

## Financial Stress, Health Status, and Absenteeism in Credit Counseling Clients

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Millions of American consumers struggle with credit problems, and growing numbers of overextended consumers contact credit counseling services annually. In 2000, three million consumers turned to credit counselors for help (Consumer Reports, 2001), either as an alternative to bankruptcy or prior to declaring bankruptcy. Clearly, over-extended consumers are experiencing acute financial stress (Bagwell, 2000; Drentea, 2000), the effects of which may be spilling over into the workplace.

Are financially stressed employees as productive as others? Today's workplace is greatly affected by employees who are experiencing personal problems (Employee Assistance Professionals Association, 1999). Research on the interface between work and family problems suggests that problems at home may affect job performance and vice versa (Forthofer, Markman, Cox, Stanley, & Kessler, 1996). Financial stress is one of the most frequently occurring sources of life stress, and workers often bring their financial concerns to work. Employees' financial stress could decrease productivity and may lead to other workplace problems (Garman, Leech, & Grable, 1996).

The purpose of this study was to determine whether financial stress, health status, and other individual characteristics could be used as predictors of absenteeism from work by credit counseling clients. The results provide a profile of perceptions and behaviors that may help practitioners and employers understand issues facing consumers with financial concerns and related problems. The question of how financial stress is related to absenteeism is important because of the implications for employers concerned about worker productivity.

## Review of Literature

Stress from personal finances is perceived to be one of the most influential sources of stress because many basic life activities are associated with personal financial resources and their management (Peirce, Frone, Russell, & Cooper, 1996). Financial stress influences employee behaviors and attitudes at work and has been found to be related to absenteeism (Hendrix, Steel, & Schultz, 1987; Jacobson, et al., 1996; Joo & Garman, 1998). Hendrix et al. found an indirect effect of personal finances on absenteeism. Jacobson et al. revealed that personal finances could be used to predict financial stress. Respondents with high stress levels were 2.2 times more likely to experience five or more days of absenteeism than were those with low stress. Joo and Garman found that financial well-being was negatively related to absenteeism.

Researchers also have established relationships among worker stress, health-related problems and absenteeism (Jacobson et al., 1996). It has been suggested that over 70% of job absenteeism has been tied to stress-related illness (Tang & Hammontree, 1992). Drentea and Lavrakas (2000) found that individuals who perceived higher levels of stress about their debt showed higher levels of physical impairment and reported worse health than those with lower levels of stress. In a study of 285 credit counseling clients, one half of respondents reported health being affected by their financial problems (Bagwell, 2000). Respondents cited both physical and emotional symptoms of health issues, and the most frequently reported responses were attributable to general stress, anxiety, and worry.

## Methodology

The present study used a database available from a national credit counseling agency serving multiple states. Random sampling was used to draw a sample of 1,800 from a population

of 4,000 new clients. The participants were those who called the credit counseling organization and committed to a debt management plan administered by the organization between January and the end of April 2000. A survey was mailed to the sample of 1,800 in June 2000, and nearly 20% of the sample (n = 355) returned it. Only employed respondents (n = 262) were included in the data analyses.

Two thirds of the participants (66%) were female, and 61.5% were married or living with a partner. Fifty-seven percent were white, while 22% were African-American. The average age was 35.7 years and median household income was between \$30,001 and \$40,000.

Subjective perception of one's personal finances has been used as a measure of financial stress or economic stress (Fox & Chancey, 1998; Mills, Grasmick, Morgan, & Wenk, 1992). Financial stress was measured in this study as perception of one's financial situation using an index developed by Bagwell (2000) for a previous study. The four items comprising the financial stress instrument included "satisfaction with personal financial situation" (1=Satisfied, 5=Dissatisfied), "perceived financial wellness" (1=It is easy to save, 2=Doing okay, 3=Some difficulties, 4=Overwhelming), "feeling about current financial situation" (1=Doing very well, 2=Doing okay, 3=Some difficulties, 4=Always in trouble), and "level of financial stress" (1=Not stressed at all, 2=Not very stressed, 3=Somewhat stressed, 4=Extremely stressed). These four items were adapted from work by Joo and Garman (1998). The Cronbach's alpha reliability estimate for the financial stress scale was 0.87 indicating high internal consistency. Health status was measured with one item, "self-reported health status" (1=Poor, 2=Satisfactory, 3=Good, 4=Very good).

Absenteeism was defined as the practice by an employee of being away from work during the past year. The item measured frequency of absences and was adapted from the work of Price and Muller (1986): "Over the past year, how many days were you absent (excluding vacation and holidays) from work for personal reasons?" Responses included: 0 = none, 1 = 1-2 days, 2 = 3-4 days,

3 = 5-6 days, 4 = 7-8 days, 5 = 9-10 days, 6 = 11-12 days, and 7 = more than 12 days.

## Results

Regression analysis was used to examine how health status affected financial stress and how health status and financial stress affected absenteeism. The following factors were included in each model to control for individual characteristics: age, race, gender, marital status, education, annual household income, and geographic location.

The first model focused on financial stress as predicted by health status and the individual characteristics mentioned above. As shown in Table 1, race, household income, and health status predicted financial stress. Respondents who were white and had lower household incomes reported higher levels of financial stress. Individuals who reported poorer health had higher levels of financial stress. This finding was consistent with previous research (Bagwell, 2000; Drentea & Lavrakas, 2000).

The second model investigated whether financial stress, health status and individual characteristics were predictors of absenteeism. Four variables were found to be significant: education, annual household income, health status, and financial stress, (see Table 2). Specifically, education was negatively related to absenteeism while household income was positively related. These findings are consistent with a previous study by Kim and Garman (2004) on absenteeism using white-collar employees. People with poorer health and higher levels of financial stress were more likely to be absent from their work than those who were in better health and had less financial stress. These results were consistent with the findings of Hendrix et al. (1987) and Joo and Garman (1998).

Major findings from this study were that financial stress was associated with absenteeism; financially stressed workers were less productive at work. Health status also was an important

Table 1  
Summary of Regression Results for Financial Stress (N=262)

Variable	B	$\beta$	T
Constant	9.163		10.063***
Age	-.262	-.102	-1.691
Race (White=1)	.756	.129	2.160 *
Gender (Male =1)	.272	.046	.762
Marital Status (Married or Partner =1)	-.027	-.005	-.072
Education	.134	.068	1.079
Household Income	-.226	-.171	-2.601*
Geographic Location	.427	.050	.822
Health Status	-.824	-.253	-4.182 ***
R <sup>2</sup> = 0.123			
p < .001			

\* p<.05, \*\* p< .01, \*\*\* p<.001

Table 2  
Summary of Regression Results for Absenteeism (N=262)

Variable	B	$\beta$	T
Constant	7.657		5.375***
Age	-.266	-.076	-1.293
Race (White=1)	-.526	-.066	-1.126
Gender (Male =1)	-.777	-.096	-1.643
Marital Status (Married or Partner =1)	.447	.057	.916
Education	-.586	-.217	-3.553***
Household Income	.278	.155	2.393*
Geographic Location	.025	.002	.036
Health Status	-.814	-.184	-3.022**
Financial Stress	.280	.206	3.371**
R <sup>2</sup> = 0.174			
p < .001			

\* p<.05, \*\* p< .01, \*\*\* p<.001

variable in understanding financial stress and absenteeism. Poorer health led to both increased financial stress and a higher frequency of absenteeism.

### Discussion and Implications

This study expanded on previous literature related to financial stress, health, and absenteeism. Credit counseling clients often are dealing with acute financial problems; this study showed that financial stress spilled over into credit counseling clients' work life as evidenced by the increased incidence of absenteeism. Although the causal relationship of health and financial stress could not be determined using these cross-sectional data, the study provided descriptive evidence that health influences financial stress as well as absenteeism.

The results provide support for developing programs for financially over-extended consumers. One of the areas consumer educators should focus on when designing programs is financial stress. Education can be provided to help consumers understand how to recognize events that trigger financial stress, as well as possible reactions consumers may experience while under financial stress such as lower self-esteem and pre-occupation with finances (Freeman, Carlson, & Sperry, 1993). For example, financial stress management methods are suggested as a program topic for over-extended consumers to help them work toward reducing financial stress.

Educators also should be aware of the key determinants of financial stress, such as health status and household income. Financial stress could be caused by the health problems themselves or the income loss resulting from these health problems. Also, financial stress could cause general anxiety and stress, which may then lead to absenteeism and income loss. In the end, educators need to be aware that health status could affect both the level of financial stress and the earning capacity of their clients. Recommended topics for future lessons offered by

consumer educators include the importance of carrying adequate health and disability insurance and the need for emergency funds.

The present study also has important implications for employers. Results suggest that financial stress can lower employees' productivity by increasing their absenteeism. Employers are encouraged to provide assistance to help employees lower their financial stress. Financial education that includes both stress management and debt management strategies could be offered to employees as a prevention or intervention strategy. Offering work-life balance services (e.g., Employee Assistance Programs, Wellness Programs) is recommended to employers as approaches to help employees work through financial stress and health problems.

Financial education or counseling in the workplace might reduce absenteeism if it lowers employees' levels of financial stress. Consumer educators can work with employers to provide on-site workplace financial education or financial counseling services. Also, consumer educators can collaborate with existing employee assistance programs and human resource offices to offer workplace financial education programs for the benefit of consumers and their employers.

This study had some limitations, including the low response rate of 20%. Further, the results may not be representative of all employees experiencing financial stress, because this study analyzed data only from employed credit counseling clients. Also, this study used only subjective measures of financial stress; objective measures such as debt-to-income ratios were not available for this sample.

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