

EMPLOYEE FINANCIAL DISTRESS: IS IT A PERSONAL MATTER OR AN EMPLOYER'S CONCERN?

Presentation by:

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Expectations from the Training



- ✓ Signs of employee financial distress at the workplace
- ✓ Causes of employees personal financial troubles
- ✓ Consequences of employee financial distress
- ✓ Signs of predatory lenders at the workplace
- ✓ How to protect employees from predatory lenders
- ✓ How employers can assist the affected employees

Distressed Employee



Distressed Employee



Distressed Employee



Discussion



- ✓ Should employees financial distress be their personal issue?
- ✓ Why should the employee carry their own cross?
- ✓ Should the employer be concerned about employees' personal distress?
- ✓ Why should the employer bother?

Confessions of Distressed employees.



Bank teller

“I have been doing it for the last 18 months. I need money, they pay me so little and expect me to handle so much money. I have a family to take care of.”

Human resource officer

“Recruitment firms do charge a fee for hiring services. Why should I offer someone a job for free yet I also need cash and I have no overtime?”

Confessions of Distressed employees.



Procurement Officer

“I don’t steal company’s money, I only get appreciation from competent bidders. My current salary cannot get support my financial obligations”

Driver

“Since I don’t get any allowance for extra time, I don’t mind getting any extra coin from carrying any passenger heading my direction.”

Signs of employee financial distress at the workplace



- ✓ Absenteeism and lateness
- ✓ High employee turnover
- ✓ Low productivity
- ✓ Presenteeism
- ✓ Substance /drug abuse
- ✓ Low job morale
- ✓ Theft and hawking at the workplace

Signs of employee -- Continuation



- ✓ Over-reliance on social loans from colleagues
- ✓ Over-reliance on salary advances from employers
- ✓ Frequent volunteering to work overtime
- ✓ Rise and emergence of non-regulated lenders
- ✓ Addiction to gambling
- ✓ Frequent accident cases at the workplace
- ✓ Increase number of debt demand letters

Distressed Employee



Causes of Personal Financial Distress



- ✓ Unattainable lifestyle
- ✓ Life Events: accidents, illnesses, divorce,
- ✓ Lack of Financial Literacy: reckless spending
- ✓ Psychological factors: excessive spending due to addiction to drugs or gambling.
- ✓ Income stagnation with economic times
- ✓ Heavy financial obligations from size of family

Causes of Personal Financial Distress-----Continuation



- ✓ Over indebtedness and multiple borrowing
- ✓ Wrong financial plans /decisions
- ✓ Over-ambition in financial matters
- ✓ Irregular incomes e.g. commissions
- ✓ Salary delays

Consequences of employee financial distress



- ✓ Low morale and reduced employee productivity
- ✓ High employee turnover
- ✓ Absenteeism and presenteeism
- ✓ Fraud, theft cases and shrinkage losses
- ✓ Increased health expenses
- ✓ Workplace accidents leading to disability
- ✓ Emergence of predatory lenders.

Public Notice



NOTICE TO THE PUBLIC



This is to inform the public that **REMUS ARIEL T. RETUERMA**, whose picture appears above, is no longer connected with Aseana Real Estate Services & Management Corp.(ARESM CORP.) effective July 31, 2014.

Any transaction entered into by the said person on behalf of Aseana Real Estate Services & Management Corp. shall not be honored by the said company.

Consequences of employee financial distress-- Continua



Cited fraud cases

KCB Group: 90 employees

Safaricom: 70 employees

Barclays Bank: 35 employees

Cost of fraud: Insurance Industry


2014: Kes.102.7 million

2015: Kes.366 million


2016: Kes.380 million

Public Notice



 **FINCA**
Microfinance Bank

PUBLIC ANNOUNCEMENT




Mr. Hammed Mudashir Oyekanmi

NOTICE is hereby given that the above mentioned person is no longer in the employment of **FINCA Microfinance Bank** with effect from 13th July 2015. He is not authorized to represent the company in any matter whatsoever. Any person dealing with him shall do so at his/her own risk and responsibility.

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MANAGEMENT, FINCA MICROFINANCE BANK

Building Tomorrow Together



How to identify predatory lenders at the workplace



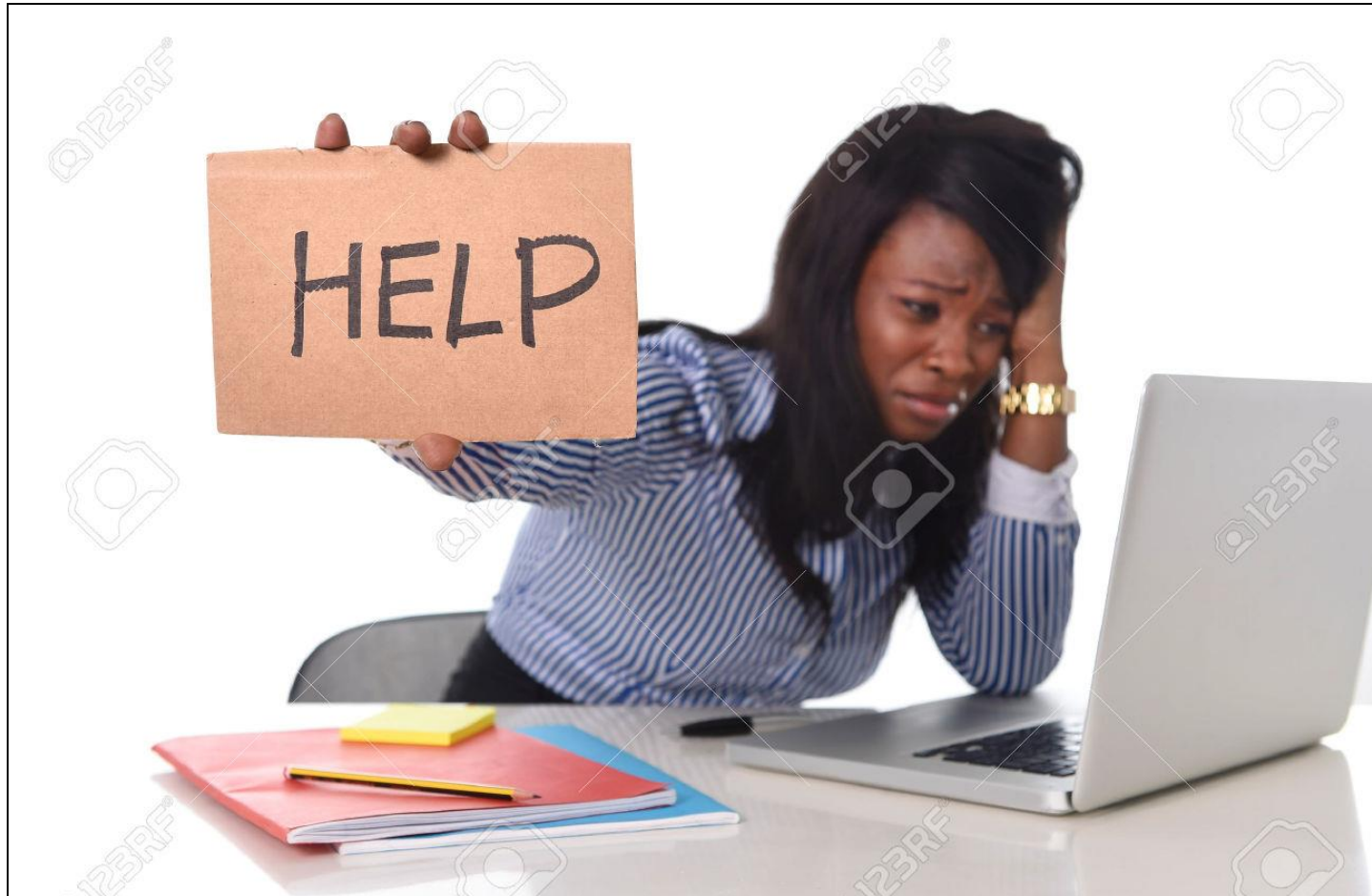
- ✓ Penalty for early prepayments
- ✓ Loan offers with unlimited credit limits
- ✓ High interest rates above market rates
- ✓ Multi-borrowing offers
- ✓ Offers top up loans before final settlements
- ✓ Frequent reviews of interest rates

How to protect employees from predatory lenders



- ✓ Have an inhouse /internal salary advance
- ✓ Encourage employees to form or join a sacco
- ✓ Partner with a regulated lender to offer credit
- ✓ Set pre-conditions and limits for a check-off
loans e.g amount of loan, repayment period
- ✓ Apply the third rule
- ✓ Provide employee financial education trainings

Distressed Employee



Forms of employee financial education programs



- ✓ Financial goal setting sessions
- ✓ New employees financial orientation
- ✓ Retirement planning sessions
- ✓ Debt counseling sessions
- ✓ Retrenchment counseling sessions

Taking financial goal setting to the workplace (sales persons)



- ✓ Organize personal visits to employees
- ✓ Let the employees do their financial goals during the personal visit
- ✓ Employee to set their personal targets they need to achieve in order to meet their financial goals
- ✓ Employees to set the expected timelines for achievement of financial goals

Taking financial goal setting to the workplacecontinuation



- ✓ Marry the employees' personal goals to those of the company.
- ✓ Personal targets to be higher than work targets
- ✓ By working towards their targets, the customers will be able to meet their organization targets
- ✓ Organize a revisit to review the targets and to reward personal achievements of targets

When to organize employee financial education sessions



- ✓ New employee orientation sessions
- ✓ Employee financial goal setting sessions
- ✓ After a salary increase /review/raise
- ✓ Retrenchment /lay offs
- ✓ Retirement /sacco members education days
- ✓ Before salary advance

Why New employees financial orientation is effective



- ✓ New staff have no huge financial obligations yet
- ✓ Orientation provides good financial foundation
- ✓ Financial plans e.g: retirement require early start
- ✓ Orientation helps in shaping financial future
- ✓ With proper financial orientation, new employees will appreciate their size of remuneration.

How employees can adjust to Salary Increase



- ✓ Expenses will always rise to meet increase in income
- ✓ Deduct a half of the net salary raise for savings
- ✓ This should be alongside the monthly savings
- ✓ Review your current financial plans to absorb the extra savings
- ✓ Increase the emergency fund for safety

Remedial actions for employees in difficulty in loan repayment



- ✓ Negotiate for loan restructure with the lender
e.g. lower the monthly repayments
- ✓ Debt consolidation
- ✓ Debt counseling and structuring
- ✓ Converting loan facilities into affordable credit facilities e.g. overdraft to normal loans.

What assistance employers can provide to Staff with debt issues



- ✓ Hold a conversation with the affected employees to understand their situation.
- ✓ Contract a debt counseling to assist
- ✓ Provide soft loans to employees to offset their outstanding debts
- ✓ Compel the affected to take charge of their financial affairs.

Reasons for failure of financial education at the work place



- ✓ Fear of stigmatization
- ✓ Lack of the motivation to attend
- ✓ Others feel it is meant for those facing financial difficulties
- ✓ Most employers treat those sessions as optional
- ✓ Those with low incomes feel that such sessions are meant for those with an extra coin to spare.

How to enforce effective financial education at workplace



- ✓ Reward attendance by giving free lunches
- ✓ Make it a compulsory session for all employees
- ✓ Organize it out of office premises
- ✓ Provide confidential platforms through which employees can ask personal questions
- ✓ Make them regular perhaps before bonus payments or even salary increases

Proactive measures of Eradicating financial distress



- ✓ Undertake credit background checks
- ✓ Analyse payslips of new employees
- ✓ Enforce a third rule
- ✓ Limit frequency and use of salary advance
- ✓ Provide medical covers to reduce employees financial burden
- ✓ Undertake salary reviews.

Why encourage employees to establish a sacco at workplace



- ✓ They offer the cheapest interest
- ✓ Employees can borrow against their deposits
- ✓ No collateral required
- ✓ It encourages the saving spirit
- ✓ Staff also earn dividend on your savings
- ✓ It eliminates the financial cost of establishing a salary advance

Thank You....



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