The Effects of Financial Stress of Employee in the Construction Industry

Omotola Olasehinde and Clinton Aigbavboa
Department of Construction Management and Quantity Surveying
University of Johannesburg
South Africa
tollyjoy485@gmail.com, aigclinton@gmail.com

Abstract

Employees are the most important resource to any organization. They contributes to the success and development of a company to a great extent. Employees are the lifeblood of every organisation. There is a major knock-on effect for companies and employee performance when employees struggle financially. The core purpose of this study is to explore the effects of financial stress on employee productivity in the construction industry. The study is mainly a literature review on employee financial stress and how it affect the construction industry. The study revealed factors that contributes to financial stress as overspending, lack of budgeting, high debts level, low salary or wages, lack of knowledge about money and poor financial behavior. The study also revealed the relationship between financial stress and psychological symptoms, behavioural symptoms, physiological symptoms and productivity. The study further revealed employers efforts and programmes that can improve the employee financial life. The study contributes to the body of knowledge on the subject of the effects of employee financial stress on job performance and productivity in the construction industry.

Keywords
Financial problems, employees, productivity, financial wellness, financial literacy, stress

1. Introduction

Typically, financial health has been seen as a stand-alone resource, rather than as an essential part of overall well-being. There is a growing recognition that wellness is holistic and co-dependent; physical, emotional and financial health work together, and if one part is missing, this imbalance may also impact the other two. And while financial wellness exists at a personal level, a lack of it can also have a big impact on the workplace and society as a whole, with a loss of productivity and effectiveness. There is an increasing body of proof that a business suffers when the employees are struggling financially. Financial stress is one of the major factors that contributes to poor financial wellbeing. Neyber (2016) on the DNA of financial wellbeing revealed that the poor financial wellbeing of employees has been estimated to cost UK employers about £120 billion a year in loss of productivity. Productivity is one of the most important factors that affect overall performance of construction industry (Gupta and Attar, 2012). Productivity will be at apex and blooming in the construction industry when the employee is not under any financial stress and problems. Personal financial stress is a growing problem for the workforce. To conduct all the operations of the business expeditiously it is imperative that employees must perform well to achieve organisation's milestones. The issue of financial problem is general problem. It does not only affect the poor. "The U.S. Department of Agriculture stated that the declining employment opportunities, income instability and eroded purchasing power of U.S. households were important issues of families, policy makers, and educators" (U. S. Department of Agriculture, 1988). Financial problem of the households have been increasing. Cash (1996) in his study, described the increasing worries of household financial matters. He stated that "Many people feel trapped even with two incomes, they don't have enough money or the time. Employees are living in fear of what will happen next" (Cash, 1996). Also, Coping (1996) in his research revealed these concerns in that "two-thirds of Americans say they have trouble paying their bills and worry about money" (It is expected that the study will contribute to, firstly, an awareness of employees' problems in

the construction industry regarding financial stress and problems, secondly to develop necessary measures for both employers that will improve the financial wellbeing of employees in the construction industry

2. Financial Stress

Ministry for Primary Industries (MPI) (2016) defined stress as a normal physical response to changes or events that makes an individual feel threatened or upset. They revealed that accumulation of stress can damage health, mood, productivity, relationships, and general quality of life.
David and Mantler (2004) defined financial stress as the unpalatable feeling of an individual resulting from inability to meet financial needs, insufficient income to afford basic necessities of daily life, inadequate funds to make ends meet. The feeling incorporates dreadful emotions- anxiety, fear, and which also anger and frustration. Garman et al (1996) stated that the primary factor that results to stress is personal financial problem. Kim and Garman (2003) developed a concept that financial stress is a subjective perception of personal finances of an individual. Taylor (2009) suggested that financial strain was divulged to be a good predictor of financial well-being. Delafrooz and Paim (2011) found a similar finding when they identified financial stress as the most determinant for financial wellbeing. On top of that, equivalent to Delafrooz and Paim (2011), Sabri and Falahati (2003) found that financial stress has become the most determinant on financial well-being. Delafrooz and Paim (2011) and Sabri and Falahati (2003), financial stress indicates a major role in poor financial wellness and financial well- being, respectively. Aside from that, Joo (1998) stated that financial wellbeing is closely related to financial stress. Joo (1998) also added that the number of financially stressful events experienced by an individual also affects one's financial wellbeing.
Willis Tower Watson (2016) revealed that financial problems take a toll on employee and hamper their productivity. The same study revealed that 52% of employees are less effective at their work place due to financial problems. This means that companies face an increasing amount of wasted time while their team is on the clock. A report by CIPD (2017) also showed that one out of ten workers had money problems which causes distraction at work. The report also revealed that when employees struggle financially, there is a major knock-on effect for businesses and employee performance. Many employees have not been able to compartmentalize their lives in a way that they will not bring money worries into the workplace. (Garman et al., 1996; Kim and Garman, 2003). Financial problems don't go away just because someone comes to work. A US report suggested that employees experiencing financial stress spent 13% of their working day dealing with their money problems. In the UK, Barclays found poor financial wellbeing among employees reduced productivity by 4%, whilst the cost to UK businesses overall is estimated to be £120 billion a year. Bank Workers Charity (BWC), in their report revealed the damage financial problems has caused in people's lives on a daily basis. They revealed the impact on mental health, personal relationships, physical health and even the social wellbeing. Barclays in his research found that 46% of employees worried about money problems, and one in five losing sleep because of money worries. Serious though the impact is on individuals, and there is a knock-on effect for organisations. Study after study has found that employees' financial problems are costly for businesses.

2.1 Causes of Financial Stress

In the research of Garman et al (1989), the major causes of employee financial stress was observed from "a survey of 47 Virginia corporations Employee Benefit Offices". They found over usage of credit cards, squandering, poor or no budget, high outstanding payment, low income, and poor knowledge about money as the main causes of employee financial stress. Personal financial problems are always go with poor financial behaviors. Poor financial behaviors are personal problems that are eventful, damaging and have negative effect on individual's life at home and/or work (Garman et al., 1996). Varcoe (1990) revealed that the inability of a person to save money and the use of his savings for everyday living expenses are problems resulted from financial stress.

2.2 Impact of Financial Stress

Mead (2000), pointed out that there exists a negative impact of stress on employee performance if the stress is not managed efficiently. Consequently, stress negatively impacts both the productivity and the organisation. The trend of stress has become a major challenge to employers as it reduces performance level in jobs, growing cases of absenteeism, contributes to the employee involvement in drugs and alcoholism. Sporakowski (1979) stated that financial problems cause stress and crisis. He revealed the significant relationship between financial problems and stress-related illnesses. Also, he stated that financial problems have an effect on individual daily life function. Also,

Cash (1996) identified that, the major source of stress is financial problems. Williams (1982) identified financial problems as an outcome from unpredited changes which call for a review of the usage of resources.

2.2.1 Financial Stress and Psychological Symptoms

Psychological symptoms such as depression, anxiety, and stress affect daily life. They are the major repercussion of financial stress. Psychological symptoms could cause employees work performance to deteriorate. Mark (2012) stated that anger, anxiety, depression, nervousness, irritability, aggressiveness, and boredom negatively affects employee performance, reduces in self-esteem, dissatisfaction of supervision, inability to focus, making decision problem and job dissatisfaction. Also the psychological symptoms of stress can lead to burnout. Job burnout is a prolonged withdrawal from work which makes the sufferer devalue his work and sees it as a source of dissatisfaction.

2.2.2 Financial Stress and Behavioural Symptoms

The behavioural signs of stress include eating more or less, cigarette smoking, used of alcohol and drugs, rapid speech pattern nervous fidgeting which leads to absenteeism from work, happing from job to job and causes performance to deteriorate. Patricia (2016) revealed that stress from financial problems can to escalate to risky behaviors that negatively affect a person's physical health, damage personal relationships and affect productivity.

2.2.3 Financial Stress and Physiological Symptoms

These are changes in the metabolism that accompany stressors. The symptoms include increased heart rate, blood pressure etc. With this, the wear and tear on the body becomes noticeable and problematic. The effects of this are back pains, migraine headaches, insomnia, heart disease, hypertension, diabetes and even cancer which affect employees' productivity.

2.2.4 Financial Stress and Productivity

Financial stress affects productivity and performance directly and indirectly. Harris (1987) revealed how employee's financial stress cost a U.S. companies a minimum amount of $40 billion every year. Financial stress have impact on families, marital relationships, physical and emotional health, which could further lead to a decrease in productivity. Employee's financial problems could result from indecision over financial planning, lack of knowledge and poor financial management. Employees oppressed with financial problems are not likely to discharge at their full potential. Therefore, employee financial wellbeing is a legitimate area for employers. Employees' financial well-being is a major factor that affects productivity and performance. Furthermore, it causes lack of focus, absenteeism and presenteeism, health problems, poor decision making and reduces the morale of employees. In a profit-oriented company like construction industry, the impact of the employee is evaluated in gain and loss, greater turnover, low or high morale and higher productivity or low productivity. (Kim and Garman 2003). According to the research by Forbes (2017), people that are continually stressed about their finances tend to be less productive and less focused, and a lack of productivity can affect the company bottom line. The report stated that American that are full time workers, half of them worry about their financial problems during working period and this has led to absences and a lack of focus in the work environment. When a person feels stress, it can be hard to make decision. The impact of employees' poor financial wellbeing is not limited to the individual in difficulty. Chartered institute of personnel and development (CIPD) (2017) reported that over the last decades, employees struggling financially has increased by 50% and found that employees experiencing financial stress spent 13% of their working day dealing with their money problems. Mesomola and Taute (2003) stated that employees financial problem do not only affect job performance but also lead to many other problems that are personal. Some of the problems mentioned by the researcher are marital problems, family problems and divorce. The ability of the employee to focus on their job is critically affected when they have financial problems, financial stress, money worries and concerns. There is need for employers to be watchful and observant to be able to discover employee financial worries/concerns, to counsel employees on possible ways to achieve the necessary financial assistance and be able to use employee financial needs in formulating company policies and programs. Financial wellness programs may include professional counselling regarding employee stock ownership plans, credit unions, financial grants, tuition assistance and scholarships. Financial worries can emanated to unreliable attitude, a principal item of concern in relation to managerial personnel (Adler and Leff, 1976). To increase employee's productivity, employers can help the employees to secure information regarding financial

assistance, personal finance and formulate policies and programs to help them in times of financial stress (Alder & Leff, 1976). Financial concerns affect productivity at all levels of employees. The grounds for supplying financial planning services for employees is that the time and energy these employees would spend worrying about their money would keep them from being maximally productive (Tagtmeier, 1992). Costs of financial difficulties to the employer include wage garnishments, firing and hiring a new employee after the second wage garnishment, processing and tracking creditors, and defaults on employer-sponsored credit union loans (Tagtmeier, 1992). These costs can be included in the formula to determine the cost/benefit of financial counseling for employees either in-house or contracted with an outside agency.

3. Productivity and Performance

3.1 Productivity

Productivity is very important to the growth of an industry, enterprise, economy. Productivity is all the actions that bring a company closer to its goals. Mathis and Jackson (2000) defined productivity as a measure of the quantity and quality of work done considering the cost of the resource it took to do the work. Lowe (1987) stated that "the importance of productivity growth to an individual enterprise, an industry or an economy is something on which most economist would agree". Arditi and Mochtar (2000) reaffirm that “the output of the construction industry constitutes one-half of the gross CapitaLand (3-8) % of the gross domestic product (GDP) in most countries". Chau and Walker (1988) stated" advances in productivity are one of the means to achieve economic growth". Meanwhile, increasing productivity is most of the key component of every organization’s success. Productivity articulates rightly into the sides of employer, employee and the social side, which will generate to cost effective and profitability (Proverbs et al 1998). In the construction industry employees are playing very important role far from other industries whose increasing productivity was generated by new emerging technologies. Construction industry is a labor-intensive and low-tech sector as poor productivity portion human capital is most important to deploy within construction project (Loosemore et al, 2003).
Mathis and Jackson (2000) stated that to measure employee productivity one has to consider unit labour cost, or the total labour cost per unit of output. The authors further revealed that an individual performance is depending on three factors which are; “the ability to do the work, level of effort and support given to that person”.

3.2. Job Performance

Rothwell 1996 described “Perform’’ as a means to begin and carry through to completion; to take action in accordance with the requirements of fulfilling it. According to Campbell (1990), job performance can be defined in conditions of whether employees’ conducts added to the organisational goals. Performance can be seen as a task carry through by an individual, group, or organisational. Organisations have a vital need to understand how to improve employee’s performance, (Muchinsky, 1993). Schermerhorn (1989) asserts that job performance refers to the quality and quantity that are attained by individual employees or group of employees after completing a given task. (Motowildo and Borman, 1993) define job performance as the combined financial or non-financial “added value” by the employees in participation to the achievement both directly and indirectly to the set goals of the organisation. Mangkunegara (2009) defines it as the work results based on quality and quantity achieved by employee in doing his or her job. (Rivai and Jauvani 2009) define work performance as the real behaviour express by everyone as work achievement produced by employee appropriate to their role in the organisation. Based on the opinions above, it could be concluded that work performance is a work result of work achievement of one’s quality and quantity achieved in an organisation in performing its job.

4..Employer Efforts and Workplace Financial Programmes

Employers are realizing that workplace financial education is one way to assist employees in developing financial wellness. Workplace financial education has become a hot issue in the employer benefits community, since employees today have a greater responsibility for their own financial security (Blair and Sellers, 1995). The employee needs financial knowledge and skills to be able to make informed financial decisions. In the decades of the 1980s and 1990s indicated a developing attraction in financial counseling by the use of “employee assistance programs (EAPs)”. However, the execution did not progress as indicated by the mention of financial problems last on their list. In the 1990s more employees added financial planning to their benefits to assist in decision making about retirement pensions

and to reduce company liability. Programs of primary financial management and investment counseling grew during the 1990s although "financial illiteracy" is still under situation in the workplace (Cambridge Human Resource Group, 1994).

Office of Disability Employment policy (2007) defined employee assistance programs as worksite-based programs and/or resources designed to benefit both employers and employees. EAPs help businesses and organizations address productivity issues by helping employees identify and resolve personal concerns that affect job performance. EAPs enhance employee and workplace effectiveness and are a vital tool for maintaining and improving worker health and productivity, retaining valued employees, and returning employees to work after illnesses or injuries.

Major outcomes, claimed from EAP programs included: valued employees were helped and retained, absenteeism and turnover was reduced, productivity was improved and employee stress reduced. EAP Contributions according to ODEP (2007) are- decreased absenteeism, reduced accidents and fewer workers compensation claims, Greater employee retention, fewer labor disputes and significantly reduced medical costs arising from early identification and treatment of individual mental health and substance use issues.

Employee assistance programs are constructed upon the premise that an employee's job performance is negatively affected by financial problems, among other types of personal and family problems. "A survey of companies indicated that almost half of them sponsored employee assistance programs for their workers and that financial problems were listed by 81% as one of the problems most often covered" (Wall Street Journal, l987).

Breuer (1995) revealed that financial education programs help employees to be more productive and less stressed at the workplace. A study conducted by Bergmark (1989) revealed that an effortlessly accessed, assistance program assisted employees to solve problems effectively and efficiently. A survey of the Employee Benefit Offices, at 47 of Virginia's largest corporate employers, based on number of employees per job site, revealed that 67% of the companies offered counseling for financial problems (Garman et al, 1989). These firms encompassed manufacturing, banking, and other service sector firms. Three-fourths of the firms indicated that employees had responded favorably to the availability of financial counseling services. Positive outcomes resulting from such programs, reported by 38% of the firms, included improved attendance and better on-the-job attitude toward work.

Financial counseling programs address financial problems and concerns of employees which result to improved benefit packages, decreased unrest or conflict on the job and with management, reduced stress and the possible resulting breakdown of physical and mental health. Additionally, reduce confusion in selecting various company benefits related to insurance, savings and investing, pensions and retirement plans can reduce employee financial concerns. Also, reduced confusion related to tax laws can also lessen stress with the ultimate objective-improved productivity. The focus of EAP is on productivity, to assist employees with financial problems. "To eliminate financial problems, employees must realize that personal money management is lifelong process because their needs change as they progress through the financial life cycles; they must also be aware that no individual or institution can completely manage their money for them" (Tagtmeier, 1987).

5. Conclusion

The employee worries over financial problems is critical due to increased financial pressure that has led to financial stress. To improve productivity related behavior and the implementation of employee assistance programs are needed by individual and in times of economic prosperity as well as downturn since there will always be those experiencing financial stress.

The review of literature has revealed a very limited amount of research to date and a lack of precision tools for determining the effect of financial stress upon productivity in the construction industry. Research tools need to be developed and refined to assess the specific education and counseling that will benefit the employees in the construction industry.

Research is needed to identify the impact of financial stress on productivity, performance and the employee morale in the construction industry. Research is needed to better document the cost/benefit of financial counseling programs to improve productivity, employer employee relations, retention, and well-being.

References

Arditi, D., and Mochtar, U., Trend in Productivity Improvement in U.S. Construction Industry, Construction Management and Economics, Vol. 18, pp. 15-17, 2000.

Barclays, Financial Well-being: The Last Taboo in the Workplace? Why organisations cannot afford to ignore the financial health of their employees, London, May 1, 2014.

Bergmark, R., Drug prevention/intervention in the work place. Presentation to Select Committee on the Impact of Drugs on Crime, Education, and Social Welfare, Employee Advisory Resource of Control Data, St. Paul, Minnesota, June 16, 1989.

Breuer, N., Minimize distractions for maximum output. Personnel Journal, (May) pp 71-76, 1995.

Cambridge Human Resource Group, Money worries. Wall Street Journal, August 3, 1995

Campbell, D., and Graham, M., Drugs and Alcohol in the Workplace – A Guide for Managers. New York: Facts of file Publications, pp 100-101, 1988.

Cash, G., Financial wellness: Will it be your next health promotion program? Available, http://www.ns.net/cash/worksite.html, 1996.

Chartered institute of personnel and development (CIPD), Show me the money: financial wellbeing: The employee view, London, January, 2017.

Coping with money woes, USA Today, p. A1, December 27-29, 1996,

Davis, C. G., and Mantler, J., The consequences of financial stress for individuals, families, and society. Ottawa, ON: Doyle Salewski Inc 2004.

Delafrooz, N., and Paim, L., Determinants of saving behavior and financial problem among employees in Malaysia. Australian Journal of Basic and Applied Sciences, vol. 5, no 7, pp 222-228, 2011.

Didiza, T., Sustainable development through leadership building. Address by the Minister of Public Works on the occasion of the South African Women of Construction summit. Available http://www.publicworks.gov.za/PDFs/Speeches/Minister/SAWIC_ Summit.pdf, 2008.

Forbes, The financial wellbeing of employees. Available https://www.forbes.com/sites/joeljohnson/2017/07/01/the-financial-well-being-of-employees/#5348f7bca393, 2017.

Garman, E., Porter, M., and McMillion, J., Financial Counseling by Corporations with Large Number of Employees. Southeastern Regional Family Economics Proceedings, 1989.

Garman, E., Leech, I., and Grable, J., The negative impact of employee poor personal financial behaviors on employers. Financial Counseling and Planning, 7, pp 157-168, 1996.

Gupta, K., and Attar, A., A Study of various factors affecting labour productivity and methods to improve it. IOSR Journal of Mechanical and Civil Engineering, vol 22 no. 16, pp.11-4, 2012.

Harris, T., Caring for your workers pays off. Management Today, 6, 1987.

James, P., Rust, B., and Kingman, L., "The well-being of workers in the construction industry: a model for employment assistance". MTECH Thesis, Cape Peninsula University of Technology, 2011.

Joo, S., Personal financial wellness. In J. J. Xiao (Ed.), Handbook of consumer finance research, New York, NY: Springer, pp. 21-33, 1998.

Kim, J., and Garman, E., Financial Stress and Absenteeism: An Empirically. Derived Model. Journal of Financial Counseling and Planning, vol. 14 no. 1, pp 31-42, 2003.

Masemola, M., and Taute, F., The impact of financial problems on productivity of employees of the department of social services, population and development, ermelo district, 2003.

Mathis, R., and Jackson, J., Human Resource Management. Ohio: South Western Collage Publishing, 2000.

Motowidlo, S. J., Borman, W. C., and Schmit, M. J., A theory of individual differences in task and contextual performance. Human Performance, vol. 10, pp 71-83, 1997.

Neyber (2016) The DNA of financial wellbeing: summary report [online]. London: Neyber. Available: https://www.neyber.co.uk/ financial-wellbeing/nhs-andhealthcare, September 6, 2016

Office of Disability Employment policy, Employee Assistance Programs for a New Generation of Employeeshttps://www.dol.gov/odep/documents/employeeassistance.pdf, 2007.

Porter, N., Testing a model of financial well-being (Doctoral thesis). Available http://hdl.handle.net/10919/39899. April, 1990.

Rivai, H., and Sagala, E., Resource Management Human for Company Edition 2. Jakarta: PT. Raja Grafindo 2009.

Sabri, M., and Falahati, L., Predictors of fnancial well-being among Malaysian employee: Examining the mediate effect of fnancial stress. Journal of Emerging Economies and Islamic Research, vol. 1 no. 3, pp. 1-16. 2003.

Sporakowski, M., Financial problems as stress and crisis. In D. C. Myhre(Ed.), Financial Counseling: Assessing the state of the art Financial Counseling Project, Blacksburg, VA, Virginia Polytechnic Institute and State University. Pp.75-81, 1979.

Tagtmeier, GT., Helping employees with financial planning. EAP Digest pp 42- 47, March-April, 1987.

Taylor, J., The financial crisis and the policy responses: An empirical analysis of what went wrong (No. w14631). National Bureau of Economic Research, 2009.

U. S. Department of Agriculture, Family and economic well-being: A cooperative extension system response. Washington, D. C.: U. S. Department of Agriculture, 1988.

Wall Street Journal, Employee Assistance Programs, p. 27, Jan. 15, 1987.

Williams, F., Introduction: Financial Counseling. In Guidelines to financial counseling with crisis intervention and consumer economics education. West Layfayette, IN: Agricultural Experiment Station, Purdue University, 1982.

Willis Tower Watson, How is stress taking a toll on your employees? https://www.willistowerswatson.com/en/insights/2017/01/full-report-2016-21st-annual-willis-towers-watson-best-practices-in-health-care-employer-survey, 2016.

Biographies

Omotola Olasehinde is a young researcher, currently running a Master's degree in the department of Construction management and quantity surveying in the University of Johannesburg. She has worked with construction industries for over 7years in Nigeria. Her research interest are construction industry development, sustainanble development and built environment.

Professor Clinton Aigbavboa is an Associate Professor in the Department of Construction Management and Quantity Surveying, University of Johannesburg, South Africa; with a multidisciplinary research focus on the built environment. Before entering academia, he was involved as quantity surveyor on several infrastructural projects, both in Nigeria and South Africa. He holds a PhD in Engineering Management and has published over 500 research papers in his areas of interest. He has extensive knowledge in practice, research, training and teaching. His research interest are situated in the fields of sustainable human development, with the focus on: sustainable housing regeneration (urban renewal and informal housing), Life Cycle Assessment in the Construction Industry, remanufacturing, leadership in low-income housing, sustainable construction thinking, bio mimicry, digitalisation of the construction industry, infrastructure development, construction industry development, construction and engineering management, construction industry development and research methodological thinking and paradigm, post occupancy evaluation and green job creation. He is currently the Vice Dean: Postgraduate Studies, Research and Innovation in the Faculty of Engineering and the Built Environment and the Head: Sustainable Human Settlement and Construction Research Centre, University of Johannesburg, South Africa. He is also an author of three research books that were published with Springer Nature and CRC Press. He is currently the editor of the Journal of Construction Project Management and Innovation (accredited by the DoHET) and has received national and international recognition in his field of research.