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Payroll survey shows weakening financial picture for employed Quebecers

More living pay cheque to pay cheque, saving less, postponing retirement and feeling overwhelmed by debt

MONTREAL (September 10, 2014) – Most key indicators in the sixth annual National Payroll Week Research Survey, conducted by the Canadian Payroll Association (CPA), point to a weakening financial picture for working Quebecers and Canadians across the country.

More employed Canadians are living pay cheque to pay cheque, saving less and falling further behind in meeting their retirement goals. Quebec respondents have again fared better than other regions on most measures.

Living pay cheque to pay cheque

In Quebec, 46% say they are living pay cheque to pay cheque (up from an average of 36% over the past three years).

Nationally, more than half of employees (51%) report that it would be difficult to meet their financial obligations if their pay cheque was delayed by a single week. This is up from an average of 49% over the past three years.

Another finding confirms that more than a quarter of those surveyed are living very close to the edge. Quebec has the lowest percentage of employees in this category, but still 22% say they would be hard pressed to come up with $2,000 over the next month if an emergency expense arose. Nationally, 26% say they probably could not pull together $2,000 in emergency funds.

Saving less

The low savings rate has become even more prevalent this year. In Quebec, 49% of employees are saving just 5% or less of their pay, versus an average of 45% over the past three years. Half of all employees nationally are putting away just 5% or less of their pay, versus an average of 47% over the past three years. Financial planning experts generally recommend a retirement savings rate of 10% of net pay.

Of those who indicate they are trying to save more today than a year ago, fewer are able to do so. Quebecers are slightly more successful at saving, with 70% of those trying to save indicating they are doing so (down from an average of 73% of employees over the past two years). Nationally, 65% of those who are trying to save are able to do so (down from an average of 67% over the past two years).

Part of the reason for low savings is that 40% of Quebec employees, and 44% of employees nationally, are spending all, or more than, they earn. Among the top reasons for increased spending, the survey identifies: children, home renovations and education.

“Those who are trying to save but finding it hard to succeed should consider directing a portion of net pay into a separate savings account and/or a retirement savings program,” says CPA President and CEO, Patrick Culhane. “They can speak to their organization’s payroll practitioner to arrange this.”

Retiring older and needing more retirement savings

A total of 80% of employed Quebecers expect to delay retirement until age 60 or older, versus 62% over the past three years (compared to 79% of employed Canadians, up from 70% over the past three years). The number one reason cited for retiring later in life is that employees are not able to save enough money.

Employees continue to raise the bar in terms of what they think they will need to retire comfortably:

- Fewer now feel that savings under $500,000 will be sufficient (36% in Quebec, down from an average of 41% over the past three years; 18% nationally, down from an average of 21% over the past three years).
- More think between $500,000 and $2 million will be required (57% in Quebec, up from an average of 50% over the past three years; 68% nationally, up from an average of 60% over the past three years).

Yet despite upward adjustments in perceptions of what constitutes an adequate nest-egg, the vast majority of employees are nowhere near reaching their goals. In Quebec, 77% have put aside less than a quarter of what they will need in retirement (up from an average of 66% over the past three years). Nationally, 75% say they have put aside less than a quarter of what they will need in retirement (up from an average of 73% over the past three years).

And even among employees closer to retirement (50 and older), a disturbing 52% in Quebec, and 47% nationally, are still less than a quarter of the way there, indicating a significant retirement savings gap, according to Culhane.

Debt overwhelms many

Well over one-third of employees nationally (39%) say they feel overwhelmed by their level of debt (up from an average of 32% over the past two years). Nationally, 12% of respondents this year indicate they do not think they will ever be debt free, and one-third say their debt has increased from last year.

The debt picture looks better in Quebec, where just 25% of Quebec employees indicate feeling overwhelmed by debt (up from an average of 17% over the past two years).

The number one step that Canadian employees believe they can take to improve their financial situation is to earn more (27%), while spending less dropped to second place from last year and decreasing debt remained flat.

“Earning more is not always feasible,” says Culhane. Automatic savings through payroll is the best strategy for financial well-being, the CPA suggests.

Payroll professionals can help

"Even though the Canadian economy did well relative to other G7 countries in the past decade, many employed Canadians say they are having a difficult time making ends meet," notes Marie Lyne Dion, CPA Chairman. "They feel unable to put aside enough money to reach their retirement savings goal. That's where payroll professionals can help, by assisting employees in setting up their contributions to a savings plan or retirement program."

This is the CPA's sixth annual research survey of Canadian employees. The survey is conducted to mark National Payroll Week (September 15-19, 2014).

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Visit www.payroll.ca for a summary of the survey findings (under *Media Room*) and for further information. CPA spokespersons across Canada are available for interviews.

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CPA Research Survey of Employed Canadians:

A total of 3,211 employees from across Canada, and from a wide range of industry sectors, responded to an online research survey between June 17 and August 1, 2014, using a convenience sampling methodology. Respondents were asked to complete the research survey by members of the Canadian Payroll Association with whom they work. This Canadian Payroll Association developed employee research survey was conducted by Framework Partners, a market research and strategic planning firm. The survey is consistent with a margin of error of plus or minus 1.7% 19 times out 20, but as a non-probabilistic methodology was used, a definitive margin of error cannot be expressed.

About the CPA:

Canada's 1.5 million employers rely on payroll practitioners to ensure the timely and accurate annual payment of $860 billion in wages and taxable benefits, $268 billion in statutory remittances to the federal and provincial governments, and $94 billion in health and retirement benefits, while complying with more than 190 federal and provincial regulatory requirements. Since 1978, the Canadian Payroll Association (CPA) annually influences the payroll compliance practices and processes of over five hundred thousand organizational payrolls. As the authoritative source of Canadian payroll knowledge, the CPA promotes payroll leadership through advocacy and education.

National Payroll Week recognizes the accomplishments of payroll professionals and the CPA by building greater awareness of the size and scope of payroll and its impact on the Canadian economy.