Do you monitor your pay stub? Payroll errors could be costing you income

Paycheque deductions for taxes, pensions and other group insurance plans are often the source of payroll errors, expert says.

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Working Canadians could be losing income due to payroll errors they fail to notice because they don't carefully monitor their paycheques, a new study suggests.

More than half of Canadians say they don't carefully monitor the income and deduction amounts on each pay statement, according to the recent study by Payments Canada, which surveyed more than 1,500 employed Canadians.

Meanwhile, nearly half of respondents said they pay more attention to their social media channels than pay details, with nearly 38 per cent indicating they would likely miss a discrepancy on their payroll.

"It's not something we were taught as we were growing up — how to read and interpret these pay slips," said Kristina Logue, chief financial officer of Payments Canada, a non-profit organization that owns and operates the country's payment clearing and settlement infrastructure.

Logue believes the shift from physical payment to digital options has contributed to the lack of understanding of paycheque details. Nearly nine in

10 working Canadians are paid via direct deposit, while six per cent receive payment via paper cheque and three per cent by e-transfer, according to the survey.

“We’re no longer presented with that paper stub that lands on your desk or in your mailbox for you to review your cheque,” she said. “Right now, Canadians are sort of taking a ‘hope for the best’ strategy when payment hits the account.”

With around $971 billion paid out to Canadians each year in wages and benefits, unintentional payroll errors do occur, Logue said, especially because payments are often still manually inputted by employers.

Though half of working Canadians merely check the payment amount when it’s deposited in their bank account, it’s also important for employees to understand the specifics of their pay statement, said Ian Calvert, vice-president and principal at HighView Financial Group.

Paycheque deductions for taxes, pensions and other group insurance plans are often the source of payroll errors, he said. “If you see an error, it may be because double the regular amount was deducted from your paycheque for a group plan or your tax deduction was miscalculated and spiked,” he said.

Understanding the details of each pay statement is especially important for nonsalaried employees because their paycheque calculations often vary each week and are more complicated than those for salaried employees, Calvert added.

Though about 35 per cent of respondents said reviewing their paycheque information is daunting, more than 20 per cent say they would feel uncomfortable or embarrassed to ask their boss to explain their pay information.

Janet Gray, a financial planner with Money Coaches Canada, feels employers could better explain the details of employees’ pay stubs.

While some workers simply can't be bothered to check their pay statements, Gray said some employers aren't making it easy either, noting the frequent use of acronyms can make some pay statements "indecipherable."

"Even when I'm looking at these pay stubs — and I look at them every single day — I sometimes think, 'What does this mean?' Some of them are just not very coherent," she said.

Gray believes standardizing certain terms for common insurance and pension deductions could make things easier. But part of the issue is the lack of financial literacy among Canadians, she said. A lot of workers know their overall salary, but don't understand that it's different from how much actually ends up in their pocket after deductions, said Gray.

"What they don't understand is the disconnect between their gross amount and the amount in their bank account."