HOOPP
Healthcare of Ontario Pension Plan

angus reid group

2024 Canadian Employer Pension Survey

Executive summary

In August of 2024, the Healthcare of Ontario Pension Plan (HOOPP) commissioned Angus Reid Group to conduct its *Canadian Employer Pension Survey*. This annual public opinion survey captures the perspectives of Canadian employers on the impact of the current economic climate on business, the state of retirement security in Canada and the impact of offering retirement benefits on employee recruitment, retention, productivity and overall well-being.

The results of this year's survey indicate employers continue to feel the strain from inflation and interest rates, though they're optimistic about the productivity of their businesses and employees. Paradoxically, most employers agree Canada is experiencing a productivity crisis and the data shows employee productivity is in decline. Moreover, investing in retirement and other employee benefits is associated with employee productivity and well-being, even as significantly fewer employers plan to invest in benefits in the year ahead.

Employers optimistic about productivity, despite decline.

As slow growth and lagging productivity plague Canada's economy, Canadian employers continue to be negatively impacted by inflation (78%, +7 pts since 2023), employee burnout (68%), greater competition for hiring (63%, -8 pts) and a labour shortage (62%, -9 pts).

At the time of this survey, when the policy rate was 4.5%, 60% of employers said they were being negatively impacted by interest rates, with more than one-third of all employers (37%) agreeing rates will continue to have a negative impact on their business even if the policy rate drops to 3.5%.

Meanwhile, most employers feel optimistic about the productivity of their business (82%) and employees (77%) in the year ahead—a sentiment at odds with other findings from the survey, which suggest employee productivity is on the decline for many.

In fact, only 24% of employers reported better-than-normal productivity in the past year (-17 pts since 2022), while the number of employers who rate the overall productivity of their employees as excellent or very good also dropped significantly (47%, -10 pts since 2023).

Despite small but notable dips in optimism about business profitability and growth, employers are widely optimistic about staying competitive (79%), remaining profitable (76%, -4 pts), employee retention (71%) and consistent growth (70%, -5 pts) in the next year.

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Investing in retirement and other employee benefits improves employee productivity.

Even as most employers are optimistic about their own organization's productivity, nearly three-quarters (72%) agree Canada is experiencing a productivity crisis and nearly all employers (90%) believe business productivity is dependent on employee productivity. At the same time, significantly more employers (20%, +7 pts since 2023) report worse-than-usual employee productivity in the past year.

While employee productivity appears to be declining for many, employers who invested in benefits in the past year—especially retirement benefits—are more likely to report better employee productivity and are less likely to be concerned about it:

- Of employers who invested in their employees in the past year:
  - 42% of those who introduced or improved retirement benefits reported better-than-normal employee productivity (-16 pts).
  - 28% of those who improved compensation also reported better employee productivity (-10 pts).
  - Only 12% of those who did not invest in their employees reported better employee productivity. These employers were the least likely to report better employee productivity.
- Employers who invested in retirement benefits in the past year are less likely to be concerned about the impact of employee productivity on their business in the coming year (45%) than those who invested in compensation (55%) and those who did not invest in any employee benefits or compensation (60%).
- Employers who invested in retirement benefits are less likely to be concerned about the impact of employee burnout on their business in the coming year (64%) than those who invested in compensation (72%) and those who did not invest in any benefits or compensation (72%).
- Employers who invested in retirement benefits are much more likely to report being positively impacted by the productivity of their employees (40%, +17 pts since 2022) than employers who do not offer retirement benefits (27%, +13 pts since 2022).

Fewer employers investing in benefits despite positive effects on productivity.

The data suggests a correlation between employers’ concern for their employees’ well-being and their productivity. Employers who reported worse-than-usual employee productivity were also more likely to be very concerned about their employees’ well-being than those who reported better-than-normal employee productivity:

- employees’ mental health (53% vs. 31% of those who reported better employee productivity)
- employees’ financial stress from inflation (42% vs. 30%)
- employees’ financial stress from interest rates (35% vs. 24%)

Employers who reported worse-than-usual employee productivity in the past year were also much more likely to say their organization is currently being negatively impacted by employee burnout than those who reported better employee productivity (85% vs. 64%).

In this context, it’s notable that 86% of all employers believe it’s important for businesses to offer benefits that will reduce financial stress for employees. Most (83%) also agree retirement benefits are a cost-effective way to reduce employees’ financial stress and offering them keeps employees more productive at work (66%).

Employers understand the benefits of investing in their employees and the data indicates that doing so has a positive effect on their employees’ productivity. Yet significantly fewer employers invested in their employees in the past year (78%, -15 pts since 2023) or plan to in the next year (62%, -20 pts). This sharp decline suggests the downward trend in employee productivity will likely persist into the coming year, despite optimism from employers.

Misconceptions about cost, demand may influence employers' willingness to offer retirement benefits.

Investing in retirement benefits appears to have a positive impact on productivity and employee burnout, and employers who offer them rank retention (78%), recruitment (69%) and reducing employees' financial stress (46%) as the top benefits of doing so. Yet there may be a disconnect among employers when it comes to both the cost of offering those benefits and worker demand for them.

Nearly two-thirds of employers (63%) say that regardless of economic conditions, companies could afford to offer workers good pensions if they wanted to, including 41% of those who currently do not offer any retirement benefits. At the same time, employers ranked cost as the top consideration when deciding not to offer retirement benefits (56%, compared to just 31% of employers who do offer retirement benefits).

Employers who do not offer retirement benefits were also less likely to be influenced by employee demand (17%, vs. 29% of employers who offer them), a finding that highlights a persistent divide in how employers think their employees feel about retirement benefits and how Canadian workers actually feel.

Although a majority (83%) of employers who don't offer retirement benefits believe their employees would prefer a higher salary over any (or a better) pension, nearly two-thirds (63%*) of workers say they would prefer the pension, consistent with 2023.

*Source: *2024 Canadian Retirement Survey*

Conclusion

Even as most employers agree Canada is experiencing a productivity crisis, Canadian employers are widely optimistic about the productivity of their own businesses and employees. Paradoxically, employee productivity appears to be in decline and almost all employers recognize that business productivity depends on employee productivity.

Exacerbating the decline in employee productivity, significantly fewer employers invested in employee benefits in the past year as worry about the impact of labour market-related factors, such as competition for hiring, dropped dramatically. Even fewer employers plan to invest in retirement benefits in the coming year, which could have considerable implications for Canada's lagging productivity, as the findings make it clear that investing in employee benefits, particularly in retirement benefits, is associated with better employee productivity.

These findings are especially notable as the vast majority (86%) of employers continue to agree that Canada is facing an emerging retirement income crisis. Most employers also recognize the societal value of pensions and the important role employers play in ensuring their employees are well-positioned for retirement:

- The majority of employers (84%) agree that without good pensions in place, the economy will suffer.
- 78% agree that if workers aren't able to access good workplace pensions during their working lives, they will become a burden on the taxpayer.
- 75% of employers feel responsible for offering a pension workers can access for an adequate income in retirement.

These findings are based on a survey conducted online from August 12 to 22, 2024 with 759 Canadian business owners and senior leaders with 20+ employees and who have influence over HR decisions. The margin of error for a comparable probability-based random sample of the same size is +/- 3.5%, 19 times out of 20.