

## **2022 Pre-Budget Submission to the House of Commons Finance Committee**

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## About Prosper Canada

Founded in 1986, Prosper Canada is a national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. As Canada's leading national champion of financial empowerment, we work with partners in all sectors to develop, test and sustainably scale policies, programs, and resources that measurably improve the financial health of people living in, or at high risk of, poverty.

## Financial impact of the pandemic on low/moderate income households

Many Canadians were struggling financially prior to the pandemic and unprepared for a brief emergency, let alone prolonged economic shutdowns:

- 43%+ were [living paycheck to paycheck](#)
- 48.8% [lacked enough savings](#) to stay above the poverty line for three months
- [Household debt was at or near all time-highs](#) – at [103.34% of our GDP](#) in Q1 2020
- Personal insolvencies were [increasing and at their highest level](#) in a decade.

COVID-19 has increased hardship and risk for the 3.4 million Canadians with low incomes – curtailing services they relied on to make ends meet, increasing daily living costs, deepening social isolation, and exposing low-wage essential workers to increased health risks.

Low-wage workers have also [borne the economic brunt of employment and earning losses](#). [46% of Canadians with incomes <\\$40,000 report their income worsened](#) between March and October 2020, compared with 27% of those with incomes >\$40,000. In February 2021, 20.4% of Canadians [reported difficulty in paying for housing, food, and other necessary expenses](#). Unemployment and financial stressors have been [disproportionately felt by women, youth, Indigenous people, and minority groups](#).

Many of these vulnerable Canadians [struggle to tax file and access income benefits and relief](#) due to [information, language, literacy, numeracy, and digital barriers](#). Reduced access to in-person government services and community supports has made this worse. In October 2020, 17.9% of extremely vulnerable and financially vulnerable Canadians reported being unable to access COVID-19 government relief they believed they were eligible for.<sup>1</sup> Community tax clinics that roughly 740,000 low-income Canadians rely on to tax file are struggling to attract and retain volunteers, to deliver services virtually, and to meet demand.<sup>2</sup>

“Lockdown debt” from unpaid bills, rent, CERB taxes, and CERB debt, are adding to the financial burden of low/moderate-income Canadians. [Survey data](#) indicate that 66.2% of extremely vulnerable households were already drawing down their savings and 43.6% increasing their borrowing to meet everyday expenses by October 2020. Increased debt is problematic for Canadians with low incomes, who already [pay an average 31% of their income to service debts](#).

Despite these challenges, Canadians with low/moderate incomes are having trouble getting the financial help they need to weather this crisis and rebuild their financial health. Financial empowerment [pilot evaluations](#) and survey data<sup>3</sup> both confirm a need for community financial help services and a dearth of affordable alternatives for low/moderate income Canadians.

## Recommendations

To successfully restart our economy, we need to rebuild consumer confidence and demand across all income groups. We cannot afford to ignore the 40% of Canadians with low/moderate incomes who are falling further behind other Canadians. Instead, we must ensure they can access the financial products, services, and advice they need to rebuild their financial stability, security, and resilience against future financial shocks. Only then can they too fully contribute to, and participate in, Canada's economic recovery. To this end, we recommend that the Government of Canada:

### **1. Immediately establish and clearly communicate a CERB debt relief plan to eliminate/reduce the burden of CERB debt on low- and moderate-income Canadians.**

Approximately 400,000 Canadians received letters from CRA informing them they were likely ineligible for CERB payments they had received and urging them to repay these funds. Most recipients were low/moderate-income Canadians, many heavily reliant on social assistance, disability support or seniors' benefits, with little or no ability to repay the CERB payments they had received – in some cases up to \$19,000 dollars.

CERB enabled these recipients to safely meet their basic needs during a dangerous period when their costs increased and they were cut off from many of the community supports they relied on to help make ends meet. For the first time in some cases, they no longer had to choose between buying food, paying rent, or meeting their health needs. To learn they now owe the federal government thousands of dollars is a cruel blow that is causing enormous stress to already vulnerable individuals.

Nothing can be gained economically by driving poor Canadians, and those on the brink of poverty, into crisis, deeper destitution, and despair, and it would be morally abhorrent to Canadians who overwhelmingly supported pandemic assistance to those in need. Continued silence on this issue is also not an option. The weight of even a potential debt this size is a daily threat to vulnerable Canadians' peace of mind and mental health and is causing them to make choices – such as not tax filing – that further undermine their financial stability and health.

Instead, we urge the government to implement a graduated relief program whereby CERB debt would be forgiven entirely for anyone earning \$25,000 or less and repayment amounts would be graduated for those earning between \$25,000 and \$50,000, with the maximum repayment amount capped at \$5,000 for those earning between \$45,000 and \$50,000. CERB debt for

those earning over \$50,000 could be similarly graduated and capped. The repayment period for all CERB debt should be 5 years and interest free to further minimize the risk of hardship.

To stem the real threat of more financial and mental health crises, the government should immediately announce that it will not be seeking CERB repayment from social assistance, disability support, and GIS recipients and that a more comprehensive forgiveness and relief policy will be announced shortly.

**2. Establish national targets for improved household financial health and effective data collection and monitoring to measure and report annually on our progress.**

Canada’s new National Financial Literacy Strategy, *Make Change That Counts*, sets out a bold vision and plan for building the financial resilience of Canadians. We believe this strategy can be strengthened, and progress accelerated, by setting national targets, measuring, and publicly reporting our progress on key elements of the strategy that directly address Canadians’ financial pressures and needs today, as well as the longer term challenges they have been experiencing – namely their ability to manage their expenses, debt, and saving (for emergencies and longer term goals) and their access to affordable, quality, financial help.

For example, [The UK Strategy for Financial Wellbeing 2020–2030](#) includes five measurable targets (Table 1) that are tracked and reported annually and used to mobilize stakeholders from all sectors in coordinated efforts to achieve them.

Table 1 National targets, *The UK Strategy for Financial Wellbeing 2020–2030*

| Financial Foundations  | Nation of Savers  | Credit Counts   | Better Debt Advice   | Future Focus  |
|--|---|---|--|---|
| <p><b>2m more</b> ↑</p> <p>children and young people getting a meaningful financial education.</p> | <p><b>2m more</b> ↑</p> <p>working-age 'struggling' and 'squeezed' people saving regularly.</p> | <p><b>2m fewer</b> ↓</p> <p>people often using credit for food and bills.</p> | <p><b>2m more</b> ↑</p> <p>people accessing debt advice.</p> | <p><b>5m more</b> ↑</p> <p>people understanding enough to plan for, and in, later life.</p> |

Each target outcome in Canada should have a clear population level measure that is supported by nationally collected monitoring data that is comprehensive enough to permit analysis of disparities by geography, income, gender, age, and ethno-cultural community. This will help to identify where additional actions and tailored strategies are needed to address systemic barriers and achieve equitable outcomes across populations.

To inspire collective action to advance the strategy, the government should seek to align its targets with those of relevant federal departments and key external stakeholders, to foster synergies and leverage existing, relevant, national data collection efforts where possible.

### 3. Explore options for sustained federal investment in regional community financial help services to advance the goals of Canada's national financial literacy strategy.

Low- and moderate-income Canadians have few places they can turn for financial help when problems hit and/or when they need help to build effective action plans to achieve their goals. Free information and advice is often irrelevant or inappropriate to their needs, and there is no financial incentive for financial sector businesses to provide tailored quality services to Canadians with few resources.

To help address this gap, ESDC funded the *National Financial Empowerment Champions Project* to pilot the delivery of tailored financial help services by trained non-profit community organizations experienced in working with people with low incomes. In 5 years, with parallel investment by the Ontario government and philanthropic partners, Prosper Canada and 14 community Financial Empowerment Champion organizations were able to help 464,000+ Canadians with low-incomes to build their financial capability and health and access \$794+ million in new income – providing 245,458 people with one-on-one financial coaching and tax filing support and 207,273 with financial education, training 11,366 new financial educators and coaches, opening 8,120 RESPs and 977 bank accounts and helping 7,952 individuals to set up direct deposit.

These services directly reduced poverty, helped households to stabilize financially, built participants' financial knowledge and skills, and helped them to achieve important financial outcomes. With the end of the pilot, however, these and other community financial help services continue to lack stable funding and are also not available in many regions.

ESDC's recent [RFP - Financial Empowerment for Low-Income People](#) was warmly welcomed by community financial help providers as a means to help sustain existing services over the next 4 years. It is not a solution, however, to the persistent structural gap in the marketplace when it comes to accessible, quality financial help for people with low/moderate incomes – a gap clearly identified in Canada's new financial literacy strategy.

To address this issue, we need to emulate the UK government's strategy, referenced above, that explicitly addresses and funds expanded access to financial help services, recognizing that this is a critical pre-condition to achieving its national financial wellbeing goals.

We strongly encourage the Government of Canada to explore different options for investing in community financial help services that can measurably advance the goals of its own strategy. Options could include:

- Through Finance Canada, establishing legislative authority and supporting financing for a grants and contribution program delivered by the Financial Consumer Agency of Canada.
- Negotiating a partnership with regulated financial institutions to mobilize investment in community financial help services that advance Canada's *Make Change That Counts* strategy.

- Working with relevant federal departments to leverage their grants and contribution programs to fund strategic initiatives/projects to expand access to affordable financial help services – e.g., building these into newcomer settlement services, Indigenous services, and Canada’s Homelessness Strategy

With federal investment to establish community financial help hubs in every region, financial empowerment champions can leverage provincial, municipal and philanthropic funding to expand these services and, over time, [build them into larger scale provincial and municipal public services for greater sustainability](#) and reach. This scaling strategy has been pursued with great [success in the U.S.](#) and Prosper Canada’s ability to raise \$18.54M against ESDC’s \$5.37M investment in the *National Financial Empowerment Champions Pilot*, and early successes building financial help into [Toronto](#) and [Edmonton](#) city services suggest that this goal is achievable.

## Conclusion

The financial impact of the pandemic will be long lasting and widespread for many vulnerable Canadians who no longer have jobs to return to, have spent down their savings and been forced to borrow to meet basic needs, and/or are still suffering the debilitating effects of contracting COVID-19.

While many middle- and higher-income Canadians have benefitted financially from the pandemic, it has inexorably pushed large numbers of low- and moderate-income Canadians closer to the financial brink.

Canada’s economic recovery cannot be bought at their expense – particularly as many low-wage Canadians are the same essential workers who risked their health to enable so many of us to shelter safely at home through the pandemic.

The actions and investments we are recommending are designed to keep this government’s promise to enable *all* Canadians to participate in an inclusive and equitable economic recovery while building the community infrastructure that will make us more resilient against future financial shocks.

We can build back better, with your help.

Thank you for the Finance Committee’s consideration of our recommendations and we welcome your questions and feedback.

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<sup>1</sup> Seymour Consulting, *Seymour Financial Resilience Index™ October 2020 Report*, Nov 26, 2020.  
<https://financialhealthindex.org/research-reports/>

<sup>2</sup> Reported by Prosper Canada community partners that deliver free tax clinics, with reduced volunteer numbers confirmed verbally by officials from the Canada Revenue Agency's *Community Volunteer Income Tax Program*.

<sup>3</sup> Seymour Consulting (2020)