Helping Employees with Financial Problems

Employees whose wages are being garnished or withheld are likely to be less productive at work and could benefit from assistance from an EAP.

by Chris Wilburn

Years ago, I saw a referral concerning an employee experiencing a financial crisis. The supervisor complained that the employee was constantly talking on the phone and leaving work early in an attempt to avoid a foreclosure on his home. I thought to myself, “What in the world can I do to help this man? I know nothing about foreclosures.”

Many of us in the EAP field may still be asking that sort of question. We have been taught to address substance abuse and psychological problems, but money and debt issues have never been a part of our training.

In the 15 years that I have been with the internal EAP for the city of Savannah, Georgia, I have seen a significant increase in the number of debt referrals. In 1993 I had only 5 referrals for financial problems; in 2005, I had 38. These problems varied from unpaid debts for student loans to failure to make tax payments to identity theft, garnishments, foreclosures on homes, repossessions of cars, and bankruptcy.

Nearly every referral brought forth a painful story and proved extremely stressful for the employee. In almost every case, the employee’s work performance and family life were affected by the financial crisis.

PROVIDING BETTER ASSISTANCE

Many EA professionals have faced these same problems. Some try to give support and advice; others may simply refer the problem to an agency. All of us have had to learn as we go.

In my “stumblings” over the years, I have developed five steps to become better at providing assistance to employees and increasing financial referrals to the EAP:

1. Obtain as much training and education about financial management as you can.

Go to seminars and consult bankers, lawyers, lenders, and debt collectors to understand the problems your employees are facing. Most EAP conferences I have attended recently have provided training on debt management and identity theft, but there are other financial issues that may require you to reach out to various experts for advice.

2. Refer employees only to a debt counseling agency accredited by the National Foundation of Credit Counseling.

The NFCC was established in 1951 to help set standards for nonprofit credit counseling agencies. In recent years, the credit counseling industry has been inundated with a number of so-called “nonprofit” credit counseling companies that were actually in business to make money and were often corrupt in their practices. AmeriDebt, a well-known credit counseling agency, was shut down in 2005 by the Federal Trade Commission for charging scam fees to clients in excess of $170 million, and many other credit agencies are now under investigation. I have talked with some EA professionals who were not aware of this issue and were referring employees to what I consider disreputable companies.

An accredited credit counseling service often can provide free or low-cost debt management training for employees. These services prefer to see clients face to face and are good at following up with EAPs.

A number of years ago I was asked to serve on the board of directors for Consumer Credit Counseling Services of Savannah, a United Way Agency. Being on their board has helped me become more knowledgeable about debt issues and has also introduced me to other board members who are involved in banking and lending.

3. Advertise your EAP to your employer clients as a service that assists employees with financial matters.

In addition to providing debt management training, set up classes for employees on financial topics such as buying a first home, avoiding identity theft, and raising your credit score. You will find that these are very popular with workers, and they will appreciate their employer for trying to help them with financial issues. Be sure you mention these classes in your supervisor training sessions.

4. Consult the payroll directors of the organizations for which you provide EAP services.

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Last year I met with the payroll director for the city of Savannah and learned that almost 2 percent of our employee population is having wages garnished or deducted to pay debts and financial obligations. Prior to that meeting, the Payroll Office was including information about the EAP in garnishment letters, which are mailed to employees before the deduction is taken from their paycheck. Over the years, a few garnished employees had responded to the EAP notice and called me.

Requiring garnished employees to call the EAP forces them to respond to their problems.

When the payroll director informed me that more than 50 employees were having their wages garnished, I consulted the city’s finance director and attorney. With their approval, I had the garnishment letter changed to require garnished employees to call me. In the last two months of 2006 alone, I received phone calls from 12 employees whose wages were being garnished.

I don’t know anyone who feels good about mandatory referrals, and I am certainly not recommending that you advocate it for employees having financial problems. I did it for a couple of reasons.

First, payroll staff are becoming overwhelmed trying to keep pace with requests to garnish wages. Years ago, before passage of the Consumer Credit Protection Act of 1970, employers often fired workers who were garnished because of the strain it put on the company. Today, many payroll managers are feeling “stressed out” because of the high number of garnishments and child support deductions they are being required to handle.

Second, debt problems have a profound psychological effect on employees. Most of them feel shame and embarrassment over having lost control of their finances. They become depressed and despondent and don’t answer the phone or talk to anyone. They hope that, somehow, their debt issues will just go away.

Requiring garnished employees to call the EAP forces them to respond to their problems. Most times they resent having to contact me, so I immediately thank them for calling, express concern for what they are facing, and indicate I am not judging them but only wondering if I can help in some way. At that point, most of them feel comfortable enough to begin asking me questions about the garnishment. Some even ask to come to my office to talk about the situation.

Requiring garnished employees to call the EAP also enables the city’s Payroll Office to spend less time explaining to angry workers why their wages are being deducted. Payroll staff realize the EAP can work more closely with these employees to help them get their finances under control.

5. Look beneath the presenting problem.

In most cases, debt problems are not caused by an irresponsible spender or a “shopaholic” employee. More often, the problems are preceded by costly medical care, an accident, a divorce, or the loss of a job. It is estimated that two-thirds of all garnishments in America are for unpaid medical bills.

When you start sorting out the financial issues, you will find yourself back to the basics of employee assistance—working with employees who are dealing with a crisis. Your hope is that these employees begin to understand the need to address financial issues early, before they lead to bankruptcies and wage garnishments.