

# Should we avoid financial strain? What we can learn from Gen Z and Entrepreneurs

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This paper critically examines the negative relationship between financial strain and performance and well-being. We explored two case studies: Generation Z (Gen Z) and entrepreneurs, who are both prone to high financial strain but are known to have commendable mental health and productivity, respectively. Gen Z appears not to be mentally burdened by financial instability, as they readily quit jobs that do not fit their needs. Entrepreneurs endure great income variability with their notoriously risky and unstable career paths. This study examined existing data and research on the behaviors of Gen Z and entrepreneurs to determine the reason behind their seemingly outlier stereotypes. We actually found that both groups make sacrifices that hinder their financial stability short-term but ultimately benefit their happiness in the long run. Gen Z are often willing to quit toxic work culture to search for a better employer-employee fit to maintain sustainable mental health in the long-run. Similarly, entrepreneurs give up the financial stability of safe corporate jobs for creative freedom, which gives them long-lasting drive and motivation. Gen Z's prioritization of mental health allows them to be in a better mental state, despite having financial strain. Meanwhile, entrepreneurs create their own work environments that allow them to maintain motivation and productivity. Our takeaway is to not put too much pressure on upholding financial stability at all costs, and should not be afraid to make short-term sacrifices.

## Keywords:

Financial strain, productivity, mental health, Gen Z, entrepreneurs

## Introduction

It is vital to investigate how financial strain—the mental burdens created by periods of cash shortfalls—impacts people's work productivity and mental health. 48% of US households with income of less than \$50,000 say they worry about money having a negative impact on their mental health<sup>1</sup>. The social stress theory suggests that adults of lower socio-economic status have a strong link between financial worries and psychological distress<sup>2</sup>. A cutting-edge paper by Kaur et al.<sup>3</sup> finds that financial stress leads to a loss of worker productivity, in terms of both quality and quantity. Related literature also links financial stress to burnout, which includes poor mental and physical health and low life satisfaction<sup>4</sup>.

Two outlier groups seem to contradict these general findings: Gen Z and entrepreneurs. Because they contradict general findings, Gen Zers and entrepreneurs are good study cases. This paper will examine Gen Z's and entrepreneurs' situations as two separate case studies, and consider whether they are exceptions to the general pattern. Additionally, we will discuss takeaways we can learn from Gen Zers and entrepreneurs' behaviors that protect them from the financial strain that affects the general public's likelihood of burnout.

The Gen Z stereotype, as seen in trending Instagram reels and viral TikToks, seems to readily quit their jobs if the “vibe” is not right or if the job fails to match what they desire – even though it would put them in greater financial instability. Gen Z appears more likely than other generations to leave their jobs and sacrifice their short-term financial stability for improved mental health and happiness. In addition, Gen Z is known to be more outwardly spoken in the mental health realm and views it as a priority. However, how Gen Z can sustain living and balance financial stability is a question at hand. It is plausible that their high likelihood of living with their parents is a supporting factor for their financial needs. As for the entrepreneur's stereotype, it seems they possess abundant motivation and drive to continue their work in hopes of success, despite their high financial uncertainty when starting up. The entrepreneur route is notable for being risky, as they start from essentially nothing – pulling out money from their own banks – hoping to build revenue with their creative ideas. It's likely that these success stories glamorize the reality and cover a large number of burnouts.

This review aims to address a few questions. First, we need to unpack the financial strain that Gen Zers and entrepreneurs have in relation to the rest of the population. Next, we need

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to consider why Gen Zers and entrepreneurs seem to handle financial instability well and how they are combating the financial mental burdens. Lastly, we considered the responses to these questions to make suggestions for what we can learn from the behaviors of Gen Zers and entrepreneurs. This paper will first discuss current literature surrounding financial strain and worker productivity, and existing stereotypes about Gen Zers' and entrepreneurs' financial situation and related mental burdens. Then, it will present the results of the Gen Z case study, explaining why they may appear to be not under a mental burden despite an unstable financial situation by making short-term sacrifices for the possibility of long-term happiness. The entrepreneurs case study will be discussed following the Gen Z case study. This section will walk through how entrepreneurs similarly make sacrifices – putting their financial situation in an unstable state – so that they can have more creative freedom and consequently having more drive to continue long-term work.

## Literature Review

The cutting-edge paper, Kaur et al.<sup>3</sup>, finds that, intuitively, financial strain decreases worker productivity and mental health, and existing literature seems to agree. Kaur et al. found that workers are more productive and more attentive when under financial strain, and these effects are concentrated among more financially constrained workers. Kaur et al. conducted a field experiment studying 408 male low-income piece-rate manufacturing workers in rural Odisha, India<sup>3</sup>. It was known that workers experienced financial strain to some degree. These intermittent jobs typically range from one day to a few weeks<sup>5,6</sup>. In this study, the researchers partnered with local contractors to employ workers to make disposable plates for restaurants. If an error occurs while making a leaf plate, stitches must be removed or extra leaves added, so mistakes in the leaf plate could be tracked. The amount of errors made quantified the attentiveness of the workers. The workers were paid piece rates, meaning the number of plates they produced, which quantified their productivity, affected their earnings. Control workers received their earnings at the end of the two-week period, while treatment workers received an interim payment and the remainder paid on the last day. So, treatment workers had additional cash for four days compared to the control workers. Researchers examined how the treatment and control workers differed during this window. Researchers discovered that after the cash infusion, treatment workers were more productive and attentive, producing more leaf plates and making fewer errors. Thus, they concluded that less financial strain allowed for greater work productivity and focus.

Related literature displays similar results. Previous work from various areas of study, including public policy and psychology, has explored the effects of financial strain, and have

shown that financial strain can diminish people's ability to think, reason, and make decisions<sup>7,8</sup>. Based on the conclusions of these studies, there is a consensus that financial strain causes a mental burden that negatively affects workers in the workplace.

A 2017 study<sup>9</sup> suggests that the linkage between financial strain and worsened mental health is more nuanced than previously thought. This study assessed how the stress response caused by financial strain was a stronger indicator of an individual's mental health than "objective financial circumstances." This study used data regarding the mental health, financial strain, financial stress, objective financial stressors, health characteristics, and socio-demographic attributes of adults over fifty. Although only adults over the age of 50 were utilized, the results can be generalized because Gen Z and entrepreneurs have financial strain, just as adults over 50 would, and also deal with mental health issues related to finances. This study found that the stress response to financial strain "is significantly related to varying mental health outcomes." Additionally, it states that "financial and mental health professionals can serve a critical role" in helping people navigate financial hardships and mitigate the negative effects financial strain could have on mental health. This study and its findings are relevant when examining the Gen Z and entrepreneurs case studies. The responses that Gen Zers and entrepreneurs have in their financially strained situations may be the reasons for their prolonged motivation and healthy mental well-being compared to others in the same financial situation. If this is the case, we can turn toward Gen Z and entrepreneurs for guidance on handling financial strain.

Gen Zers and entrepreneurs appear to go against the findings of financial strain harming mental health, as their actions that place them into greater financial instability – which should cause greater financial strain – seemingly allow them to be in a comfortable mental place, rather than take a harsh toll on their work productivity as expected.

According to The Point study, 64% of Gen Z credit personal finance for having the greatest impact on their mental health<sup>10</sup>. If personal finance has such a large effect on Gen Z's mental health, why do they quit jobs nonetheless? Exploring Gen Z's priorities, and how they deal with negative mental health, can help explore this question. A commonly accepted characteristic of entrepreneurs is that they make "large investments of time and other personal resources," yet they still report high levels of satisfaction in their job and life<sup>11</sup>, so we can assume they have relatively good mental well-being. This study will discuss the trade-offs that entrepreneurs make so that their mental health is good even when experiencing financial strain

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## Results

### Gen Z case study

#### 1. The Gen Z stereotype

The Gen Z stereotype screams independence and individualism, a characteristic expected to impact business, marketing, and other fields.<sup>12</sup> Anecdotally, as seen in trending Instagram reels and TikToks, the stereotype of Gen Z is represented as quitting their job if the “vibe” of the company, or the company’s general culture and atmosphere, does not suit their tastes, putting themselves in what seems to be higher financial strain to assert their boundaries. Seemingly, this financial strain does not seem to shake their mental health, as they will readily lose a source of income just because it doesn’t fit their ideals. A Deloitte report finds that “Gen Z values salary less than every other generation.” The report finds that they are evenly split when given the preference of either a higher-paying job that doesn’t suit their interests or a lower-paying job that is more interesting to them<sup>13</sup>. Another Deloitte report<sup>14</sup> finds that 40% of Gen Zers are likely to leave their job within two years, while 24% of Millennials are likely to leave their job within two years. Are Gen Zers really quitting at the drop of a hat? Or are these only sensationalized stories? Let us uncover the depth behind Gen Z’s seemingly quick job quitting and insignificance for financial strain.

#### 2. Trade-offs made by Gen Z

Gen Z has a much greater likelihood to leave their jobs, which can be attributed to Gen Z’s selectiveness about their workplace.<sup>15,16</sup> As they look for a high-quality match with their employer, they allow themselves to temporarily sacrifice financial stability. This suggests that Gen Z is more forward-looking and may trade off their short-term financial stability for long-term happiness. Indeed, 46% of Gen Zers and 47% of Millennials “live paycheck to paycheck and worry that they won’t be able to cover their expenses.” One reason Gen Z can make this trade-off is that they often have and accept the support of living with their parents. The Harris Poll<sup>17</sup> finds that 54% of Gen Z are choosing to live with their parents, a much higher number than for previous generations. When living with parents, Gen Zers have many financial responsibilities covered for them—such as housing and food, and thus have less financial burden. Gen Zers financially benefit from this living situation but sacrifice their freedom and autonomy. In this duration of time of living with their parents, Gen Z can search for a suitable job that will support their needs, fostering long-term happiness in the future. So, on the net, Gen Z is not less or more financially strained than other generations; they are simply accepting short-term sacrifices for more sustainable long-term mental health, financial stability, and autonomy.

#### 3. The impact of mental health awareness on Gen Z

The cultural shift in attitudes toward mental health is what led Gen Z to act this way, contrasting the actions of previous generations. Gen Zers are more likely to open up than older generations. They are encouraged, and encourage others, to share personal stories — especially on social media.<sup>18</sup> Gen Z speaks openly about mental health and voice the importance of prioritizing it. A Deloitte survey<sup>19</sup> displays that mental health comes first for Gen Z. Thus, they are more likely to invest in mental health. Gen Zers are more likely to seek therapy<sup>18</sup> and, as previously expressed, hold out for a job that will be compatible in the long run. Strong mental health makes Gen Z more stable in the workplace. Mental health issues can negatively affect many factors, including workers’ job performance, productivity, and engagement with work<sup>20</sup>. When Gen Z invests in improving their mental health, they remove themselves from these issues and provide themselves with a greater opportunity for stable happiness in the workplace.

#### 4. Consequences of the trade-offs made by Gen Z

The financial risk that Gen Z takes for future mental happiness certainly deteriorates their mental health. When young adults (ages 24-32) move back in with their parents after a period of independence, they experience an increase in depressive symptoms<sup>21</sup>. When Gen Z decides to live at home with their parents, they give up their personal space and freedom, contributing to their mental health decline. However, the long-term positive effects that come from their sacrifices substantially outweigh the temporary negative effects. Thus, Gen Z can justify their financial risks and freedom sacrifices with the long-term happiness they find later.

## Entrepreneurs

#### 1. The entrepreneurs stereotype

Next, let us look at another seemingly outlier group: entrepreneurs. Their career path is notoriously risky, and their financial instability is high. Data from the US Bureau of Labor Statistics<sup>22</sup> displays that 20% of new businesses fail during the first year of opening, 50% during the first five years, and 70% fail within ten years. Yet we are consistently presented with stories of entrepreneurs, specifically in motivating TikToks and TedTalks, who previously worked in corporate, burned out, and now work harder and longer as entrepreneurs. Despite taking the “risky path,” these entrepreneurs who left corporate seem to thrive (more productive, motivated, and happier). Let us analyze this case study to determine if these thriving entrepreneurs are the exception, serving as successful outliers or the general rule. Entrepreneurs avoid burnout more than general workers, despite having greater financial uncertainty and

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strain. This case study aims to analyze if these “thriving” entrepreneurs are the exception or the general rule. We examine why entrepreneurs can avoid burnout more than general workers. Anecdotally, driven entrepreneurs are able to work even harder and go longer without burning out than other workers, despite having greater financial uncertainty and strain.

## 2. Positive consequences of the entrepreneur route

Obschonka et al.<sup>23</sup> conducted a study published in the *Journal of Business Venturing*, which found that entrepreneurs are at equal or even lower risk of burnout than salaried employees. According to Obschonka et al.<sup>23</sup>, “The work of entrepreneurs appears to result in less daily work stressors—such as work pressure, time pressure, and administrative tasks—compared to paid work.” Solo entrepreneurs have an even smaller amount of stress<sup>23</sup>. This result is surprising since solo entrepreneurs operate with less support from team members, and the responsibility of creating financial stability is solely up to them. Entrepreneurs have a large extent of personal agency<sup>23</sup>, which is a sense of ownership and responsibility over one’s own actions, and work autonomy. This personal agency allows entrepreneurs freedom for creativity and drives their motivation in work. Entrepreneurs’ high involvement in their work also allows for a “positive psychological return” that reduces their risk of burnout and keeps their motivation going<sup>23</sup>. Successful entrepreneurs share many similar traits, including their “comfort with uncertainty,” driven focus, and effective delegation of work<sup>24</sup>.

## 3. Negative consequences of the entrepreneur route

However, de Mol et al.<sup>25</sup> found that entrepreneurs are more at a risk of burnout because they are “more socially isolated, have limited safety nets, and operate in high uncertainty.” This seems to fit the general narrative, which states that greater financial strain causes worsened mental health. If this were true, entrepreneurs are no different from everyone else since their great financial strain causes an increased risk of burnout. This study’s respondents were mostly small business owners with 250 or fewer workers. Because the respondents looked at smaller entrepreneurs who were newer, less successful, and thus more likely to fail, their results are skewed. The study conducted by Obschonka et al. can be considered with more credibility because its sample consisted of a wider variety of entrepreneurs.

## 4. The trade-offs made by entrepreneurs

Entrepreneurs are similar to Gen Z in that they make sacrifices. They temporarily give up financial stability and work autonomy and creativity in hopes of achieving future financial happiness and success. Entrepreneurs have notably high levels

of engagement and passion<sup>26</sup>, which prevent their financial instability from affecting their productivity. If other workplaces implemented principles of entrepreneurship, the negative impact of financial strain on work outcomes could be reduced, and workers are more likely to be focused and productive.

## Limitations

It is important to note the limitation that many people are not in the right circumstances to make the sacrifices made by Gen Zers and entrepreneurs. Especially for those who do not have the opportunity to live with their parents, it may be extremely difficult – or impossible – to quit their job to live in a period of financial instability the way that many Gen Zers did.

A limitation of this study is that it did not consider the intersectionality of people who are both Gen Z and entrepreneurs. In addition, it did not take into account other factors of identity that may affect the work attitudes of Gen Z and entrepreneurs. For example, race and gender were not considered in this review.

Another limitation of this paper is that it did not specifically consider the pandemic and its effects. The pandemic had economic implications, which most likely affected the financial strain of people and subsequently their mental health. This paper did not talk about how these financial effects of the pandemic affected Gen Z and entrepreneurs.

## Future Directions

The trade-offs for long-term happiness made by Gen Z are a result of the shift in mental health conversation. Gen Z taking the lead in prioritizing mental health impacts other generations to do the same, especially the younger generations. Gen Z should continue speaking up about mental health and sway more of the general public to understand the importance of it. Older and younger generations should take inspiration and similarly sacrifice certain aspects of their lives to strive for a better mental state. Referring back to the 2017 study introduced earlier explaining the part that financial stress plays in the linkage between financial strain and mental health<sup>9</sup>, the importance of prioritizing and effectively managing stress while prioritizing mental health is undeniable. This study supports the reasoning that Gen Z’s prioritization of mental health is a factor in their effective handling of financial strain.

After examining the entrepreneurs’ case study, we have seen the overwhelmingly positive effects of having work autonomy and engagement. Thus, we should consider incorporating entrepreneurship principles into the workplace to reduce workers’ mental exhaustion and increase their productivity. To do this, we can turn to company policies that provide workers with more creativity and flexibility in their

work. Workers should regularly be encouraged to share their thoughts on the overall working environment. With this style, workers would feel more in control over their work, creating a structure similar to that of entrepreneurs. Not only can the work structure be modified to resemble that of individual entrepreneurs further, workers can also take after the traits of successful entrepreneurs to further the success of an organization, regardless of size. Taking risks and accepting uncertainty, increasing the effectiveness of focus and execution are two of many admirable skills of successful entrepreneurs that can be “promoted” to workers in organizations to allow for more flexibility and responsiveness in the business environment<sup>24</sup>.

In the future, further research in regard to mental health, financial strain, and different groups of people can be explored. This is growing literature, and there are many potential avenues to explore. Further research regarding how gender plays a part in the comparison of financial strain and mental health can be conducted, as gender differences have not been explored in this study. In addition, more research on Gen Z-specific and entrepreneur-specific stressors can be conducted so that we have a more in-depth evaluation of the mental health of Gen Z and entrepreneurs.

## Conclusion

Are Gen Zers and entrepreneurs truly outliers to this negative link between financial strain and productivity? The answer is complex. Because Gen Zers and entrepreneurs trade off their short-term financial stability for long-term job compatibility and happiness, this does not allow for a fair analysis of the true impact of their financial situation on productivity or well-being.

On the surface, it appears that Gen Z and entrepreneurs have higher financial strain than the rest of the population, yet maintain better mental health. Upon further research, however, we have found that these groups are still affected by financial strain, but make trade-offs for the benefit of their mental health. Gen Z is sacrificing their current financial situation to find a job that is better for their overall mental health, since other non-financial factors – such as work location and job responsibilities – are affecting their mental health. Gen Z makes trade-offs for long-term happiness when prioritizing their mental health. As for the case of entrepreneurs, the trade-off they make is a decrease in financial stability for work freedom and personal agency. This high involvement of entrepreneurs in their work, and their passion for their job, drives their motivation and keeps them from mental burnout.

Gen Zers and entrepreneurs are able to persevere through the negative effects of financial strain by making trade-offs in present-day financial stability for investments in the long-term sustainability of their mental health. In fact, we see that what-

ever negative effect their short-term sacrifice in financial stability has on these mental health and productivity outcomes, the benefits to their investment in the long-term overrides these negative effects. Thus, while financial stress and burnout are serious issues, the takeaway is to not strictly attempt to uphold financial stability at all costs. Instead, we should be on the lookout for long-term stability and not be afraid to make short-term sacrifices. Additionally, Gen Z’s prioritization of mental health and entrepreneurs’ drive are characteristics that can be learned from.

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