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BUSINESS

Number of Canadians reporting financial stress jumps 20% in a year — report calls increase a ‘national emergency’

Growing financial stress also taking an emotional impact on families, National Payroll Institute says.

By Jeremy Nuttall Staff Reporter

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Interest rate hikes, inflation and the rising cost of living are the key drivers of increasing financial stress among Canadian workers, according to the National Payroll Institute.

Sean Kilpatrick / THE CANADIAN PRESS file photo

The number of Canadians who say they are unable to meet their financial obligations and are facing mounting financial stress has jumped significantly in the past year, according to a new survey from the National Payroll Institute, which is calling the situation a national emergency.

“A financial storm has picked up significant strength and it’s far more intense than initially predicted,” Peter Tzanetakis, the institute’s president, told the Star. “The key drivers of this financial stress have been increases in interest rates, inflation and the cost of living.”

The 15th annual National Payroll Institute Survey of Working Canadians found a 20 per cent year-over-year increase in the number of those experiencing financial stress, with 63 per cent of them saying they spend all of their net pay each month and 30 per cent spending more than their net pay, resulting in the need to take on debt or dip into savings each pay cycle.

The survey of 1,500 working Canadians, conducted between July 21 and Aug. 1 by Canada's Financial Wellness Lab on behalf of the institute, found the sharp increase brings the number of Canadians who report facing financial stress to 37 per cent. Of those, 35 per cent earn more than \$100,000 per year.

In a release, the institute — an advocacy, resource and research body for payroll professionals — said it is more difficult for financially stressed individuals to save than at any time during the past decade.

About 66 per cent of those who report being financially stressed are living pay cheque to pay cheque, the survey said, with 50 per cent saying they are overwhelmed by their debt. By contrast, only two per cent of those who report

being financially comfortable are living pay cheque to pay cheque. Half of those suffering financial stress also say they feel isolated from those around them as the cost of living rises. Such pressure can lead to mental health issues, Tzanetakis said, which can also impact family members.

“Financially stressed Canadians aren’t able to keep their growing stress from affecting those closest to them,” he said. “It is really having a real emotional impact.”

Pat Barclay, a psychologist at the University of Guelph, said worsening financial stress can lead to people taking desperate measures to make ends meet.

“It’s going to create feelings of deprivation and insecurity,” he said. “People are going to start needing to do things like taking risks in order to get by.”

Barclay compared it to a hockey team trailing behind in a game in the final minutes; they get desperate and may make poor decisions.

It can be especially difficult for someone if they see themselves as the only one around them having financial issues, Barclay said. “If you’re financially stressed but nobody else is, that’s when you feel really deprived.”

Without a financial solution, it will be difficult for someone to alleviate themselves of fiscal pressures, he said. Simply earning more money may not be enough, according to the release.

“Earning more money may help some, but our analysis has consistently shown that how much one earns is not generally a determining factor with regard to the financial wellness of working Canadians,” said Chuck Grace, managing director of Canada’s Financial Wellness Lab and a professor at the Ivey Business School at Western University, in the release.

David Macdonald, a senior economist at the Canadian Centre for Policy Alternatives, said the results of the survey line up with other data to show “cracks in the armour” of the labour market.

There has been nearly a year of no GDP growth, he said, which could be affecting people’s ability to get raises or better-paying jobs against the backdrop of inflation and slow economic growth.

“We’re not seeing the statistics yet that people are defaulting when it comes to consumer debt, credit card debt, mortgage debt,” Macdonald said. “This (survey) is maybe one of the preludes to a worse time to come for workers.”

The worse time could include layoffs or wages growing below inflation rates, he said.

Tzanetakis, meanwhile, said the problem of growing financial stress doesn’t end with workers. The impacts of financial stress can also hit the bottom line for employers.

“Forty per cent of financially stressed Canadians admit their financial stress is impacting workplace performance,” he said. “That has been estimated to be to the tune of \$45 billion in lost productivity across the economy in a single year.”

One in five of those surveyed have needed to use a sick day to cope with their rising levels of financial stress, and one in every 10 have left their job altogether.

Employers can encourage employees to have payroll automatically direct a portion of earnings to a savings account as one way to help, he said. Employer-matched emergency savings programs are also starting to see growth, said Tzanetakis.

“The frightening reality of this storm is that the contributing factors to financial stress are becoming more challenging than ever for Canadians to overcome,” Tzanetakis said.



Jeremy Nuttall *is a Vancouver-based reporter for the Star.*

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