an affiliate of Morgan Stanley, stated the same: that 60% of employees are more likely to stay with an employer that offers a program designed to help them manage their money. <sup>[6]</sup>

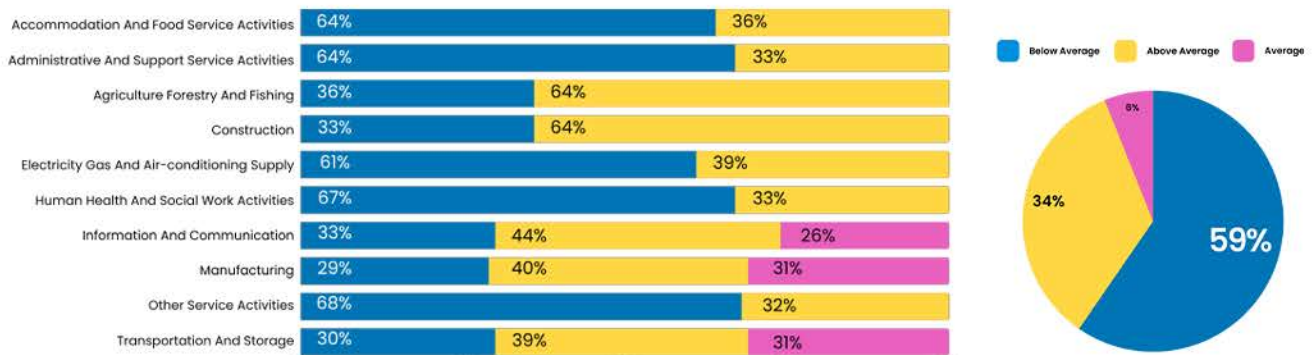
# A third of Filipino employees suffer

SAVii Workplace Intelligence's 2022 Customer Survey<sup>[7]</sup> gives a more granular picture of the current financial situation of Filipino employees. Based on their financial stress scores (5 being the highest, 1 the lowest), 34% of survey respondents self-reported that they suffer from financial stress.

## Average Financial Stress Scores per Industry



This bar chart shows the average financial stress scores per industry. X axis is financial stress rating (5- highest, 1 - lowest).



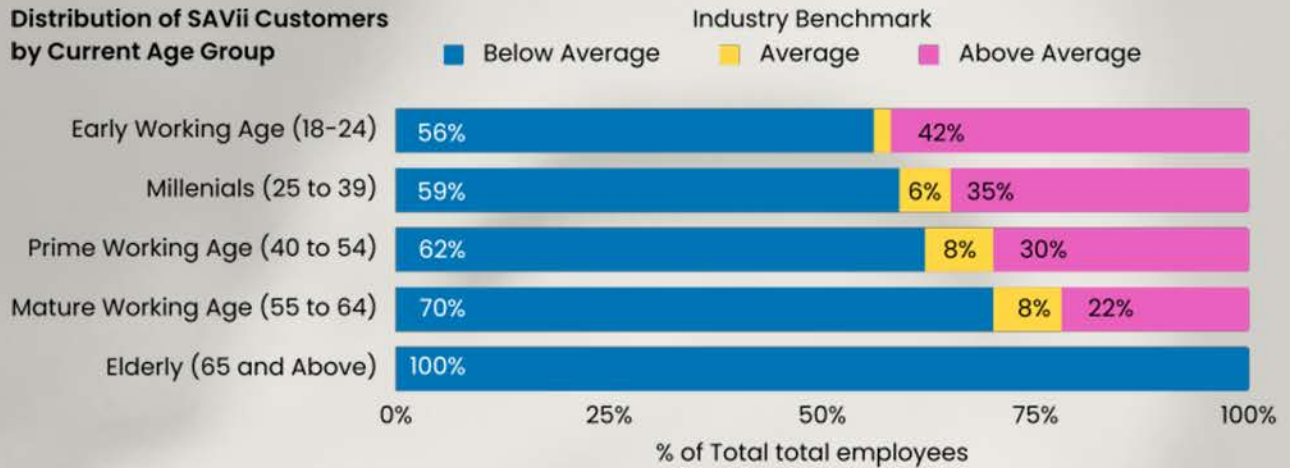
For example, BPO (Administrative & Support Service Activities) has an average score of 3.1. On the right bar chart, 67% of BPO employees had a score of below 3.1, and 33% are above the average. Therefore, 64% SAVii customers under Agriculture, Forestry and Fishing and Construction rated themselves financially stressed higher than their industry average score. Information and Communication, Manufacturing and Transportation and Storage have the most employees (~40%) rated themselves equal to the industry average.

PwC 2022 Financial Wellness Survey corroborates SAVii results that one-third (34%) of employees overall say that they have financial stress, and it has a severe negative impact on their mental health.<sup>[8]</sup>

# Millennials, Breadwinners, and Low Earners are most vulnerable

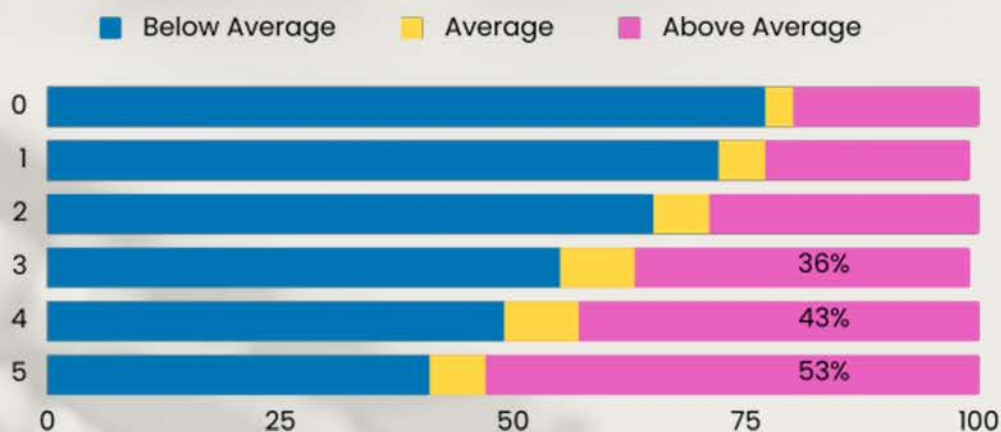
In terms of age brackets, our survey found that respondents aged 18 to 39 are the most financially stressed of any age cohort. This is in line with Deloitte Global's 2022 Gen Z and Millennial Survey which established that 56% of millennial employees in the Philippines experience financial stress.[9]

**Distribution of SAVii Customers by Current Age Group**



To determine if there is significance between the means of Industry Benchmark and Age Group, we must compare the percentage of Above Average as shown on the bar chart above and the number of employees who are financially stressed that we learned earlier; it is significant if the value within a particular age group is greater than 34%. Therefore, employees under Early Working Age (18 to 24) and Millennials (25 to 39) are significantly experiencing financial stress because their proportions, 42% and 35%, respectively are greater than 34%.

Our data also suggests that financial stress increases exponentially with the number of dependents. A person with 1 dependent is 1.1 times more likely to report being stressed as someone with no dependents. That likelihood grows to 1.5 times and 1.8 times more likely with 2 dependents and 3 dependents, respectively.



As expected, financial stress is more prevalent among lower income earners. Data shows that employees with a monthly net income of Php 20,000 or below are more likely to be financially stressed. According to the 2018 Consumer Finance Survey conducted by the Bangko Sentral ng Pilipinas, households with a monthly income of this range have the highest percentage of individuals (88%) who have difficulty meeting their basic needs.[10] This effect has a ceiling, with the likelihood of being stressed not materially reducing once a monthly net income of Php 30,000 is met.





## Savings not a focus

Our research also found several interesting insights about savings behavior.

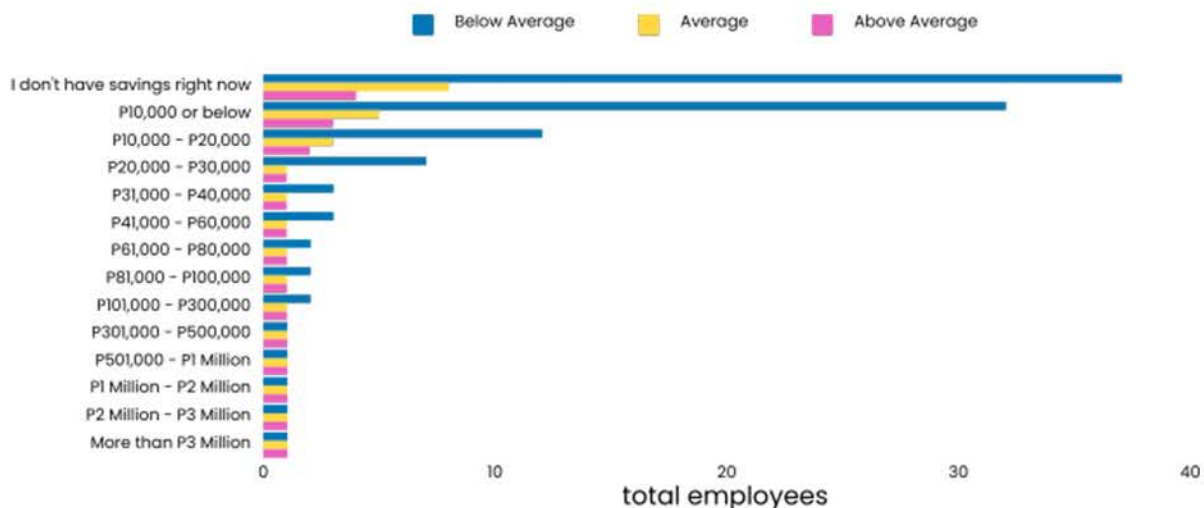
### Financially stressed individuals 1.7x more likely not to have savings

Compared to the average, a financially stressed person is 1.3 times more likely to have at most Php 10,000 in savings, and 1.7 times more likely to have no savings at all. While this does not prove causality, there is a distinct link between having a nest egg and financial stress.

88% of financially stressed users have less than Php 10,000 in savings

35% of this sub-set also report they save 5% or more of their salaries.

Counterintuitively, while 88% of financially stressed users report having less than Php 10,000 in savings, 35% of this financially stressed sub-set also report they save 5% or more of their salaries. At that rate, the average user should be able to build Php 10,000 of savings within 1.7 years, significantly less than the average number of working years of a typical respondent. This indicates that building up a significant savings nest egg is achievable, even for the financially stressed.



In spite of this, **62% of employees who are experiencing above average stress for their industry levels do not have savings.** This indicates that regardless of liquidity, financial stress causes employees not to build up a savings nest egg. This may be because employees do not view savings as a goal and spend as they wish regardless of their declared savings rate; employees recognize that having savings is important, but do not prioritize savings over expenditure and save only what is not already spent; or they recognize that having savings is important, know where their savings are spent, controls their spending, but anticipate too small a savings requirement, thereby continually extinguishing their savings because of unexpected and unavoidable expenses.

This makes it evident that there is a genuine need for advice and guidance to reduce financial stress and begin a savings journey. Employees want it, too:

**7 in 10 employees believe their employer has an obligation to help them with their financial wellbeing**

When limited to Gen Y respondents:  
**80% agree that employers are obliged to support their financial well-being [23]**

This may be misinterpreted as employees expecting handouts, or for a framework similar to the US's 401(k) match which is not applicable to the Philippine market, typically unsustainable and a burden on cash flow. Instead, employers can provide tools and education to quiet financial stress and empower employees to succeed on their own savings journey. This would provide the stability workers need to function as their best selves at work, reduce distractions, and increase engagement.



## Multi-factorial; multi-solution

For a nest egg to be built, and ideally, financial stress to reduce, several items must be in place. Below are just a few remedial solutions you can implement in your workplace to reduce financial stress and its impact on individuals and your company:

### Share the need for a Nest Egg

Educate employees on the need for a savings fund and set a baseline (three months' worth of expenses at minimum). Savings plans that allow employees to set aside a portion of their salary automatically are ideal.

### Budget, Budget, Budget.

Teach basic personal finance tools like budgeting and expense monitoring to keep employees on track. Financial wellness seminars are an ideal first step.

### Provide Access to Funds

Employees need access to emergency funds either through a communal fund or salary linked products. This safety net will lower financial stress during emergencies.

Not all employees suffer from financial stress equally. Your efforts will have the most impact by focusing on millennial employees, those more than 2 dependents, and those on lower salary bands.

By implementing these strategies, individuals can take control of their finances and work towards achieving their financial goals. This will lead to a more stable and stress-free financial future.

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