

The Rent Is Due Soon

Financial Insecurity and COVID-19

Ricardo Tranjan





CCPA

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The Rent Is Due Soon

Financial Insecurity and COVID-19

THE FEDERAL GOVERNMENT has announced \$27 billion in measures intended to mitigate the economic hardship brought about by the COVID-19 pandemic.¹ The public response has been positive. When the economy slows down, governments are supposed to ramp up spending, making money go around, so businesses continue to operate and people continue to consume. The federal government has shown it is willing to do so, and that's good news.

But time is of the essence, and these income supports will not reach people's bank accounts for weeks or even months. Middle-income families can tap into their savings to bridge from here to there. Low-income families don't have the same luxury.

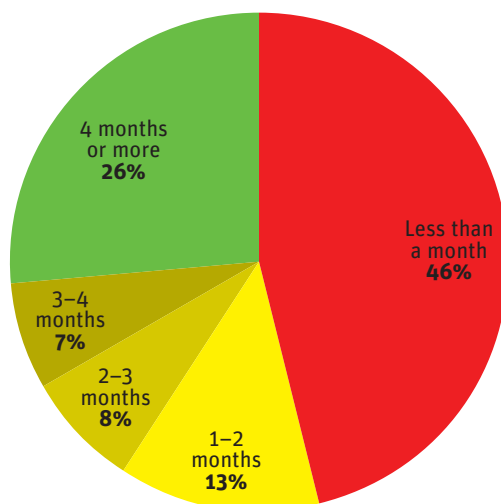
Of particular concern is the 3.4 million Canadian households who rent and whose primary source of income is wages and salaries or self-employment income. Everyone will be eventually touched by the economic impacts of the COVID-19 pandemic, but rent is due soon.

This report examines the financial situation of these 3.4 million households. Specifically, it addresses the following question: How many weeks or months can renters go without employment income before running out of savings?

The short answer is that almost half of them have less than a month's worth of savings; one-third have two weeks or less.

The COVID-19 crisis is evolving extremely fast. All levels of governments are putting in place measures to ensure the health and well-being of Canadian residents. As encouraging as that is, too many families are presently grappling with the question of whether they should pay the rent or use their meagre savings to buy food and other basic necessities. They need a signal

FIGURE 1 Working tenant households, total savings relative to monthly income



Source: Statistics Canada, Survey of Financial Security: Public Use Microdata File, 2016; calculations by the author.

from government that concrete help is on the way. They need governments to begin talking about rent deferral and rent forgiveness. The concluding section discusses what that could begin to look like in Canada.

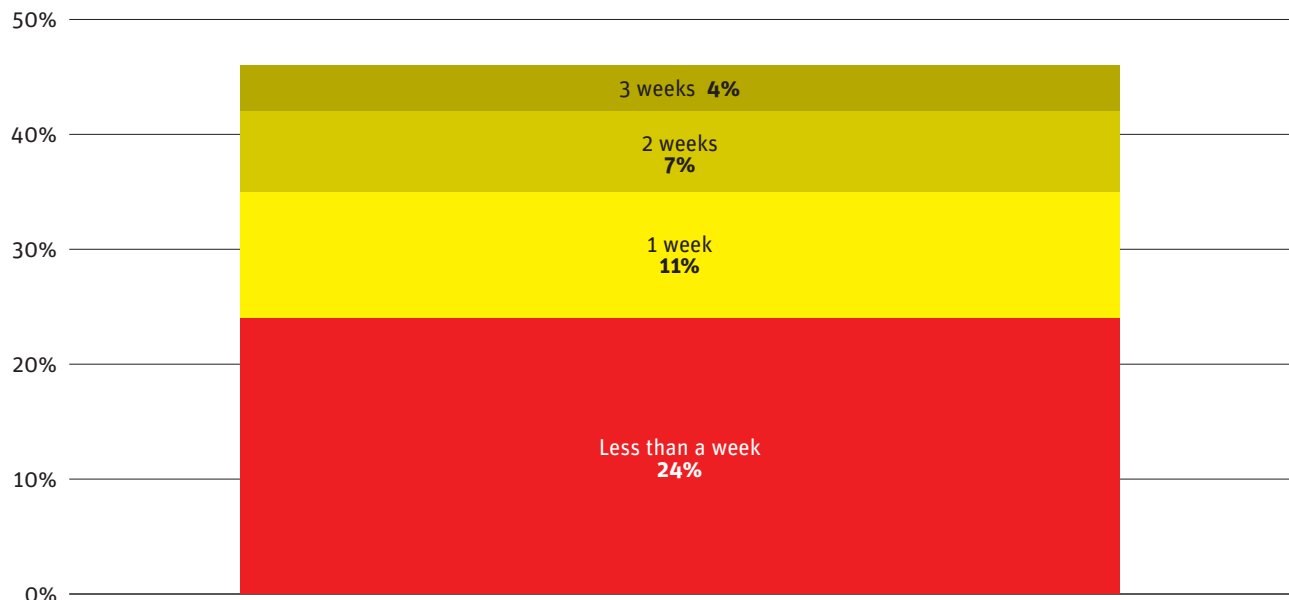
Living Paycheque to Paycheque

Lack of affordability has become a common theme in Canada, as has the notion that a large share of Canadian households is living paycheque to paycheque. Using data from the most recent (2016) Statistics Canada's Survey of Financial Security (SFS), this section examines this reality more closely, paying particular attention to renters.

Across Canada, 3.4 million households whose primary source of income is either wages and salaries or self-employment don't own a home: they rent. They might receive additional income from government transfers, investments, and retirement pensions, but their primary source of income is employment or self-employment. They are *working tenants*.

Using the SFS public use microdata file, we added up all their liquid assets, which is the term economists use for investment that can be easily cashed out. This included money in regular bank accounts, tax-free savings accounts, and non-registered financial investments (mutual funds, bonds, stocks, income trusts, and other investment). It doesn't include registered

FIGURE 2 Households with less than a month of savings, breakdown by weeks



Source Statistics Canada, Survey of Financial Security: Public Use Microdata File, 2016; calculations by the author.

retirement savings plans, which are taxable at a high rate, often partially or entirely locked-in, and overall harder to access. It also doesn't include property (e.g., a vehicle).

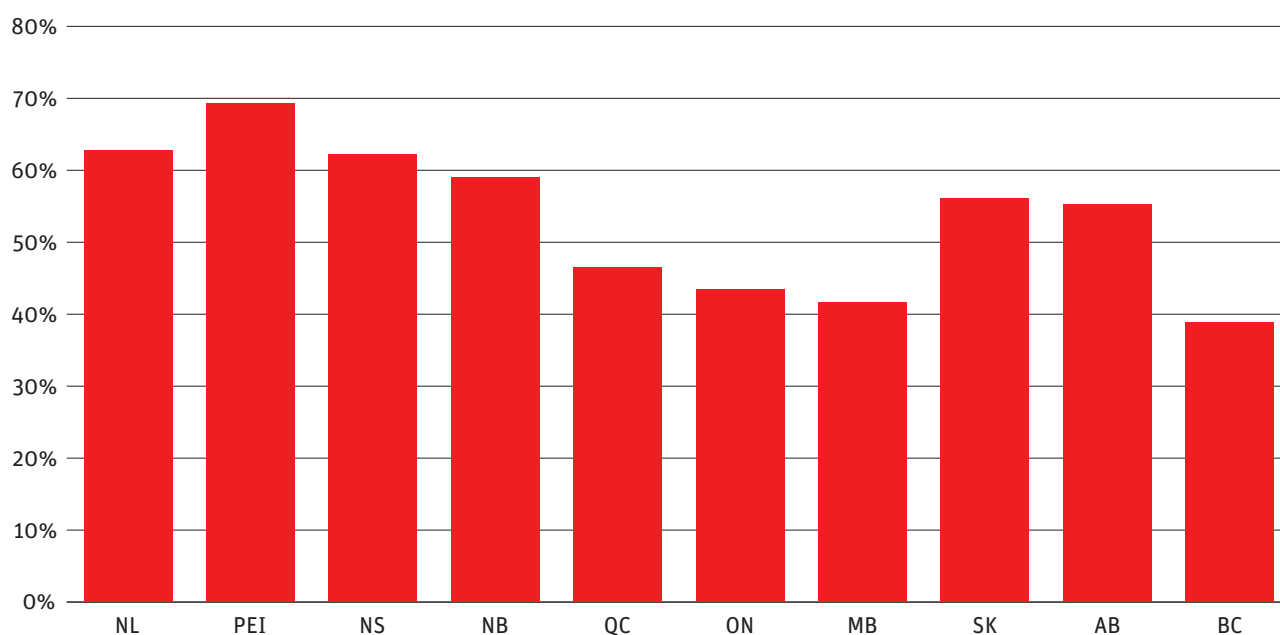
Next, we divided households' annual after-tax income by 12 and by 52, deriving their monthly and weekly income. This allowed us to calculate how many weeks' or months' worth of savings they have at their disposal. In other words, should they lose their jobs, and have their employment income drastically reduced, how many weeks can they weather without income supports?

Based on 2016 data, 46% of working tenant households have less than one month of employment income in savings.

An additional 13% of working tenant households have savings for one to two months, 8% for less than three months, and 7% for less than four months. Only slightly more than a quarter of them have more than four months' worth of employment income put away.

Roughly half of working renters don't have a month's worth of savings, but the picture gets even worse when we dig deeper into that group. As *Figure 2* shows, 24% of working tenant households don't have a week's worth of savings, and 42% can't weather more than two weeks.

FIGURE 3 Share of working tenant households with less than a month of savings, by province (2016)



Source: Statistics Canada, Survey of Financial Security: Public Use Microdata File, 2016; calculations by the author.

Job loss, combined with even small delays in applying for programs or waiting the one-week period for Employment Insurance, immediately puts these families at risk of not making rent at the end of March, much less April.

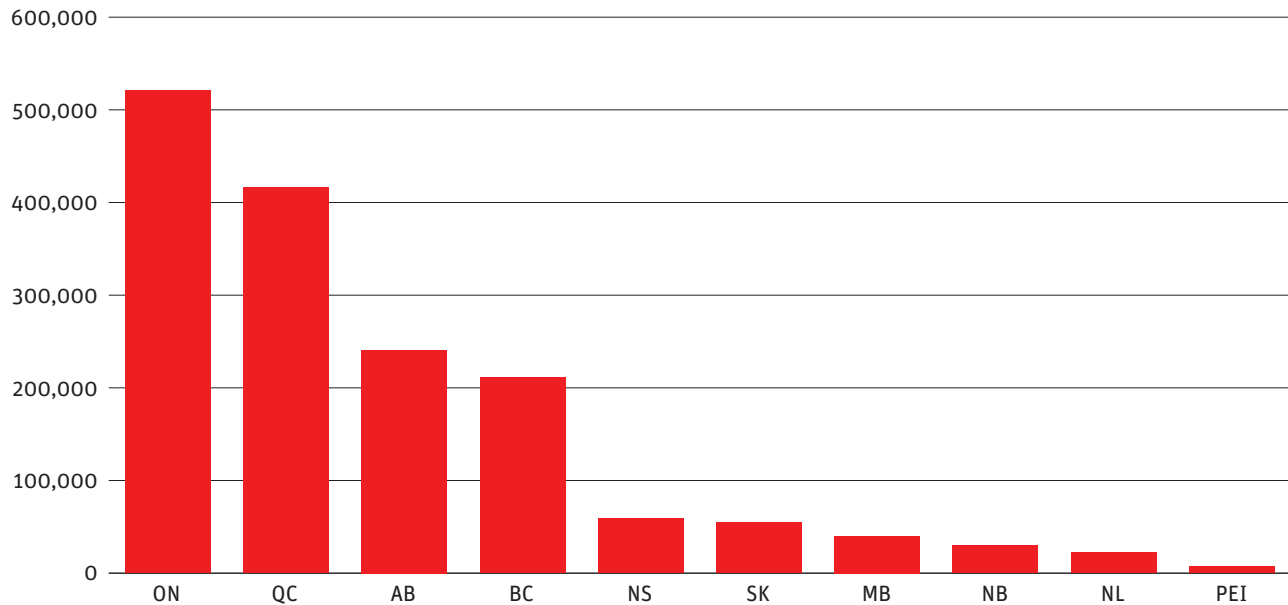
A Coast-to-Coast Crisis

High rents and working poverty are often thought of as urban issues, something that affects places like Toronto and Vancouver. That is not true in normal times,² and definitely not the case in the context of the COVID-19 pandemic.

The province-by-province breakdown displayed in *Figure 3* shows that large proportions of renters in all parts of the country will be affected, in both the more urban and the more rural provinces. In fact, the less populated and less urban maritime provinces will be the hardest hit, proportionally.

The total number of households affected in each province is shown in *Figure 4*. These numbers mirror the overall distribution of the Canadian population, with the largest numbers in Ontario (521,000 households) and Quebec (416,000), and the smallest sums in Newfoundland (22,000 households) and Prince Edward Island (7,000 households).

FIGURE 4 Number of working tenant households with less than a month of savings, by province (2016)



Source: Statistics Canada, Survey of Financial Security: Public Use Microdata File, 2016; calculations by the author.

The Appendix includes detailed province-by-province breakdowns.

The Grown-up Conversation: Rent Deferrals and Rent Forgiveness

There are 3.4 million tenant households in Canada who depend on employment and self-employment income. The rent is due soon. And the question is, if they lose their jobs to COVID-19, even temporarily, what will they do with the little income they have managed to save? Should they sign a cheque to their landlords, or save the money for groceries and other basic necessities? That's an awful question to grapple with.

The Government of Canada's financial aid package included a measure to increase flexibility to defer mortgage payments on CMHC-insured mortgage loans to homeowners, and the six major banks in the country have announced supports that include six-month payment deferral for private mortgages.³ This is good news for many families, but nothing has been said about those who rent.

As of the time of writing, Ontario, Nova Scotia, and Quebec have announced a moratorium on evictions. British Columbia has announced a partial moratorium that applies only to government-owned housing.

These are necessary immediate responses, and other provinces must follow suit, but a ban on evictions doesn't address the fact that tenants who have already lost their jobs due to COVID-19 will have a hard time making rent on March 31.

The findings in this report show the magnitude of the need. Tenants don't have enough financial cushion to pay next month's rent. And once they are back to work, they won't be able to pay arrears, given how little they were able to save in normal times.

The federal government and its provincial counterparts need a plan, or several plans. There are many types of tenants, and many types of landlords, and rent deferral and forgiveness programs will have to be fair and work for everyone.

The federal government needs to get money into people's hands as soon as possible. The announced income supports through the Goods and Services Tax (GST) credit and the Canadian Child Benefit are great measures, but, as it has been demonstrated here, many families can't wait until May. Moreover, and in addition to has been announced to date, the federal government could add a GST supplement to low-income and unemployed renters.

As part of their own relief packages, provincial governments should exempt unemployed low-income households from rent in government-owned and non-for-profit housing, which would be done through transfers to municipal governments.

Rent subsidies and allowances should be increased to cover higher shares of rents, or all of it. People who had a hard time paying rent before will surely need more support now.

Landlords should have access to business aid packages, while also being asked to contribute their share and absorb partial losses.

It will not be an easy conversation. We'd better start it now.

Notes

1 Department of Finance Canada, “Canada’s COVID-19 Economic Response Plan: Support for Canadians and Businesses,” March 2020.

2 David Macdonald, “Unaccommodating: Rental Housing Wage in Canada. Canadian Centre for Policy Alternatives,” Canadian Centre for Policy Alternatives, July 2019.

3 Newswire, “Canada’s Six Biggest Banks Take Decisive Action to Help Customers Impacted by COVID-19,” March 17, 2020.

Appendix

TABLE 1 Working tenant households, total savings relative to monthly income, by province (2016)

		Less than a month	1–2 months	2–3 months	3–4 months	4 months or more
Newfoundland	Count	22,000	1,700	6,400	500	4,600
	%	63%	5%	18%	2%	13%
Prince Edward Island	Count	7,300	500	-	200	2,500
	%	69%	5%	0%	2%	23%
Nova Scotia	Count	58,900	10,100	8,000	1,000	16,700
	%	62%	11%	8%	1%	18%
New Brunswick	Count	30,400	6,600	6,200	2,200	6,100
	%	59%	13%	12%	4%	12%
Quebec	Count	416,400	130,600	77,100	74,000	197,600
	%	47%	15%	9%	8%	22%
Ontario	Count	521,000	160,200	83,300	84,200	352,600
	%	43%	13%	7%	7%	29%
Manitoba	Count	40,500	10,100	14,700	4,300	27,700
	%	42%	10%	15%	4%	29%
Saskatchewan	Count	55,400	16,200	7,800	2,300	17,000
	%	56%	16%	8%	2%	17%
Alberta	Count	241,000	62,500	27,300	17,800	87,100
	%	55%	14%	6%	4%	20%
British Columbia	Count	210,600	56,000	33,400	47,600	193,600
	%	39%	10%	6%	9%	36%

Source: Statistics Canada, Survey of Financial Security: Public Use Microdata File, 2016; calculations by the author.

TABLE 2 Working tenant households with less than a month of savings, breakdown by weeks, by province (2016)

		Less than a week	1 week	2 weeks	3 weeks
Newfoundland	Count	10,900	9,100	500	1,500
	%	31%	26%	1%	4%
Prince Edward Island	Count	4,900	800	1,100	200
	%	47%	8%	10%	2%
Nova Scotia	Count	40,600	13,900	2,100	2,300
	%	43%	15%	2%	2%
New Brunswick	Count	23,900	3,200	1,100	1,100
	%	46%	6%	2%	2%
Quebec	Count	202,200	82,600	75,700	47,400
	%	23%	9%	9%	5%
Ontario	Count	272,000	113,800	72,100	49,800
	%	23%	9%	6%	4%
Manitoba	Count	23,500	9,800	5,200	1,200
	%	24%	10%	5%	1%
Saskatchewan	Count	27,900	18,600	3,600	3,900
	%	28%	19%	4%	4%
Alberta	Count	127,400	63,000	29,600	18,700
	%	29%	14%	7%	4%
British Columbia	Count	97,000	55,000	33,600	14,000
	%	18%	10%	6%	3%

Source: Statistics Canada, Survey of Financial Security: Public Use Microdata File, 2016; calculations by the author.



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