

NOTHING IS NORMAL — CANADIAN WORKERS ARE OVERWHELMED BY UNCERTAINTY

*New research shows that working Canadians are better off financially,
but still more financially stressed than in the past*

TORONTO (September 21, 2020) – The unspoken economic impact of the COVID-19 pandemic is that many working Canadians, those who have remained on payroll, are better off financially than they were before. However, while it stands to reason that their financial wellness should have also improved, in a year when nothing seems normal, new research from the Canadian Payroll Association shows the opposite has occurred.

The improved financial position of many is confirmed by the results of the *Canadian Payroll Association's 12th Annual Survey of Working Canadiansⁱ* (the survey). Whether by force or fear, not having to commute, buy lunches or pay for childcare, led to a larger proportion of workers (62%) being able to save more than five per cent of their paycheque than in 2019 (59%). And six per cent fewer reported living precariously from paycheque-to-paycheque, the lowest in the 12-year history of the survey.

According to an analysis of past Association surveys of working Canadians (2009-2019) completed by the Western-Laurier Financial Data Analytics Laboratory — which showed Canadians belong to financially stressed, coping, or comfortable clusters — saving more should have resulted in improved financial health. In fact, in all previous years, improved savings habits and the ability to weather a brief financial setback were the most reliable predictors of the cluster into which a respondent was placed.

Contrary to expectation, when the 2020 survey data was analyzed by the same lab using the same methodology, it became clear that a greater proportion than ever are now financially stressed, and the gap between those who are struggling and those who are comfortable has widened. In 2020, 43 per cent are now financially stressed and only 22 per cent are in the comfortable cluster, compared to one-third of each cluster from 2009-2019.ⁱⁱ Both results are beyond the expected ranges established by historical trends, indicating that other significant factors have impacted how working Canadians feel about their financial prospects in today's environment.

“It's hard to separate the statistically significant growth of workers who are financially stressed, from the COVID-19 pandemic,” says Peter Tzanetakis, President of the Canadian Payroll Association. “For over a decade, the financial wellness of working Canadians has been directly linked to core, stable, long-term factors. While the pandemic has forced many to refrain from spending beyond their means and save more, it simultaneously created drastic uncertainty about how the economy will endure into the future.”

Whether grouped as financially comfortable, coping or stressed, concern with regards to a range of economic issues has climbed sharply for all working Canadians. Sixty-two per cent of working Canadians considered to be financially comfortable are now deeply troubled by the prospect of inflation, compared to less than half (47%) in 2019. Fifty-two per cent of financially

stressed workers are nervous about their ability to retire, compared to 45 per cent last year. And, not surprisingly, working Canadians across the board are more anxious about a recession. Concern among both the comfortable and coping groups rose by 28 per cent to 63 percent and 73 per cent respectively, and the stressed group's concern increased to 66 per cent from 47 per cent.

“While it’s not a surprise that more Canadian workers are financially stressed, the variance between this year’s results and what was expected based on the historical trends, caught us off guard,” explains Dr. Adam Metzler, Associate Professor of Mathematics at Wilfrid Laurier University and one of the leads on the team that analyzed the data. “The algorithm recognized that, despite remaining on payroll and being in a measurably better financial position right now, financial stress this year was impacted by a complex combination of new factors — including those that are more psychological than financial in nature.”

THE REAL COSTS OF FINANCIAL STRESS

Financial stress is not merely an abstract idea. It has a real-world impact at home and on the job for millions of Canadians and their employers.

Nearly 69 per cent of respondents to the Canadian Payroll Association survey reported that they spend time at work thinking about personal financial matters. For businesses across Canada, this adds up to an estimated \$20.3 billion in lost productivity.

“That estimate is a conservative one,” add Tzanetakis. “The costs of increased absenteeism, decreased motivation, strained relationships with colleagues, and turnover that many respondents cite as consequences of financial stress, also need to be taken into account. Simply put, it’s smart business for organizational leaders to pay attention to and support the financial wellness of employees.”

On the home front, one-third say that financial stress has negatively impacted relationships with family and loved ones. And 76 per cent say that, even prior to COVID-19, they have had to opt-out of at least one element of holiday joy (like gift-giving or attending parties) because of financial stress.

FINANCIAL WELLNESS, POWERED BY PAYROLL

Despite financial wellness being a complex problem with several contributing factors, there are steps, powered by payroll, that business leaders and even governments across Canada can take to help those who are struggling.

Dedicated payroll professionals and business leaders across the country can help by:

1. **Helping to establish solid, long-term savings habits for workers through the implementation of *pay yourself first* programs.** Such a program sees employees work with payroll to ensure a portion of their paycheque is automatically deposited into a separate savings account. This encourages better money management, a higher rate of

savings, and the steady accumulation of retirement funds, all of which contribute to financial wellness.

2. **Engaging employees to lower stress levels.** Clearly communicating to employees on the steps the organization is taking to support them, especially during a crisis, is important. Given that half (48%) of all survey respondents believe their organization will undergo future layoffs, any positive news would be beneficial to alleviate concerns that they will remain on payroll.
3. **Contributing to conditions that create certainty.** For example: by having a clearly communicated payroll continuity plan in place, in the event of a crisis like the COVID-19 pandemic, and implementing a top-tier payroll system that helps pay-day run on-time, and gives employees the confidence of knowing that their paycheque is accurate every time.

“Payroll professionals can do a lot to lower financial stress among workers,” Tzanetakis adds. “The truth of the matter, though, is that they can’t do it alone. Payroll needs the support of business leaders. And they need for governments to ensure that new legislation does not create unintentional complexity or red tape that can make it more difficult to deliver accurate and timely payroll, which is the right of every working Canadian.”

ABOUT THE CANADIAN PAYROLL ASSOCIATION

Canada’s 1.5 million employers rely on payroll practitioners to ensure the timely and accurate annual payment of \$1.02 trillion in wages and taxable benefits, and \$345 billion in statutory remittances while complying with more than 200 federal and provincial regulatory requirements. As the authoritative source of Canadian payroll compliance knowledge, the Association promotes payroll compliance through advocacy and education.

For more information on the Association, visit payroll.ca.

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For more information or to schedule an interview with a Canadian Payroll Association representative, please contact:

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ⁱ The 12th Annual Canadian Payroll Association Survey of Working Canadians: An online survey of 4,264 working Canadians (88 per cent of whom are full time employees) was completed between May 26 and July 3, 2020, using Framework Partners online panel. The survey is consistent with a margin of error of plus or minus 1.5% 19 times out of 20, but as a non-probabilistic methodology was used, a definitive margin of error cannot be expressed.

ⁱⁱ A longitudinal examination of this survey from 2009-2020, totalling more than 39,000 unique responses, was undertaken using an advanced algorithm-based methodology known as Cluster Analysis, to gain a new understanding of the data by arranging respondents into distinct groups based on their similarity to one another and differences from all other groups.