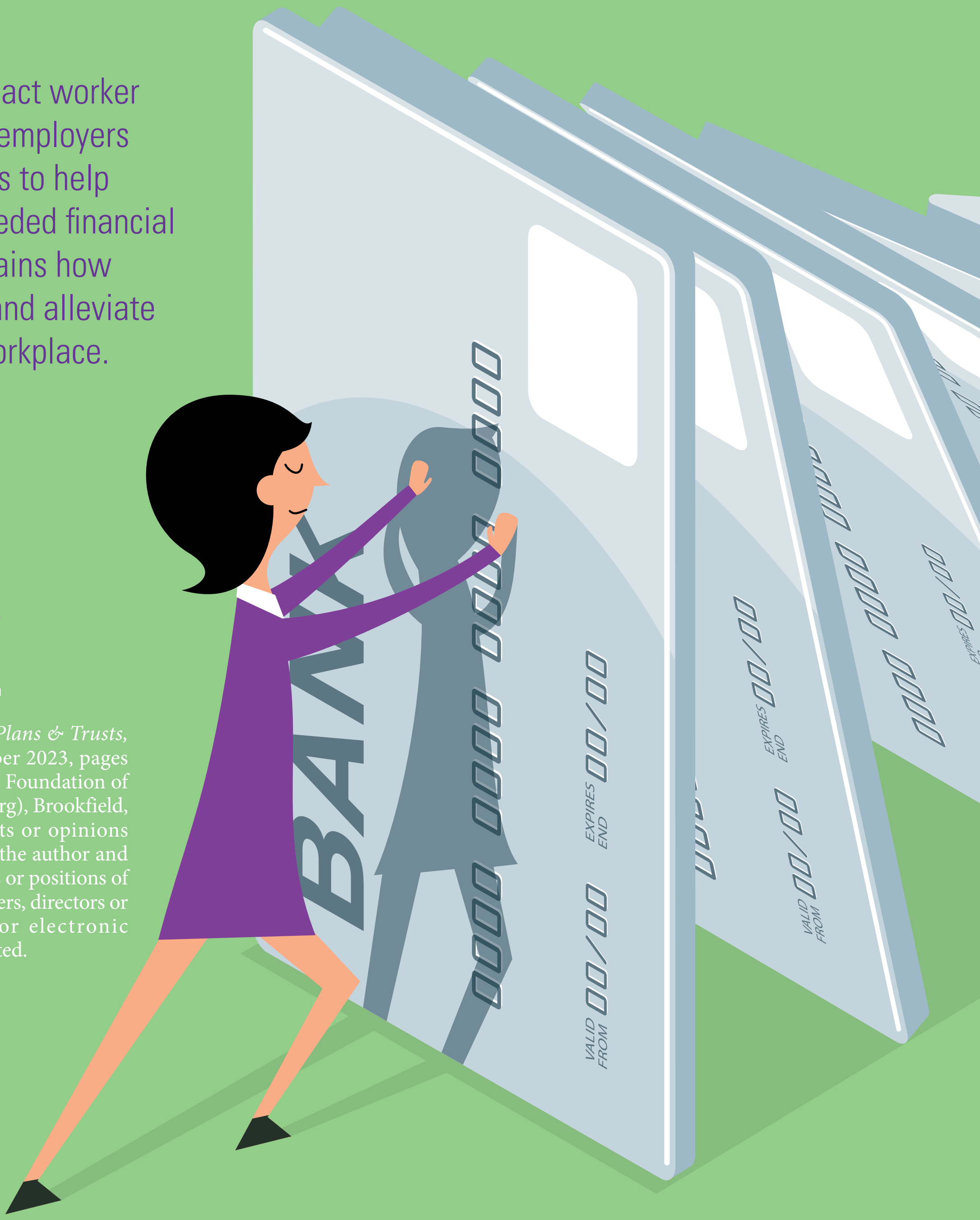
Financial Stress and What Are We Doing About It?

by | **Tim St. Vincent**

Financial challenges impact worker performance, and many employers are seeking opportunities to help their employees gain needed financial literacy. The author explains how employers can address and alleviate financial stress in the workplace.



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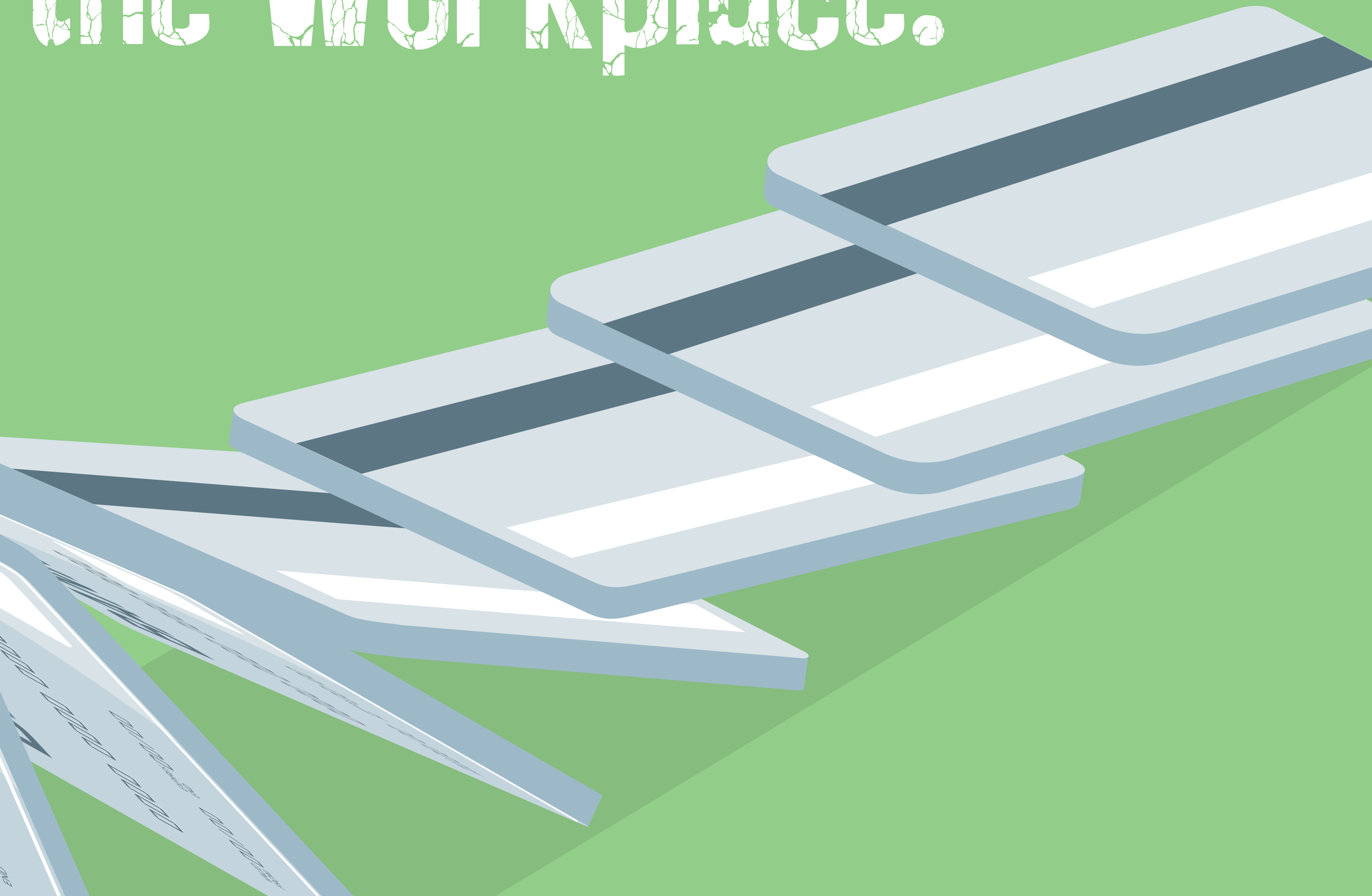

Many of us have seen the reality of financial stress in the workplace—Staff asking for advances, increased sick time, increased benefits costs and decreased productivity are just a few of the symptoms. Employees and management know there is a problem, yet many in both groups resist taking the necessary steps to go beyond discussing the issues surrounding financial stress and move toward a solutions-based approach.

According to Credit Counselling Society's *Consumer Debt Report 2023,* spending money on just the essentials has become an ever-larger reason for Canadians' financial situation. More than 50% rank it as the No. 1 contributing factor. At the same time, the report noted a large increase in spending on nonessentials over the past year. The overall Consumer Price Index may finally be starting to level out, but food costs have risen significantly, and the cost of housing and rentals are out of reach for many in what are still considered to be good-paying jobs. Day-to-day life has become increasingly challenging, and this has placed enormous pressure on people.

Employees, benefit providers and plan sponsors all have a stake in finding a solution to ease financial stress.

By the Numbers

Drawing again from the Credit Counseling Society's *Consumer Debt Report 2023,* those hardest hit financially over the past year include those carrying nonmortgage debt from month to month (62%), with 43% of the respondents experiencing an increase in year-over-year debt.

- 63% plan expense cutbacks, with food being a primary item.
- 67% are not paying much more than the minimum payment; 31% make the minimum payment or less.
- 77% with nonmortgage debt have sought financial help in the past year.
- 82% of Canadians say spending on essentials is causing a worsening of their finances.

Stats Canada states that Canadians owe $1.85 for every dollar of *disposable* income.

The National Payroll Institute (NPI) reports that the number of Canadians living from cheque to cheque increased by 26% from 2021 to 2022.

CMHC reported that Canada has the highest consumer debt of the G7 nations.

As reported in the Equifax Q4 2022 report:

- In the last 12 months, the 90+ day delinquency rate for credit cards and car loans increased by 23%
- 300,000 more consumers carried a balance on their card compared to the previous year; Consumer Proposal applications increased by 26.4%
- Increased use of credit cards was a primary driver in the growth of nonmortgage debt, balances increased by 15.3% and crossed the $100 billion mark for the first time
- Those under age 35 acquired over 1.4 million new credit cards in the last three months of the year.

While these challenges transverse the generational divide, they're becoming more prevalent in the retirement demographic, those age 55 and older. Both credit bureaus agree that those age 55 and older represent the most significant risk for delinquency and bankruptcy.

- 25% of retirees have delayed retirement because of debt.
- 33% of Canadians work past age 65 because they need to.
- 47% of Canadians worry about debt in retirement.

According to Stats Canada, of those age 55 and over, 48% retired with debt. In 1999, 27% of seniors retired with debt; in 2016, 42% retired with debt. Current projections are for it to hit 67%.

A survey by Bromwich+Smith says 40% of employees have delayed retirement because of debt, 71% say they worry about running out of money in retirement and 63% worry they will never be able to retire. We need to learn to look at debt with the same vigour used to examine our investments.

How did we get here? There are many aspects to that answer; yet, in many ways, there is only one. We turn away from debt. Money is still the great taboo topic of our culture, and debt is seen as the worst aspect of that great taboo. Many would focus on inflation as the culprit behind our financial woes and stresses, but it is a lack of knowledge that is our primary enemy, not inflation per se. We don't talk about debt. We aren't educated in debt management, yet debt is a primary source of financial stress.

Takeaways

- Mental health is crucial for overall well-being, productivity, and physical and financial well-being.
- Canadians report for the sixth consecutive year a significant source of stress stems from finances, with inflation, gas prices and grocery costs being the top causes.
- People who reported high levels of financial stress experienced muscle pain, including lower back pain; frequent migraines; and severe depression, anxiety and digestive issues compared to the significantly lower responses of those not experiencing financial challenges.
- Providing financial literacy in the workplace allows employers to be proactive and reactive, enables employers to take preventative and corrective action, reduces presenteeism and allows for proactive decision making.

Challenges in the Work Environment

Of the 72% of people who reported high levels of financial stress, 51% experienced muscle pain, including lower back pain; 44% cited frequent migraines; and nearly a quarter of respondents acknowledged suffering from severe depression, anxiety and digestive issues, compared to the significantly lower responses of those not experiencing financial challenges. The recently released FP Canada™ Financial Stress Index reported that, for the sixth consecutive year, 40% of Canadians said finances were their leading cause of stress. The index cited elevated inflation, higher gas prices and the cost of groceries as causing significant stress. Almost 50% reported losing sleep, and 36% experienced mental health challenges such as anxiety and depression related to their financial situation.

These levels of debt-induced stress can significantly impact our mental and physical health, and that carries over into the work environment. Nearly 50% of working Canadians say financial stress has impacted their work performance.

A 2023 mental health survey conducted by TELUS Health and a recent Manulife report noted the correlation between employer support of physical health and positive mental health.

"Our analyses consistently show that mental health is a top driver of overall health, well-being and work productivity. That said, physical and financial well-being are also critically important," said Paula Allen, TELUS Health Global Leader, Research & Client Insights, in a prepared statement regarding the survey results. "The current data shows that the connection between physical and mental health is not just recognized by academics, but also well understood by workers. We see a clear comprehension of the value behind employer-led support of physical well-being and positive mental health. Employers should take note of this when considering their programs and services."

The mental health survey conducted by TELUS Health also observed that 32% of employees are at high mental-health risk; it was 14% before COVID-19.

Stress levels caused by these factors lead to a lack of employee engagement and distraction and can significantly impact productivity, absenteeism and presenteeism.

According to a 2017 PricewaterhouseCoopers report, financially stressed employees are five times more likely to be distracted at work, and 46% will spend at least three hours a week at work focusing on personal finances. NPI supports this and translates it into almost a month's lost work per employee per year.

As reported by the Financial Consumer Agency of Canada, the average company with a staff of 200 loses more than $200,000 annually because of financially stressed employees. This number is understated for the factors it does not include, such as absenteeism, turnover and delayed retirement.

According to a 2022 NPI report, financial stress suffered by employees is expected to cost over $40 billion in productivity, a significant increase from the $26.9 billion figure for 2021. Obviously, this should be of great concern to employers.

Are your finances causing you stress?

Take a ten-question quiz to better understand your financial situation and plan your next steps.

https://www.ifebp.org/pdf/Am-I-Financially-Secure.pdf

The Solution

Undoubtably, there is an issue with debt impacting mental and physical health, which in turn impacts employers and employees. If organizations want to help their employees, then setting aside time for financial literacy through optional informal training sessions, lectures—like lunch and learns—or other educational opportunities will help educate and destigmatize financial challenges.

Employees welcome the opportunity; a 2019 survey by Benefits Canada found that 80% of employees want financial education provided in the workplace. Unfortunately, only 58% of employers offer it. Nearly half of the respondent employees (40%) said they would be willing to participate in education even if it occurred on personal time. The remaining 60% would prefer the education to occur during work hours; perhaps surprisingly, 61% of employers agreed with having the education provided during work time. Nearly half of the employees surveyed stated they would be willing to cover all or part of the costs.

Providing financial literacy in the workplace allows employers to be proactive and reactive, enables employers to take preventive and corrective action, reduces presenteeism and allows for proactive decision making. Rand Research conducted a study that found that over five years, companies offering financial literacy wellness programs experienced a 60% decrease in health care costs, and 80% experienced reduced absenteeism and increased productivity. Improving productivity and health also raises employee morale, lowers health benefit expenditures and boosts employee retention.

Implementation and Participation

Financial literacy education can help both the employee and the employer. How do employers and plan sponsors implement educational opportunities to encourage participation, maintain confidence, destigmatize the issue and produce tangible results?

A wide range of providers offer workplace financial education, according to the *Workplace Wellness and Financial Education Programs: 2022 Survey Report* from the International Foundation. Organizations utilize a number of approaches, which include: plan record keepers/administrators (47%), EAP/LAP/EFAPs (46%), financial planners (30%) and investment managers/providers (30%). One in four responding organizations uses in-house staff as part of its financial education strategy (25%).

What should a financial literacy education program look like? It should look like whatever employers and plan sponsors need to engage employees and plan participants to meet their needs. A program's essential characteristics should include unbiased information, accessibility, confidentiality, expertise, employer support, organization-wide promotion, customized individual support, partnerships with established providers, employee feedback measurement and fun design. It should be nonstigmatizing and continuous. This will minimize participation and become self-defeating.

Tailor the solution to fit your organizations' and employees' needs with reoccurring sessions and rotating key topics that will set the foundation for financial literacy. By attending such sessions, staff will become better educated, spot and avoid pitfalls, and take corrective action on behaviours before they become problematic. Suggested areas to begin with include:

- Budgeting
- Credit use and abuse
- Debt in retirement (not retirement planning—That role is filled by a financial planner)
- Investment basics
- Saving on household expenses
- Effective grocery shopping (the average consumer can save 20-25%).

While education is undoubtedly a powerful tool, it alone falls short. A comprehensive financial literacy program should incorporate the option of personalized assistance, delivered by an accredited credit counsellor specialized in debt management. This tailored approach ensures that the employee's specific needs are met through a customized plan.

Visit https://creditcounsellingcanada.ca to find qualified credit counsellors in your area via their regulatory body, Credit Counselling Canada.

Financial stress affects everyone, and we must deal with it quickly before another generation is impacted. Yet the best financial literacy education tools mean nothing if nobody picks them up. We must stop running away from financial challenges, and stop ignoring debt. We have made considerable strides in discussing mental health, and while that stigma isn't gone, the stigma surrounding mental health has significantly been reduced over the years. How do we reduce the stigma of debt? By discussing it, educating ourselves and discussing financial wellness in the home and in the workplace.

At its core, the solution is education.

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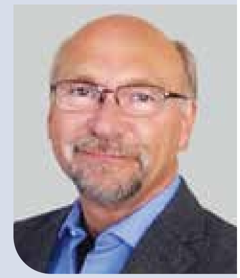

Tim St. Vincent is the Credit Counselling Society's financial educator for Manitoba and the greater Toronto area. He has over 30 years of experience in financial services and is a retired certified financial planner (CFP). St. Vincent has also completed the Canadian Securities Course (Hons.) and achieved his Certificate in Management (C.I.M.) (Hons.) and a Certified Educator in Personal Finance (Hons.). He believes strongly in the power of education, planning and acting on your plan.