Consumer debt:
counting the workplace costs

Ian Gordon identifies financial phobia as a debt denial condition

It would appear that personal debt is now firmly embedded in the culture of UK plc, and as a consequence, an unwelcome addition to Benjamin Franklin's minimalist list of the inevitable – death and taxes.

With consumer borrowing at an all time high, passing the £1 trillion marker in July last year, debt advice organisations recruiting just to keep apace of the demand for debt help and the financial market awash with any number of predatory loan consolidators and fee chargers, it will come as no surprise to learn that the level of impartial and readily available debt advice generally falls short of reasonable expectations. Recent reports suggest that people may wait weeks, rather than days to get the debt advice they desperately need.

Penalised for past errors

Furthermore, it's evident that even when people pluck up the courage, come out of debt denial and seek a reliable route out of penury, hoping to regain financial control of their lives, the chances are that their predicament actually gets worse before they can find a reliable solution provider who gives them practical, realistic help and who doesn't penalise them for their past errors or budgetary negligence, and actually brings their financial suffering to an end.

But it's becoming increasingly apparent that it's not just the practical discipline of controlling expenditure, meeting repayment commitments and living within their means, that people have to deal with. Research by Dr Brendan Burchell[1] tells us that the millions of Britains who struggle to manage their finances may be the victims of a newly discovered psychological and physical condition, which means they are incapable of forming a consistent and productive relationship with their money.

Dr Burchell's report labels the condition 'Financial Phobia', claiming that more than nine million Britons currently suffer from this malady. Patterns of symptomatic behaviour cited in the report include leaving bank statements unopened, never checking bank balances or even binning unopened correspondence, just to avoid dealing with their personal finances. In addition to these behavioural aspects, a high proportion of survey respondents reported elevated heart rate, nausea and dizziness when faced with the prospect of managing their money.

Financial avoidance

Apprehension and complete disinterest are cited as reactions to managing money in equal proportions of participants in the survey but further causes of the condition include procrastination. This often resulted from an inability to understand complex numerical information, which would undermine the confidence required to make financial decisions. The time and effort involved leads to frustration and financial avoidance.

In summary, we are experiencing unprecedented levels of consumer debt with significant proportions of the population suffering from a range of physical and emotional symptoms that can have severe consequences on relationships, work and everyday quality of life (Figure 1). For those who have the personal fortitude to confront their debt demons and seek expert help, the reliable, impartial and free provider is not always the most conspicuous, accessible or immediately available, although the charitable debt help sector and local authority money advisers continue to play a vital role providing front line advice and information.

Not yet debt savvy

On the prevention front, financial literacy is higher up the political agenda than ever before plus there is a pressure on the financial services sector to make their collective offerings less complex and more transparent, enabling consumers to make better-informed choices. But for those who despite the increased availability of financial awareness education at schools, colleges or in the workplace, are not yet debt savvy, the potential debt pitfalls regrettably remain many and varied.

When people find themselves in debt crisis, the irony is that at the very time when job security and a regular income is absolutely pivotal to their

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Reaction	% financial phobes	% remaining population
Relieved	67	51
Apprehensive	54	33
Anxious (heart racing)	45	22
Disinterested	38	23
Disenchanted	33	20
Excited	26	17
Enthusiastic	25	22
Irksome	21	10
No emotion whatsoever	21	33
Immobilised	15	3
Physically ill	12	3
Dizzy	11	5

Figure 1: Emotions experienced by financial phobes faced with the prospect of managing money

financial recovery, both psychological and physiological factors will conspire against this.

Although consumer debt is at an all time high at a staggering £1,168 billion, and still rising, there is a misconception that the debt demographic is dominated by low income earners, who through inept money management or dramatic life events, find themselves suddenly drowning in debt.

That's not to say that relationship breakdown, long-term sickness and redundancy do not play a part in creating the situation. It's just that they are rarely the primary cause, although they may just push people over the edge, financially.

Debt problems in the workplace

However, the reality is that the decline into debt is gradual, usually over a protracted period and resulting from an incremental accumulation of creditors, only sustainable initially because of high earning capacity and equity. In short, we're talking about the professions and middle managers that are homeowners.

As a result, it's unlikely that any large employer is without some indebted employees who sooner or later will bring their debt problems into the workplace. Absenteeism, underachievement and workgroup friction are recognised symptoms of debt-induced stress, so most organisations will need a strategy in place to swiftly resolve these problems and minimise the impact on colleagues and the organisation, as a whole.

In order to put in place an effective strategy, it's useful to examine the potential impact of debt-induced stress on the individual and the practical consequences in the context of the workplace.

Taking their eye off the ball

In some work environments, errors of judgment can be both dangerous and potentially catastrophic, so an early and rigorous risk assessment should be triggered if there's the slightest indication of poor concentration, whether stress induced or not. High-risk work environments will always have systems in place that ensure the level of supervision is such that set procedures will automatically kick in that help resolve employee problems, irrespective of the cause, and effectively manage any risk, to people or property.

Even where judgment errors or output quality issues arise that do not have that high level of risk attached to them, there are still commercial risks that may impact financially on an organisation or at least cause unwelcome disruption and discord within work groups. Missed deadlines, failure to maintain consistency or quality of output, inaccuracies in quotations or communications are all likely consequences of an employee taking their eye off the ball. All organisations will wish to keep such instances to a minimum, and where it does happen, reduce the financial impact and prevent any further repetition.

For the employee, preoccupation with debt and the disruption of the ability to work are likely to cause further stress and undermine performance, which can in turn lead to anxiety and depression. With a decline in the quality of output invariably comes negative peer or manager feedback, which can undermine confidence; this leads to a reduction in self-belief that affects decision making, and probably reduces even further the contribution to teamwork.

Increasingly likely workplace problem

In the absence of a framework or strategy for managing and neutralising debt-induced stress, problems may well escalate to the degree that an employee may well lose the lifeline of regular employment, plunging them deeper into debt. This is an all too likely outcome of extended procrastination over debt without resolution.

The recognition of the extent of personal debt and the potential impact in the workplace has led many organisations to establish an effective strategy to deal specifically with this increasingly likely workplace problem. Whether this is achieved as part of an in-house human resources (HR) or employee welfare programme or from an outsourced Employee Assistance Programme (EAP) provider, the important feature should be the recognition of the specialist roles played by the various parties involved.

Establish a referral system

Undeniably, debt is an increasingly complex and therefore specialist area that demands that employers seek an impartial and experienced debt help provider who can give not just advice about appropriate solutions but also resolution in the form of a practical pathway out of debt. Ideally the relationship with this organisation should be extended to provide a level of accessible knowledge that will enable employees to avoid debt pitfalls; and this service should be regularly promoted, using staff communications and briefings, to improve financial literacy.

The primary focus must, however, be to establish a referral mechanism that provides immediate and effective debt counselling services, enabling the organisation to work with managers to resolve employee debt problems. Equally, employees should be sufficiently informed and aware to enable them to self-refer, should they choose, knowing their approach will be confidential.

Support beyond debt resolution

The provision of debt help by a specialist provider may not always be the panacea and further specialist counselling and support may be required as part of the process. From a psychological perspective, there may well be unaddressed emotional or relational issues requiring further specialist help that is beyond the skills of the debt help provider. Stress management sits outside their remit, so there may be a need for psychological support beyond the resolution of the debt that triggered the original symptoms. This specialist counselling will resolve the immediate need for the employee to manage stress and hopefully equip them better for the future.

Whether the referral route is instigated through performance review and monitoring by the manager, or through self-referral, the chances are that the manager will be aware of the symptoms, if not the cause, and thus needs knowledge of the debt-related resources that are available to employees and where best to refer for resolution. Working in partnership with a debt help provider means managers will be more aware of debt as a workplace problem and the considerable advantages to company and individual of early referral and resolution.

An open and communicative management style will encourage dialogue and help promote early referral for specialist advice and help, but this must be complemented by a manager's offer of support and the careful monitoring of the employee throughout the debt resolution process.

With the benefit of both specialist counselling and debt advice in place as part of a company's infrastructure, managers are freed up to maintain the framework and provide feedback for the employee to work towards resolving their debt issues and facilitate the re-focus on work, career objectives and life. But it's the commitment of managers, counsellors and debt advisers and the interplay of mutual referral that will ensure the best outcome for both the employee and the organisation. ■

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Reference

1 Burchell B. Financial phobia – a report for Egg. Magdalene College, University of Cambridge; 2003.