



HR Challenge: How To Improve Productivity And Reduce Healthcare Expenditure Through Workplace Financial Education

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What is the objective of this presentation?

- ◆ Relationship between productivity, healthcare costs and workplace financial education.
- ◆ Best practices of workplace financial education.
- ◆ Competitive advantage for organizations implementing workplace financial education.



Dresser-Rand Company Overview

- ◆ Among the largest global suppliers of custom-engineered rotating equipment solutions for long-life, critical applications in the oil, gas, chemical, petrochemical, process, power, military, and other industries worldwide, including the environmental market space within energy infrastructure.
- ◆ Largest installed base in the world in our class of products
- ◆ US\$3.0 billion in revenues in 2012, with 79 percent derived from energy infrastructure spending (primarily oil and gas)
- ◆ Organizationally structured toward Engineered Solutions – new units (oil & gas / Environmental Solutions); aftermarket products and services
- ◆ Local product support and services through our global network of 39 service centers
- ◆ Employ over 7,900 employees globally with a very lean and matrix reporting structure and culture.

Our Value Proposition



**Premier
Technologies**



**Advanced
Business
Processes**

**Lower the
Total Cost
of
Ownership**

**Worldwide
Service &
Support**



**Shortest
Cycle
Times**



Key Clients



End Users

- BP
- Chevron
- ConocoPhillips
- Denbury Resources
- ExxonMobil
- Gazprom
- Kinder Morgan
- Motiva
- Marathon Petroleum Co.
- PDVSA
- PEMEX
- Petrobras
- PTT
- Repsol YPF
- Royal Dutch Shell
- Saudi Aramco
- Statoil
- U.S. Navy
- Valero

Key Business Partners

- Flowserve
- Fluor
- Jacobs Engineering
- Johnson Controls
- Mustang Engineering
- Rolls-Royce
- Solar
- Technip

The Need for Workplace Financial Education

- What are the realities.....



What are the realities....



"I want to arrange my salary to be sent direct to a credit card company."



I'd like to sacrifice half to super, half to my credit card and half to my home loan please.

What are the realities.....



Workplace Financial Education

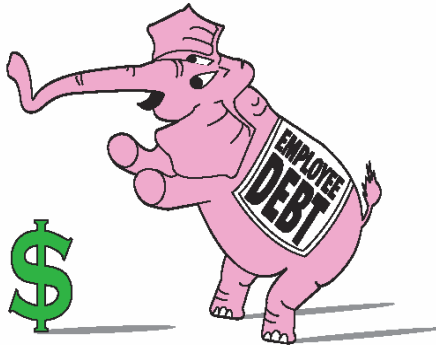
“Any **workplace initiatives, programs or resources** designed to provide employees with information on **how to manage their financial resources** effectively for a lifetime of financial well being.”



Society for Human Resource Management
(SHRM)

What Does Poor Financial Literacy Cost?

Research says, "Every time someone on your work team brings his/her money worries to the job, workplace productivity drops and their health are affected."



Productivity drops



Health and well-being affected

Productivity, Health Concerns....

“Health concerns, naturally, are a big drain on an employee’s ability to be productive, and companies know it. At the SHRM Conference and Exposition last June in Washington, D.C., a survey showed that 85 percent of U.S. employers said they were interested in services to increase employee productivity, minimize absences and enhance the health of their employees.”

Dr Jan Stringer PhD

(in a research survey conducted by the NBRI, USA.)

Productivity, Health Concerns....

Poor health and financial distress are related

- **40% to 50% of those financially distressed say their health is negatively impacted**
- **Cause of great mental stress**
- **Decreased job attendance**
- **Reduced workplace performance**

Productivity, Health Concerns....

“We dedicate resources to prevention because, like any successful investment we’ve made, it yields steady returns. Those returns take two forms: a healthier, more productive, more committed workforce and significantly lower overall healthcare costs. For every \$1 we invest in our workers’ health, we see a return of more than \$4 in reduced health care costs, lower absenteeism, and improved productivity. Our health care spending averages 4% below benchmarks for our industry. From 2001 through 2009, we avoided more than \$21 million in health care expenditures.”

William C. Weldon, Chairman and CEO, Johnson & Johnson,
writing in the Jan-Feb 2011 Harvard Business Review

Some statistics from HR perspectives...

What are the top personal financial challenges for employees?

Lack of monetary funds to cover:

- personal expenses (49%)
- medical expenses (35%)
- savings for retirement (24%)
- credit card debt (22%)
- mortgage payment (22%)
- others (education, rentals, other debts, bankruptcy)



(Data collected in a study of 458 HR professionals who are SHRM members, with margin of errors of +/- 5%, data collected between December 2011 to January 2012.)

Some statistics from HR perspectives...

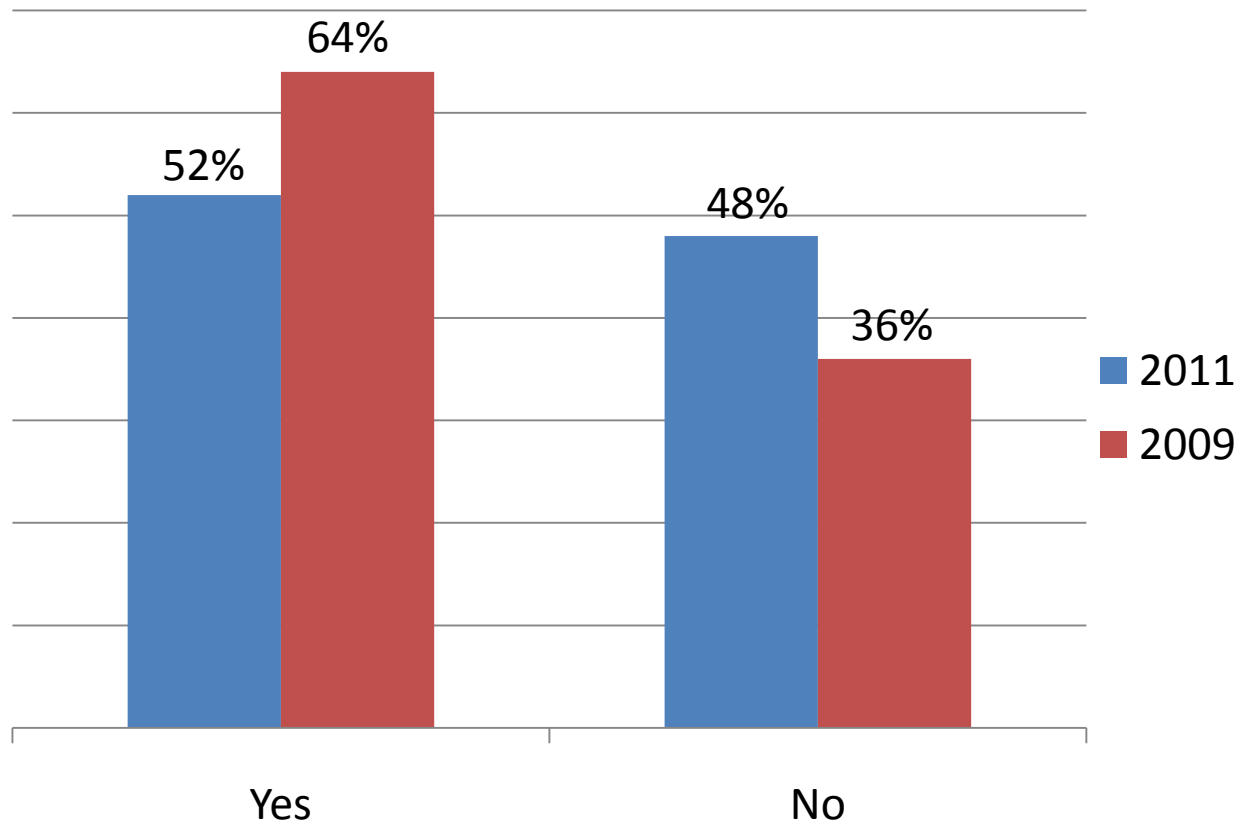
Does personal financial challenges affect overall employee work performance?

83% of HR professionals indicated that personal financial challenges have a large or some impact on work performance

Ability of employees to focus on work	47%
Overall employee stress	46%
Overall employee productivity	26%
Employee absenteeism/ tardiness	24%
Overall employee morale	20%
Overall employee health	12%
Working relationship with co-workers	7%
Others	1%

Some statistics from HR perspectives...

Do organization offer financial education initiatives for their employees?



Estimated Annual Costs of Ignoring Financial Illiteracy

1. Lost productivity	\$450
2. Health care costs (poor health)	<u>300</u>
	Subtotal = \$750
3. Health care reimbursement (FICA)	92
4. Dependent care reimburse (FICA)	382
5. Traditional health plan choice	<u>800</u>
6. TOTAL	\$2,000+

“Employer cost for no action is \$750 to \$2,000+ per employee!”



Research Proves ALL These Factors are Correlated in the Ways Expected

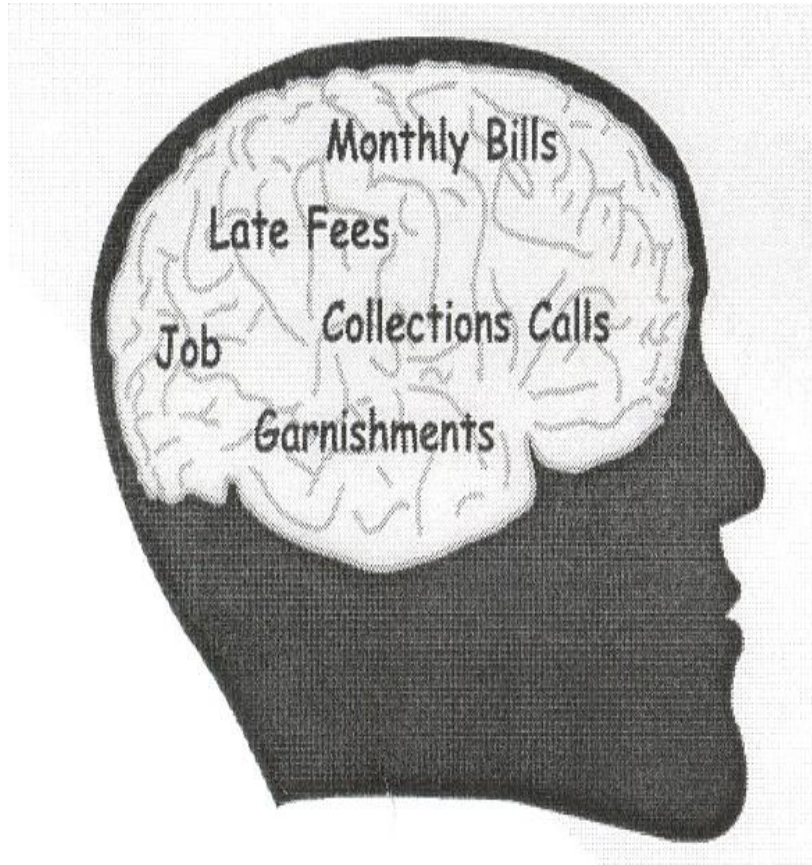
Personal Finances:

- Financial well-being
- Financial satisfaction
- Financial distress
- Financial stressor events
- Financial behaviors
- Credit card debt
- Credit card delinquencies

Job Outcomes:

- Work satisfaction
- Pay satisfaction
- Absenteeism
- Presenteeism
- Work interferences
- Work time used
- Health

Many Employers Recognize Problem But Do Nothing



“It takes a village to raise a child...”

How Can Employers Save the “\$750 - \$2,000”?

Provide employees opportunity for financial education to expose them to:

- Personal financial education
- Credit/debt management
- Financial counseling
- Retirement savings
- Financial seminars or lunch-and-learns, newsletter

How Can Employers Save the “\$750 - \$2,000”?

Provide prevention and treatment services:

- Professional Employee Assistance Program (EAP)
- Professional financial counselors
- Assess needs and develop a plan

How Can Employers Save the “\$750 - \$2,000”?

How to implement a good Workplace Financial Education program?

- Determine organizational needs
- Determine how much you can spend
– remember, the ROI will not directly correlate with productivity
- Find resources and materials
- Ensure sustainability

Financially Literate Employees Are Engaged With Money Issues

- Achieve short, medium and long term savings goals
- Match spending with savings goals
- Enjoy average to above average financial well-being
- Prepare for retirement by proper savings plan



Results for Employees From Effective Workplace Financial Education

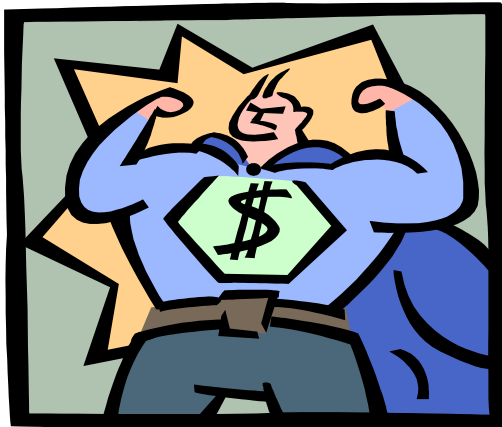
- ✓ Lower financial distress
- ✓ Increased financial well-being
- ✓ Better health
- ✓ Adequate retirement preparation
- ✓ Improved family relationships
- ✓ Gains in job performance

Why Offer Employees Workplace Financial Education Programs?

- 1. Bottom-line benefits – better productivity and retention**
- 2. Human resources – attract, retain, reward, motivate the right employees**
- 3. Benefits – facilitates benefit plan changes and behavioral changes**
- 4. Culture – links the program to the values the company wants to instill in employees**
- 5. Social/Moral – it is right thing to do as stewards of employee well-being**
- 6. Legal – “insurance” against litigation (ERISA and SOX liability and CFO nightmare)**

**Delivering Financial Literacy Instruction to Adults, Garman & Cappinger, 2008, taken from Ernst & Young’s Bill Arnone’s comments on pages 31-35 (Heartland Institute of Financial Education [303-597-0197])*

Both Gain... When Employers Provide Employees With Good Workplace Financial Education Programs



Employee



Employer



Questions?



Thank you!