

**For Immediate Release**

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## Financial Stress-related "Distraction Subtraction" Costing Businesses Billions

*National Payroll Institute research finds that workers worrying about their finances on the job is adding to ongoing pandemic challenges for businesses*

For businesses of all sizes, these are challenging times.

Caught between the lockdowns and setbacks of the past two years and a seemingly unavoidable recession just ahead, many are also struggling to find, keep and engage workers. As a result, terms like "quiet quitting" and "the great retirement" have received significant attention from both pundits and labour consultants alike. What they're not talking about, however, is an accelerating financial stress-related "distraction subtraction" that is costing employers billions more in lost productivity.

In fact, new research from the National Payroll Institute reveals that workers worrying about their finances on the job will cost employers more than \$40 billion in 2022.<sup>1</sup> Even more shocking is that this figure has exploded significantly since 2021, when it was calculated that financial stress in the workplace accounted for \$26.9 billion in lost productivity. The accelerated growth is the result of several factors, but is rooted in the worsening individual financial situation of working Canadians this year.

"On average, a financially stressed worker spends nearly 30 minutes every day dealing with their financial situation — and not on business tasks at hand," explains Peter Tzanetakis, President of the National Payroll Institute. "Over the year, that's over three weeks of lost productivity per employee."

Earlier this year, results of the *National Payroll Institute's annual survey of working Canadians*, coupled with a comprehensive cluster analysis from the Financial Wellness Lab of Canada (the Lab), uncovered a steep decline in the financial wellness of workers across Canada. Not only did the financially comfortable cluster shrink by 10 per cent when compared to 2021, but key behavioural indicators have been shown to be determinative of financial wellness – specifically saving, spending and debt utilization – indicated that the downward trend was likely to continue.

This financial strain amongst employees is bleeding into the workplace. Seventy-two per cent of working Canadians spend at least some of their workday actively dealing with or thinking about their personal financial matters (up from 68% in 2021).

One in five (20%) working Canadians were aware that stress related to their finances had directly impacted their workplace performance. Among the stressed cluster, this number was 46 per cent (up from 39% in 2021).

"It's convenient to frame employee financial health as an individual problem, but the reality is that it has big implications on businesses," adds Tzanetakis. "Beyond lost productivity and decreased engagement, our past research has also shown that financial stress leads to increased absenteeism, decreased employee motivation, strained relationships with colleagues, and turnover. There is a clear business case for why employers should pay attention."

### **DISTRACTION SUBTRACTION LIKELY TO WORSEN**

Analysis of the National Payroll Institute's research by the Lab also indicates that the distraction subtraction is likely to intensify unless action is taken to improve the financial well-being of Canadian workers.

Unsurprisingly, the research shows that the more financially stressed an individual is, the more time they spend thinking about their finances on the job. Those in the comfortable cluster spend nearly eight minutes per day on average, significantly less than those in the stressed cluster, who spend more than 29 minutes per day.

"If the financial well-being of working Canadians continues to deteriorate as it has in 2022, businesses should expect that the impact of the distraction subtraction will further impede productivity," explains Matt Davison, Dean of Science at Western University and Director of the Financial Wellness Lab of Canada. "With ongoing labour shortages, it's imperative for a business to ensure that the employees they already have on payroll are focused and engaged."

### **ASSESSING WORKFORCE FINANCIAL STRESS & TAKING ACTION**

To help businesses understand the impact of financial stress on their organization's productivity, the National Payroll Institute is introducing a new enterprise version of the Financial Fitness Evaluator.

Like the original evaluator introduced late in 2021, the enterprise tool allows individual workers to answer a series of questions to determine if they are most likely to be in the financially comfortable, coping, or stressed cluster. The enterprise tool builds on this by allowing a business to create a unique portal they can use to deploy the tool to their staff. The aggregate, non-identifying results can then be accessed through a business-specific dashboard — enabling leaders to assess and track the scale and urgency of the problem within their organization.

"Once they have used the Evaluator, there are proven strategies that businesses can implement to improve the financial wellness of workers immediately and in the long term," adds Tzanetakis. "In addition to investing in the professional delivery of payroll so that workers know their pay will be delivered accurately and on time, a business can support financial wellness by providing financial and counseling services. They can also encourage better savings habits by implementing automatic savings programs administered by payroll, with matching contributions made by the employer."

Businesses can begin using the enterprise version of the Financial Fitness Evaluator by visiting: [payroll.ca/FFE](http://payroll.ca/FFE)

### **ABOUT THE NATIONAL PAYROLL INSTITUTE**

The National Payroll Institute champions payroll in Canada as being vital to the health of businesses across Canada by setting THE professional standard of excellence and sharing critical expertise. We provide the knowledge and resources that more than 40,000 payroll professionals need to realize their potential, 1.5 million employers depend on for the annual payment of \$1.06 trillion in wages and taxable benefits, and that governments rely on to receive \$364 billion in statutory remittances to fund critical programs each year. The Institute's designations are recognized as the gold standard for expertise and professionalism, and the only such designations for payroll in Canada.

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### **FOR FURTHER INFORMATION**

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<sup>1</sup>The 14th Annual *National Payroll Institute Survey of Working Canadians*: An online survey of 3,033 working Canadians (92 percent of whom are full-time employees) was completed between June 7 and July 15, 2022, using Framework Analytics online panel. The survey is consistent with a margin of error of plus or minus 1.7% 19 times out of 20, but as a non-probabilistic methodology was used, a definitive margin of error cannot be expressed. The data was weighted in order to be statistically representative.