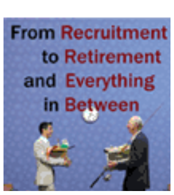

Reducing the Fear Factor

Workers look for reassurance from their employers as the financial downturn raises economic anxiety to new heights.

By Ed Frauenheim and Jessica Marquez

Danny Maxey is anxious these days.

The 45-year-old, who reshelves merchandise at a San Francisco Macy's store, believes his $9.36-per-hour job is safe for the moment. But he worries that the economic downturn at hand could crimp Macy's business to the point at which he is laid off.

"I'm very stressed out," Maxey says. "It may get worse before it gets better."

He is not alone. The level of economic anxiety among U.S. employees has reached new heights, as huge drops in the stock market have decimated people's retirement savings. Workers already have been struggling with problems including mortgage troubles, high gas and food prices, eroding health care benefits and well-founded fears of layoffs. Companies including GM, Merck, Yahoo, Merrill Lynch and Goldman Sachs have recently announced layoffs in the thousands. Other companies will likely follow if the economy continues to decline.

"It's just piling on," says Florida State University management professor Wayne Hochwarter.

As a result, productivity and morale are threatened. In an October study of nearly 300 HR professionals by advisory firm EquaTerra for Workforce Management, 26 percent of respondents said that current economic conditions were causing "serious employee morale

problems and associated performance and conduct issues." One respondent said the greatest impact of the economic climate on his or her organization had to do with employee morale and fear: "It's harder for folks to focus when they fear loss of livelihood."

In a similar vein, a September poll of 711 adults by benefits provider Workplace Options found that half of the respondents said they were experiencing stress because of financial concerns. Forty-eight percent said stress was making it hard for them to perform well on the job.

To address heightened anxieties, companies such as BlueCross BlueShield of Tennessee, Western National Group and HCL Technologies are taking an array of steps, including e-mailing employees about the firms' financial fitness and promising not to lay off workers.

Some employers may think they shouldn't address the economic crisis because bringing it up could cause more concern among employees. But employees are crying out for reassurance—or at least candor—and company

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aid can pay off, experts say.

ACI Specialty Benefits, a provider of employee assistance program services, saw the number of calls for financial help in August and September jump 87 percent compared with the same period a year earlier. Ann Clark, who founded ACI 25 years ago, says the latest economic turmoil has been tougher for employees than earlier downturns.

"The slightest increase in extra expenses can put them over the edge," she says. "The American employee is extremely stressed."

'A time to take care of people'

To be sure, not all American workers are pulling their hair out about the economy. And stress is subjective—what overwhelms one person is welcomed as a challenge by another. As a result, it can be hard for businesses to know how to respond to their workforce's economic stress.

Many, in fact, aren't doing anything, according to a recent survey of more than 1,400 learning professionals by consulting firm the Masie Center. In the report, published October 1, 29 percent of respondents said the level of economic anxiety in their workplace was "severe" or "high." Fifty-six percent reported seeing some anxiety. Yet 46 percent said their organization's leadership had taken no actions to respond to the economic anxiety in the workplace.

Experts, though, say companies are mistaken if they don't see the psychological toll of economic stress as a bottom-line business problem. Even before the economic turmoil of September and October, the nonprofit Personal Finance Employee Education Foundation compiled data showing that 30 to 80 percent of all workers waste time at work on money issues, and that such workers waste 12 to 20 hours per month.

Stress leads to health problems and can degrade performance, says Bruce Cryer, CEO of HeartMath, a firm that aims to help individuals and organizations lower stress levels. Cryer points to a recent Associated Press/AOL survey on debt-related stress in the U.S., which found that people with higher stress levels were more likely to experience physical and mental conditions including depression, ulcers and heart problems.

In addition, Cryer says, elevated stress can lead employees to operate in "survival" mode, rather than tapping their creative thinking. "What we especially need now is people thinking clearly for how to deal with the unexpected," he says. "This is a time to take care of people."

Research suggests that a certain amount of tension pushes workers to perform better, Hochwarter says. But there's a point at which stress starts to paralyze people, he says.

Earlier this year, Hochwarter found that workers stressed out about gas prices tended to be "less attentive on the job, less excited about their work, less passionate and conscientious and more tense." The recent decline in gas prices is not providing much relief, he says, given the newer stresses of stock slumps and layoff fears. He notices some workers hunkering down, avoiding risks on the job.

"Your motivation is going to change from job performance to job continuance," he says. "You're just looking to get through Christmas."

On the other hand, Hochwarter says, the financial crisis may be prompting some workers to look for better-paying jobs, because their retirement nest eggs have suddenly shrunk. Despite the weak overall job market, midcareer and older workers in particular may begin shopping for an employer with a better 401(k) matching plan, he says.

Then there's the problem of solid performers leaving shaky employers.

Hochwarter's research has found that when employees believe their jobs aren't secure and they think they have opportunities elsewhere, they show less loyalty.

"If people can get out, they get out," he says.

Many companies may be facing this challenge soon. A quarter of U.S. employers expect to lay off workers in the next 12 months, according to a mid-October survey of 248 companies by consulting firm Watson Wyatt Worldwide.

Layoff fears

Financial services firm Goldman Sachs is among those paring back payroll, with plans to cut 10 percent of its 32,569 employees.

Even before the layoffs were announced, Goldman Sachs was encouraging managers to hold town hall meetings with employees to answer any questions or concerns. To stay in front of news about the company, Goldman CEO Lloyd Blankfein left messages on all employees' voice mails on at least four occasions in the past few months, most recently to address layoffs.

"I'm very stressed out. It may get worse before it gets better. ... It's hard enough to make rent on $9.36 an hour."
—Danny Maxey, Macy's employee

One of the voice mails wasn't even news-related; it was just to thank everyone after a particularly difficult week.

Responding to the financial crisis, Goldman Sachs in recent months has recirculated talking points to its managers, focusing on how to reassure employees during turbulent times. One example of a talking point is for managers to talk about nonfinancial rewards at the company, such as the ability to take on a stretch assignment or work on a specific committee or task force within the company.

"We are not concerned about productivity," says Edie Hunt, COO of Goldman's human capital division. "I do think that people are concerned about how employees who have not been through a down market and who don't have that perspective are dealing with it."

Irvine, California-based property management firm Western National Group is dealing with the down market in part by focusing on its least-well-off workers. The company of roughly 1,000 employees decided to freeze salaries next year for those earning more than $100,000 to concentrate performance-based bonuses on employees making less than $50,000.

Senior vice president Laura Khouri says the move aims to convey a sense of caring. "We're in this together," she says. "This is a team."

Khouri concedes that limiting performance bonuses to lower-paid employees risks incurring the wrath of highly paid workers, but she is confident that Western National Group won't lose crucial talent. If an employee walks because of the pay policy, she says, "that's not the type of person that we want on staff here."

In another move to cut costs and to try to head off job cuts, Western National Group decided to cancel its annual holiday party in favor of a luncheon, which will save about $30,000. "Everyone is worried about layoffs," Khouri says.

Communication from the top

That's not the case for employees at technology services firm HCL. Vineet Nayar, CEO of the Noida, India-based company, recently sent a memo to his roughly 50,000 employees pledging that none of them would be left behind because of the financial crisis. At the same time, HCL is asking employees to take steps such as cutting expenses and being flexible about work sites.

HCL's move isn't entirely surprising in light of its "Employee First" push. The program's components include improved communication with Nayar and increased income security for engineers. Employee First has trimmed turnover, fueled revenue growth and earned HCL a 2008 Workforce Management Optimas Award for innovation.

HCL gets 55 percent of its revenue from U.S. clients, so the no-layoff promise could prove to be costly if the American economy continues to decline. But the investment in people should allow HCL to emerge from the tough times with competitive advantages regarding clients and employees, says Shami Khorana, president of HCL America, a unit of the company based in Sunnyvale, California. "We also look upon this as an opportunity," Khorana says.

Other companies are responding as Goldman Sachs has done—by providing timely updates to employees.

In the days after Congress initially failed to pass a financial rescue bill, International Paper chairman and CEO John Faraci sent a memo to employees discussing the economic situation and how the 51,500-employee, Memphis, Tennessee-based company could be affected by it, says Jerry Carter, senior vice president of HR.

"Firms thought that if they didn't know what their future held that they should just shut up. But having your boss share honestly about how things look and what could happen makes people feel like they are part of a team and a bit more in control."
—Sylvia Ann Hewlett, president, Center for Work-Life Policy

"We reserve chairman communications for special circumstances," Carter says. "The goal of the letter was to try to reassure people about how strong the company is and show that we are confident that we can weather the storm."

Health insurance company BlueCross BlueShield of Tennessee also has sought to calm its 4,500 workers with communiqués. In September, the organization arranged for a message to be sent to employees from Fidelity Investments regarding safeguards for employees' assets as well as tips for investing in a volatile market.

Then, on October 1, BlueCross BlueShield CEO Vicky Gregg sent an e-mail to employees saying the private, not-for-profit company is financially strong, does not rely on credit to fund daily operations, and is not directly tied to Wall Street's ups and downs.

Such high-level communication to employees during tough times is wise, experts say. Rick Guinn, a consultant with advisory firm Watson Wyatt Worldwide, says the two most important factors in employee engagement are a good understanding of business goals and confidence in long-term business success. Given all the chatter on blogs, Facebook pages and other forms of social media, employers today must talk with employees, Guinn argues. "It's either you or the rumor mill," he says.

Another smart step is to publicize employment benefits, suggests Jennifer Benz, chief strategist at consulting firm Benz Communications. "Employers typically underpromote and undervalue their programs, like EAPs," she says.

Maxey, the Macy's employee, says he hasn't heard the retailer talking to employees about how to lower their economic stress or about how the financial hard times are affecting the company.

Macy's spokesman Jim Sluzewski contests the idea that Macy's has left employees in the dark. He points to an October 10 statement aimed at employees and the general public in which the company said it has continued to outperform most of its major competitors even as sales have declined.

Sluzewski also said Macy's employees have access to a range of assistance programs. These include services such as help with stress, depression and financial matters.

Providing workers with education in personal financial management helps both employees and employers, says E. Thomas Garman, president of the board of the Personal Finance Employee Education Foundation. Garman says courses that cost $10 to $150 per employee can have a return of three dollars for every dollar spent.

Personal financial education—covering such topics as budgeting, insurance and retirement planning—also can boost retention, says Garman. "What better way to tell your employees that you care for them and you're interested in them than to champion their financial interest?" he says.

One reason U.S. workers are preoccupied is that losing a job means falling toward a relatively skimpy safety net. Even with unemployment insurance, incomes can plummet—and paying for health insurance is expensive. What's more, the hiring climate is grim. The unemployment rate rose 1.7 percentage points between October 2007 and October 2008, to 6.5 percent.

No wonder Maxey is stressed. As it is, he is barely squeaking by.

"It's hard enough to make rent on $9.36 an hour," he says.

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