

## Reducing stress and increasing employee loyalty: Helping college graduates manage student loan debt

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Employee stress has negative impact on both individual and organizational outcomes (Aqeel, Khan & Riaz, 2014; Archuleta, Dale, & Spann, 2013; Nawab & Bhatti, 2011). Employee satisfaction, engagement and productivity often suffer because of stress, and one of the significant sources of stress for recent college graduates is financial worry due to student loans (Archuleta et al., 2013). Can organizations help employees, and perhaps improve organizational outcomes, by addressing this source of stress?

**How Much of a Problem is Student Debt?** It is estimated that 60% of graduates with bachelor's degrees accumulated an average student loan of \$25,000 or more to fund their education. (The Project on student loan debt, 2011). Many college students take on the student loans with the impression that the college experience and gained knowledge will pay off in the end. Students assume a college education will help them receive a more prestigious occupation with higher pay, and many more opportunities. The problem is that this is the old way of the world; to get good grades, go to a good school, and get a good job, now it is much more competitive because many others have bachelor degrees as well.

The unfortunate reality is that many new college graduates currently are unemployed, or underemployed according to their status with a bachelor's degree. Underemployment rates, meaning college graduates working low-paying jobs that do not require a four-year degree were reported to be at an unbelievable 34.6% (Jones &

Schmitt, 2014). This presents many financial struggles for college graduates. Even worse, the first student loan payment may be due before a steady job is obtained. This can result in a loan postponement, which temporarily stops payments but allows for the interest on the loan to continue; ultimately creating more debt for the recipient of the loan. It seems now that what may have appeared as a great opportunity in the beginning is now one of the biggest regrets of many college graduates. The regret of the loan is accompanied by stress about finances.

Financial stress from student loans influences every aspect of the debtor's life; social, personal, work, etc. Some researchers stated that perceived financial well-being is related to one's overall psychological well-being (Archuleta et al., 2013). As college graduates enter the workforce, many expect that the academic degree they worked so hard for will give them an advantage in field that they desire. The statistics show that many college graduates, about 35%, get stuck working the entry level jobs that do not require a bachelor's degree (Janelle et al., 2014).

In order for college graduates to have any chance at meeting the debt obligations, they must take jobs out of necessity, not desire. This can create a great challenge for college graduates with student loans. Taking the entry-level positions, many college graduates only plan to stay short term, which may lead them to not feel a sense of commitment to an organization. If a college graduate is working in an entry level position that pays minimum wage, they will not have the

finances to balance student loan debt payments along with the other basic necessities of everyday life. This burden of debt obligations affects the overall well-being of people and causes stress. The stress over finances may cause college graduates to perceive that they are not being paid what they feel is deserved.

Believing that one is not fairly compensated can result in job dissatisfaction and a lower commitment level to an organization (Nawab & Bhatti, 2011). Researcher Thomas Patton stated, "for an employee to be satisfied he/she must perceive the compensation as; adequate, equitable, balanced, cost effective, secure, incentive providing, and acceptable to the employees" (as cited in Nawab & Bhatti, 2011 p. 27). This may make it difficult for an entry level position to fully satisfy college graduates, in part because of expectations that they placed on the value of the academic degree. Many college graduates expect a job that will fully cover their personal needs, as well as the student loan debt.

The perception of unfair compensation can result in a dedicated employee quitting, which then costs the organization time and money to replace the individual. When an employees are dissatisfied because they identify themselves as underpaid, work productivity may decrease, as opposed to those who feel fairly compensated (Nawab & Bhatti, 2011). In addition, if dissatisfied with a job, employees are more likely to leave if another opportunity produces itself. Both employee dissatisfaction and low commitment can cause dysfunction within organizations, due to the financial struggles that student loan debt places on college graduates.

**What Can Organizations Do?** Two suggestions below might help organizations increase retention and satisfaction of recent college graduates.

1. **"We pay as you stay"**. Organizations can create "we pay as you stay" programs, through which employers or organizations can send a message to employees that they value loyalty. The longer a productive employee with student loan debts stays with an organization, the more tuition reimbursement that employee will receive.

Of course, employees must meet productivity expectations to be eligible for such programs.

2: **"We match you"**. Many organizations have employees that are working in positions that have no relevance to the degrees of which the employees graduated. But somewhere in these organizations there are positions that are relevant to these employees' degrees. Organizations can create a "we match you" program. If a position becomes available that has many similarities to a current employee's degree, the organization would notify the employee of the available position. This does not mean that the employee will automatically get the position, but there will be an opportunity to further explore the fit with the position. This will provide additional opportunities for college graduates an opportunity to use the knowledge and skills that they had invested so much to acquire.

## References

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