

April 3, 2020

Crisis Working Group Report: Crisis Household Income and Credit Support

In order to help Canadian governments confront the public health and economic crisis resulting from the spread of the COVID-19 virus, the C.D. Howe Institute has established several working groups to rapidly distill expert policy advice. The working group on household income and credit support is chaired by Michael Horgan, Senior Advisor at Bennett Jones LLP and former Deputy Minister of Finance, Government of Canada, and supported by a group of Canadian business leaders and economists. Meeting weekly, this group identifies and prioritizes policy challenges, and communicates members' views in published communiques. The group's second meeting was held on Tuesday, March 31, 2020.

In that meeting, the group focused principally on four issues and policy measures:

- Data frequency and transparency
- Fortification of the Canada Emergency Response Benefit (CERB)
- Rent assistance
- Federal/provincial coordination of income support

Data Frequency and Transparency

The working group called for a higher frequency of release of economic data indicators. An example is employment insurance claims. It asked why the number of claims cannot be provided weekly or even daily.

Individuals and businesses are facing tremendous uncertainty, particularly in regards to the length of the period of maximum social distancing and compulsory closures, creating substantial risks and affecting even near-term planning. Data availability and transparency during the crisis is vital for firms, other organizations, and individuals to make informed decisions given the risks. Canada faces decisions about balancing public health and economic costs, for which better data are vital.

Decision makers need a current and accurate picture of the state of the labour market for choosing the right strategy going forward. The upcoming release by Statistics Canada of its Labour Force Survey (LFS) will not capture the rapid changes in the labour market environment since the data supporting the LFS was collected. In addition to quicker release of economic data, in its presentation of the LFS, Statistics Canada may want to include valuable information beyond common labour market indicators



April 3, 2020

(part-time and full-time employment and unemployment) to allow a better assessment of labour market conditions and the impact of the crisis on employment and degree of labour market attachment.

Fortification of the Canada Emergency Response Benefit (CERB)

The working group provided its views on how to optimize the CERB to help Canadian families and what the potential impact of the CERB could be on employment.

First, working group members noted that there is an ambiguity about the definition of “ceasing work.” While the program will provide financial support for those with zero employment income, there seems to be no consideration for workers who, due to the crisis, experience a severe drop in their earnings due to a reduction in their working hours while continuing to be employed and actually working. To provide support for these workers, the government needs to determine the appropriate income loss threshold for qualification.

Second, the CERB needs some improvements in the details of its eligibility criteria to ensure the inclusion of population groups in need of support, such as students without a work history who had a job lined up; temporary foreign workers; foreign students who cannot go back home; and resort workers.

Third, working group members noted that the CERB complements the Canada Emergency Wage Subsidy to provide financial support to Canadian families. Some sectors such as oil and gas, tourism and accommodation, and air transportation are affected more severely than others: not all businesses can benefit from the wage subsidy program and some will have to furlough or lay off their employees. By providing \$500 per week, the CERB will have a negative impact on employment incentives: for some recipients, the benefit exceeds potential earnings from employment. Over time, its efficiency and long-term cost will become an issue. This requires a serious discussion about timelines and a clear plan for transitioning to the recovery period while protecting populations vulnerable to the virus during and after the transition.

Rent Assistance

The working group identified gaps in rental policy and recommended that provincial governments set rules to strengthen accountability and provide rental assistance to tenants who need it.

While some landlords are able to offer help to struggling tenants and postpone rents, other tenants may not be able to or simply refuse to pay rent. This will shift liquidity challenges to landlords, risking further knock on effects. Presumably the Canada Emergency Response Benefits will help tenants and their challenges, but provinces should do more to support tenants.

April 3, 2020

One province that has taken measures to tackle the rental issue is British Columbia: it has in place a virtual tribunal mechanism to administer residential tenancy laws and has recently introduced a short-term rental subsidy (up to \$500 per month) for those who qualify.

Federal/Provincial Coordination of Income Support

The working group highlighted the importance of coordination between the federal and provincial governments to provide support to Canadian families. In particular, a top-down federal approach is not always the best answer. Some issues are region-specific since industrial and demographic structures vary across the provinces. Therefore, it is important that the discussions not be limited to coordination of support: federal and provincial governments should discuss key issues they each face during the crisis and their respective timelines in providing support.

The Household Income and Credit Support Working Group will meet again next week. The next meeting will focus on emerging issues and consider specific policy proposals from the members. One area for potential consideration is what provinces are doing for their residents.

Household Income and Credit Support Working Group Members Include:

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Grant Bishop, C.D. Howe Institute

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Guests:

Edward Waitzer, Stikeman Elliott LLP

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