

LAYLA

in collaboration with KPMG

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# New study of pandemic impacts on small business entrepreneurs strengthens case for better mental health supports



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# Preface

Small business owners carry the weight of their company's success on their shoulders. They play a key role in Canada's economy, employing more than two-thirds of the total private labour force. Beyond the constant stress of managing and operating an active business, they faced even greater uncertainty and pressures as a result of the severe impacts of the COVID-19 pandemic over the past two years.

The pandemic exposed long standing social inequities, bringing with it a new sense of urgency to increase awareness of mental health challenges.



**Compared to the general population, the mental health of small business owners has been disproportionately affected by sweeping business closures, decreased profitability, changing restrictions and the demand to shift online channels virtually overnight.**

The toll of these disruptions left entrepreneurs and small business owners vulnerable to such challenges as anxiety, fatigue, depression and burnout.

Despite these impacts, this segment of the population often experiences significant barriers to seeking and accessing mental health services from an already strained mental health system. Worsening mental health and systemic challenges experienced by this population have gone largely unnoticed to date. This is a real and pressing issue with far reaching implications and warrants greater awareness and action. The psychological health of entrepreneurs is tied to productivity, employee retention and the survival and profitability of these businesses. This, in turn, can have a profound impact on the sustained contribution of small businesses, which employ more than two-thirds of the total private labour force, to Canada's economy and our communities.



## About the research

To better understand these challenges, Layla Care has collaborated with KPMG in Canada to study the impact of the pandemic on the mental health of small business owners and entrepreneurs. The study, conducted between April and June of 2022, provides a preliminary analysis into the mental health landscape and the unique needs of this population, offering guidance on the design of tailored programs and a more effective mental health support system.

The study is limited to a survey of 110 respondents across 30 industries, 20 more in-depth consultations and expert interviews.

# The steep costs of declining mental health

As of 2019, small businesses employed 8.4 million people in Canada, or nearly 69 per cent of Canada's total private labour force.<sup>1</sup> While these smaller organizations play a critical role in Canada's economy, they are also highly vulnerable to unpredictable business hazards and their associated mental stress. Prior to the pandemic, a study commissioned by the Mental Health Commission of Canada<sup>2</sup> assessed the economic cost of mental health due to loss of productivity and absenteeism to Canada as over \$50 billion per year. This figure is expected to have become significantly worse since the onset of the pandemic in early 2020, based on various studies reporting an overall decline in the psychological health of Canadians.

A 2021 CAMH study<sup>3</sup> found that one-in-five Canadians experienced mental well-being or mental health challenges at some point in their lives. Research<sup>4</sup> has also shown that reported incidences of poor mental health correspond to almost **30 per cent** lower productivity. For employees with major depressive disorders, there is an additional absenteeism loss of an average of 32 days per year.

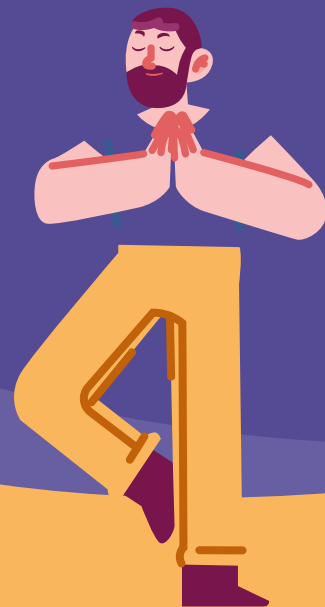
When looking to support small businesses, governments and private sector leaders often extend economic support. An entrepreneur's well-being is not only critical to the performance of the business but also directly affects their ability to support their employees.<sup>5</sup>

## Key Survey Findings

# A decline in mental well-being

Nearly two-thirds (65 per cent) of respondents reported a decline in their mental health over the course of the pandemic, whereas only 12 per cent indicated they had not been affected.

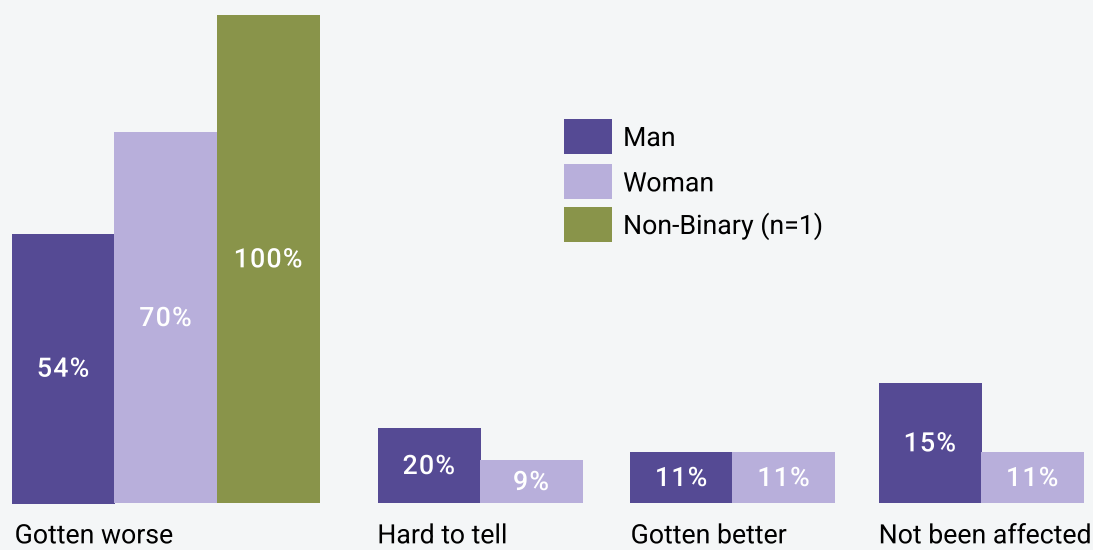
Women respondents reported higher levels of mental decline (**70 per cent**) than men (**54 per cent**), with more men indicating they were unsure about changes in their mental health (**19 per cent**) compared to women (**9 per cent**).



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These findings are largely consistent with a CAMH study<sup>6</sup> which found that nearly half of entrepreneurs (46 per cent) reported feeling low or mentally drained at least once a week, while 62 per cent felt depressed at least once a week.

Fig 1: My mental health now relative to before the pandemic

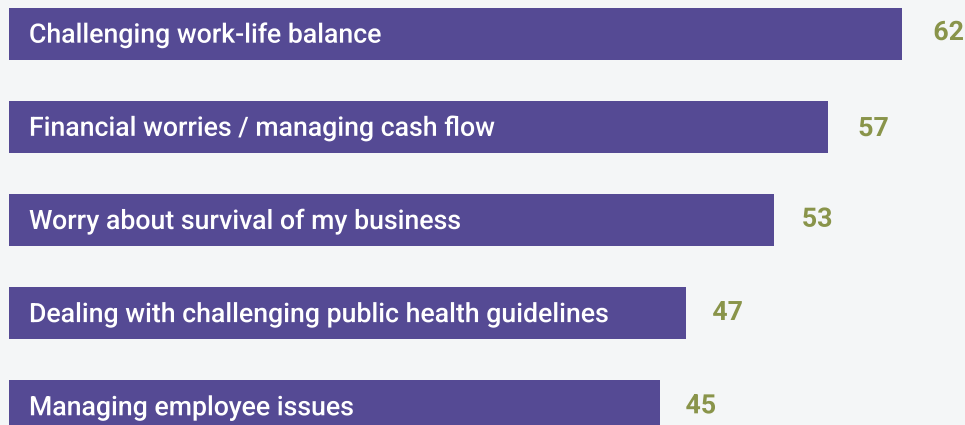


# Top sources of stress due to COVID-19

When respondents were asked about the greatest stressors affecting their mental health due to the pandemic, three top sources were identified. A majority cited a challenging work-life balance (62 per cent), financial worries/ managing cash flow (57 per cent) and worries about the survival of their business (53 per cent).

In terms of other significant stressors, respondents also pointed toward times of uncertainty or lack of control such as lockdowns or concerns about families and employees contracting COVID-19. There was no single reason for periods of stress and sadness, but the frequency of those occurrences has increased.

**Fig 2: My biggest challenge around my mental health is/are**







*“There hasn't been a specific moment I can point to, rather a rollercoaster of highs and lows. The rollercoaster has been present throughout my career, however during COVID the highs haven't been as high, and the lows have been lower and more frequent.”*

stress

business

work

anxiety

profit

survival

government

worry

balance

team

customer satisfaction

unstable

home

environment

lenders

motivation

life

margin

salary

investors

supply

decision

covid

lonely

health

esteem

revenues

market

# Connecting business performance and mental wellness

Not surprisingly, the highest levels of worsening mental health were seen among groups with the most negative impacts on business performance, such as “declined revenue” and “strain on cash flows”, with **68 per cent** and **66 per cent** respondents respectively indicating worsening mental health.

**Seventy-six per cent** of respondents who had to lay off employees during the pandemic exhibited high levels of decline in their mental health as compared to 64 per cent of respondents who did not have to cut their workforce.

Interestingly, despite **58 per cent** of respondents claiming that work life balance is a significant challenge to their mental health, less than **3 per cent** of respondents made any mention of reducing the amount of time they spent working. In speaking with entrepreneurs, they shared the importance of work-life balance to their well-being, but also the difficulty of achieving it.



***Being a small business owner/entrepreneur, it is very difficult to leave work at the office. I think I need to start doing that more.”***

## Dismantling barriers to mental health services

Among those seeking mental health support for the first time, Layla found that about 75 per cent of its clients have waited longer than a year - often several years - to reach out for help or access care. Along with system capacity constraints, a key factor is the deep-rooted stigma associated with mental health. Other factors include significant wait times, the time commitment required for therapy, a standardized approach in a field that requires personalization, mismatch between the needs and services provided, and the escalating cost of some services. In addition, interviews revealed that many entrepreneurs shared that they do not know where to start to access support and experience challenges navigating the system.

## Implications of disparities in mental health benefits

Professional mental health services are not easily accessible for most entrepreneurs, who lack the means to access them either because of cost or time. Many small business employers also struggle to invest in mental health programs for their staff. As such, a significant funding gap exists between employees able to rely on employer-provided health benefits to pay for mental health services and those without these benefits. In fact, only **42 per cent** of all employers in Canada paid for the full cost of benefits premiums for their employees.

## Limited coping strategies

Many respondents reported an aversion to talking about mental health topics with colleagues due to the social stigma associated with mental health challenges. Instead, entrepreneurs tended to rely on different self-care methods, with the most commonly cited as exercise or physical care.

# Highlights

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- Only **37 per cent** of respondents seek mental health support from professionals.
- **Forty-five per cent** said access to mental health support such as speaking to a therapist or other entrepreneurs to learn better coping skills would have helped them with their mental well-being.
- Almost **50 per cent** of respondents above the age of 50 reported using discussions with other entrepreneurs to discuss mental health challenges as a coping strategy. In contrast, younger entrepreneurs were far more likely to focus discussions on topics outside of mental health.

# Conclusion

Long before the start of the pandemic, the demands on the country's mental health sector stretched the system's clinical capacity in many areas. As we return to a semblance of normalcy, it is important to recognize that the complex mental health effects of COVID-19 may persist for years to come.

This research affirmed that entrepreneurs have experienced a decline in mental health outcomes and have often lacked the right supports and resources tailored to their needs.

Moving forward, we recommend further research and discovery to identify supports that would be most helpful for entrepreneurs' mental well-being at various stages of their journeys. This can range from educational resources, financial support, workshops, peer support, and access to individual or group therapy, or other resources. Greater education and awareness are also required to dismantle the social stigma surrounding mental well-being, especially among small business owners who are often perceived as independent, resilient leaders.

Given ongoing uncertainties, enhanced public-private sector collaboration can help build a mental health support system that is more accessible, inclusive, and robust in addressing the continually increasing stressors in the daily lives of entrepreneurs – and the real human cost of untreated mental health challenges. The progress we make is vital to improved mental health outcomes and our shared economic prosperity.





## Research Limitations

This research is limited with respect to scope, sample size, gender identities and other markers of identity such as sexual orientation, age, disability, and ethnic background. Future research by other relevant organizations and institutions in this area may be useful in understanding the nuance and complexity of the lives of entrepreneurs.

# Sources

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**Disclaimer:** The survey and associated research is limited in its scope, including the collection of data from various sectors, company sizes, regions and demographics (e.g. gender identity, age and other factors). Additional research to further strengthen this analysis is recommended.



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