

Improving Federal Emergency Economic Measures To Deal with Covid19

This note offers suggestions for design and communication improvements that will enhance the effectiveness of federal measures announced for households and individuals as of March 18, 2020.

Given the clear message from the Prime Minister, Deputy Prime Minister and Finance Minister that these measures were but the first step in the Government of Canada's rapidly evolving emergency response to the economic implications of Covid19, this note also offers suggestions for some next steps in the "what more could be done" sections connected to each set of measures.

Highlights include

- ***Income Supports: expedite payments and maximize reach by waiving eligibility requirements and simplifying application; flow funds through the fastest income transfer vehicle (CRA rather than EI); communicate, communicate, communicate (pp. 2-6)***
- ***Housing Supports: Use the April 1 trigger date for implementation of the National Housing Strategy to increase and front-end load federal assistance to individuals, community services and even hotels providing emergency shelter to the sick and under-housed. (pp. 7-8)***
- ***Debt-related supports: Minimize the unavoidable surge in indebtedness and high-cost credit by improving community access to tax-filing clinics and financial services; expand mechanisms and infrastructure for community-based low-cost credit; limit interest rates on payday loans (p. 9)***
- ***Non-Profit supports: Flow funds/grants immediately to the sector of the economy that will be doing the heavy lifting for the food and shelter needs of our most vulnerable neighbours; increase lines of access to low-cost credit; support and build on existing community-response infrastructure for financial advice and supports; help communicate the need to marshal volunteers, and provide health/safety/protective gear to community foot-soldiers. (p. 10)***

Our shared goal is to minimize risk and maximize speed and effectiveness of the actions Canadians are taking today, as individuals, and collectively through our communities and governments.

These observations and suggestions come from exchanges March 19-20 among a group of policy experts including:

Armine Yalnizyan, Jennifer Robson, John Stapleton, Laurell Ritchie, Michael Mendelson, David MacDonald, Sunil Johal, Elizabeth MacIsaac, Liz Mulholland, Garima Talwar Kapoor, Andrew Jackson, Colette Murphy, Pedro Barata, and John Myles.

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Improving Federal Emergency Economic Measures To Deal with Covid19

The Covid19 virus has challenged governments and societies everywhere with a health crisis wrapped in an economic crisis. Even with successful mitigation efforts through public health measures, hundreds of thousands, perhaps millions of Canadians will get sick. Millions more will lose their incomes because Job 1 - limiting contagion -- is to STAY HOME, causing both production and demand to drop precipitously. Income support is the first order of business in the federal response, but not the only response, and we are grateful that a thorough and rapid suite of federal response promises to establish a common floor for all Canadians across the country as quickly as possible.

We thank the remarkable efforts the Government of Canada has made, through our elected officials and through our public servants, in the early days of this public health emergency. We all agree there is more to be done, and fast. The following summary of the first (as of March 18) steps taken by the Government of Canada to help individuals and households includes some observations about the **current problems with these measures, how to improve their effectiveness, and what more can be done at the federal level.** Thus far -- in addition to supports for businesses, which largely we do not address -- measures have been for households and individuals in four program areas:

- Income Supports (Work Related Earnings and Non-work Related Income)
- Housing Related Supports (page 6)
- Debt Related Supports (page 8)
- Non-Profit Service Supports (page 9)

The following notes are a compilation of observations by experts who work at the coal face of support systems for Canadians, and are offered in the spirit of helping the Government of Canada undertake next steps, quickly and effectively, to minimize those impacts of the Covid19 virus over which we have control.

I. Income Supports

A. For work-related loss of income through job loss/fewer hours of paid work

New measures announced, in addition to a surge in regular EI benefits, include:

- Emergency Care Benefit (through CRA) (\$10B)
- Emergency Support Benefit for those not EI eligible (through EI? Through CRA) (\$5B)
- Worksharing (through EI) (\$5M)
- 10% wage subsidy (through CRA?) (\$3.8B)

Problems with announced measures, and what more can be done:

i. Definitions

- The public health goal is to have people STAY HOME. Most of the programs deal with the impact of staying home, for those who can; but wage subsidies encourage the continuance of time spent in the workplace. Is the "wage subsidy" program actually a wage supplement program for those who have lost hours or jobs?

- As of the time of writing, March 20, the EI intake systems were already overwhelmed by an unprecedented surge in demand of half a million new claims in the past few days. People from coast to coast, in large and small communities, were starting to panic because they could see how much income they were losing, but didn't know how much income support they were eligible for, and when it would start. Greater clarity about eligibility and how to apply requires more crisp definition of the rules (fewer rules are better) and a deluge of communication (through daily government advisories, ads, provincial/territorial (P/T) and municipal government amplification, and community agencies)

- For example, the new Emergency Care Benefit (ECB) authorized a simple attestation, like the current practice on EI sickness claims during the crisis. The government is basically taking your word that you, or someone you care for or work with is sick. Comms could better clarify that the ECB is also payable for claims to care for someone else who is ill or a dependent child who is at home because of school closures, due to Covid19. We've got your back, is the message. Of course the system will be gamed, but that's not the concern right now.

- The Emergency Support Benefit seems to still be a work in progress. There is a strong argument to define this program in such a way that waives all conditions during the crisis (sick notes, Record of Employment (RoE), job search requirements), reducing eligibility criteria. You could design and define this program to be a general income support for any worker who has lost hours or work or jobs, irrespective of qualifying hours so that workers with short hours and/or temporary/precarious employment find support.

ii. Triggers for income support

- Record of Employment (RoE) is needed for EI. CCB and GST is based on last year's tax return. ECB seems to require neither, but we haven't yet seen the application form. ESB could be accessed through a simple most pre-filled online form, requiring no doctor's note, no RoE, no tax record, just a social insurance number.

- Tax returns will be with respect to incomes in 2018 as income tax filing for 2019 has now been deferred. You'll need to deal with situations in which people's incomes have fallen significantly since 2018.

- You may want to grandfather claims, as long as someone has filed at least once in the last 3 years (2017, 2018, 2019, because some people may have already filed)

- You will need to find a way to support community tax clinics if you rely on tax returns to assess income needs

- If you end up with a system of income support that requires either RoE or tax returns to claim, you will need to tell people who have neither they will not get access to income supports. Even if the only ID required to be eligible is a social insurance number, some residents may not qualify. You should announce that you are taking steps (and take them, with provinces, territories and possibly also with municipalities) to support individuals and non-profit agencies who work with low income individuals and people who would fall in this group (social assistance recipients, undocumented workers, homeless, illiterate)

- Regular EI benefits come with the requirement for job search, but a) the goal is to ensure people stay home and b) the precipitous drop in demand will mean this is a meaningless requirement. Waive this condition, and announce it frequently

- Some benefits awarded before the crisis will expire soon. Consider extending claims by some uniform minimum (14 weeks? More?) for people who would otherwise exhaust regular benefits. Make sure this is announced.

- Seasonal workers in agriculture, fishing and instructors/supply teachers in education may be unable to trigger regular benefits as their "season" was interrupted by Covid19 closures. This may also affect benefits later in the year. The Emergency Support Benefit, which is not yet clearly defined, should be designed to reach such workers; and provisions will have to be considered in the coming weeks for seasonal workers whose "season" is disrupted by the Covid19 virus.

iii. Application processes

- You need more capacity/staffing on dedicated 1-800 Hotlines, which will be critical in the coming weeks. As you know, there are many examples of employers and workers on hold for hours. According to a call with the EI Workers' Commissioner and ESDC on March 20, the call volume is unprecedented and unmanageable with existing resources, even if more people are reallocated within the department and trained. This could mean you prepare an MOU with another department that has an existing call centre infrastructure and staff, like Veterans Affairs.

- The programs described thus far are access through EI or through CRA. You could simplify this by creating a website COVID19.gc.ca with one button for income support. You answer a few questions and it directs you to the right place, CRA or EI.

- If CRA is a faster route to transferring money, move more money through CRA, not EI. This would seem to apply to the ECB and the ESB. This is not the time to worry now about whether the funding comes from general revenues or the EI fund. Speed and simplicity are the only criteria.

- Access to the application process is always most difficult for most vulnerable (no cell phone, land line, computer). Where there is a [Financial Empowerment network](#), point to them (in 14 communities) in your communications, and use this moment to increase the number of such networks (peer to peer training). Work with P/Ts and/or municipalities to designate reopening of some libraries and community centres and/or post offices and/or banks to function as community hubs where people can get help. Marshall and train volunteers (with appropriate safety/health protocols) to work in these networks and centres to help guide people to access the money to which they are entitled, perhaps setting up a community infrastructure now that could be used later for more testing and health-related initiatives

- Plaster news outlets with public announcements instructing employers how to code applications (with the code COVID?). Many employers are confused, trying to get through and giving up on phone lines that have 3 hour waits. You can't invest too much in high-functioning dedicated 1-800 numbers. If you simplify the requirements for application, and advertise that broadly, you will reduce the surge in calls.

iv. Timing

- It appears there will be quicker access to income supports flowing from Emergency Care Benefit, through CRA. There is some concern on how you will take precautions so that CRA website doesn't crash when it opens.

- Speed access to EI-funded benefits by pre-coding all applications with the code COVID, to maximize the automated processes that speed delivery of money, and minimize the manual handling of applications.

- Speed access to any form of EI by waiving the requirement for a record of employment right now. The more requirements you waive, the faster the money can flow; and given current wait and processing times, you can't get it moving fast enough.

- Reduce the need for application processes altogether is another way Service Canada and the CRA can assist. CRA can expand "File my return" to include more low income residents and send refunds to them without their having to apply. According to T5 file data, this would provide 5.3% of Canadians with augmented refundable credits. Another option to consider: partial auto-filing, based on past tax returns, providing people an option on how to complete and edit.

- Repeat messages of how to apply in daily briefings and through ads. People are eating up "news you can use" and information about stabilizing household incomes is key.

v. Amount

- At \$450 a week, ECB will provide more income replacement for some, and less for others who are eligible for maximum insured benefits through EI (\$573 a week).

- The language in the backgrounder says you are offering a "flat-payment of \$450 a week" "up to \$900 every two weeks". This has created confusion as to whether the ECB is a flat amount or pro-rated as per EI (55% of insurable earnings). Clarity would be appreciated. We have assumed the ECB is a flat benefit and that the ESB would follow suit, because of how benefits were paid out during SARS. The special coverage for health care workers provided full time workers \$400/week, and part time, self-employed and those not EI-eligible received \$200/week if they were unable to work because of SARS.

- If the ESB is not a flat benefit of \$450, create a basic benefit/floor (no less than \$300 a week) and higher income replacement rates for low-income workers to ensure they aren't looking to supplement 55% of earnings with paid work that leads them to seek additional income, exposing themselves and others. Extend the same rules to those low-paid workers who are eligible for EI. No minimum wage worker can make ends meet on 55% of earnings, and many paid significantly more than minimum wage are living from paycheque to paycheque already.

vi. Reach

- Eligibility thresholds for EI remain a huge barrier. Even before the crisis, only 39% of the unemployed accessed the regular benefits. Currently most people in big cities (where the most cases will be) have to meet 700 hour threshold rule, and it will be like that for months because the thresholds are based on a 3 month rolling average).
- Change entry threshold to 360 hours (or lowest current hours in the system, 420 hours) to maximize the reach of EI.
- ECB will be available to more people, quicker, than EI. \$450/week may be acceptable to some who can't wait. For those who can wait, regular EI benefits may minimize their income loss (to 55% of maximum insurable earnings).
- The ESB is likely to become much more important than the ECB. Millions of people who are not EI eligible will lose income through layoff or lost hours of paid work even if they are not sick, not caring for the sick, or caring for kids whose schools are shut. There are roughly 2 million own-account self-employed (they have no paid staff), 2 million employees who are temporary (almost 1/3 of all jobs held by those under 25 are temporary), and the combined workforce of the sectors on the front lines of the impact (retail, education, recreation, and accommodation/food) is over 6 million people, many of whom work at low wages. If the ECB is a more efficient mechanism, use that for both sick workers and for those displaced due to the virus. Make it easy for people to access. You will need to create community hubs (libraries, post-offices, non-profit agencies) where people can get in person help, since many vulnerable workers have language/literacy issues, or can't navigate online tools without help.

Loss of hours versus loss of job

- **Worksharing** is the primary vehicle but won't do the job, especially with the website stating "allow minimum 30 days to process", and the requirement for a "getting back to normal" plan. This program will need to waive the requirement for a recovery plan, and reduce turnaround to a few days (current plans to reduce turnaround from 30 to 10 days may need to be further reduced to 5 days, i.e. one week). This can be facilitating by producing a partially filled template so that employers just need to apply with the COVID code to share whatever available workhours there are. Note: workers must qualify for EI to be able to take advantage of Work Sharing - so we are back full circle to waiving EI hours requirements.
- The **10% wage subsidy** for businesses and non-profits are another way to support workers who see reduced, but continued demand. These are viewed as insufficient by the small business community; not accessible to medium sized businesses because of the \$25,000 cap; and largely irrelevant to non-profit agencies. Some experts wonder how the 10%¹ share was chosen; others worry that the only employers who can use such a subsidy are the businesses who don't need it. In any case there is a mixed meta-message with this measure: the public health imperative is for people to stay home. A wage subsidy normally encourages production to continue. What is the goal - a wage subsidy to encourage continued production for essential work? Or a wage replacement for those who lose hours of work? With a \$3.8 billion price tag, the opportunity cost is very high, as is the mixed message. Clarity of purpose is key.
- As of March 20, we don't know what the **Emergency Support Benefit** is, but know it will apply to loss of hours of paid work, not just loss of paid work for non-EI eligible workers. For low-income and contingent workers this benefit should have a clear floor (\$450 a week?) and/or 80% replacement rate of wages, as is being done in Scandinavian countries. See footnote.

¹ On March 20, the United Kingdom announced an 80% wage "subsidy" which is actually a wage replacement for those who lose their jobs. That brings the list of nations who offer 70% or more to 8: Luxembourg, UK, Denmark, Norway, Sweden, Spain, Germany, Poland. [New Zealand](#) is taking the ECB/SARS route, with a generous flat benefit of \$585.80/week for employees with 20 hours or more and \$350/week for those with less than 20 hours a week. It is available to self-employed as well.

B. Income supports not related to earned income losses

New Measures announced include:

- Child Care Benefit (CCB) - one time enhancement of \$300 per child for families with children under 18, with May cheque; average family will receive \$550 (\$1.9B)
- GST credit – one time enhancement of for all who are currently eligible, with May cheque, average \$400 per indiv, \$600 per couple (\$5.5B)
- Deferred student loan repayment – for next 6 months, no interest on repayment of Canada Student Loans for all who are currently paying. (\$190M)

What More Could Be Done?

- o Speed these payments up. The next CCB is April 20, add \$300 to all payments then.
- o Work with P/Ts to prevent cancellation of social assistance entirely due to delay/stoppage of reporting income.
- o Work with P/Ts to develop and agree to a temporary over-ride to insure any federal support isn't automatically clawed back from provincial social assistance payments.
- o Urge P/Ts to suspend holds on cheques from their own social assistance systems.
- o To avoid a massive increase in welfare cancellations, EI exhaustions, last payments of worker's compensation, veterans allowances and private insurance, devise a mechanism in a range of systems that automatically reinstates benefits/claims/payment for at least two months, no questions asked.

C. Increasing disposable income

New measures announced include:

- Deferring filing until June 1, defer payment of any taxes owed until after August 31, 2020. (\$55B impact, but short term)

What More Could Be Done?

- o Use federal voice, convening power and communications to help equip cities to tell their residents what is available locally, provincially and nationally, i.e. what is being done right now to help people.
- o Provide shareable and embeddable content for city and provincial/territorial websites and content that front line staff can use. Don't worry about branding common look and feel for federal initiatives.
- o If there are any federal public servants left, create a record of what P/T/munis are doing to put more dollars in people's pockets right now, by deferring property taxes, payment of utilities, free transit.... This repository of information becomes a base from which you can showcase initiatives and replicate them because they're great ideas.

II. Housing Supports

Housing costs take the biggest bite out of everyone's budget, rich and poor alike. Since so many people will be losing income, we must ensure a health crisis that is entwined with an economic crisis doesn't morph into a housing crisis. The immediate goal should be to provide emergency rent relief for the most vulnerable households, but this isn't highlighted in the plan, announced March 18. How does the plan help people STAY HOME?

New measures announced include:

i. For mortgage holders

New measures announced include:

- Up to 6 months deferred payment, depending on the case and the banking institution (this is not a cost to the public purse)
- While this helps many small landlords, it does not help landlords who are NOT mortgage holders, but depend on the income from rent. It is unclear if BDC's low-cost credit programs reach this group. If so, publicize. If not, amplify BDC's reach.

What more could be done?

- o There are also many non-bank holders of mortgage debt. If mortgage payments are deferred, who covers their losses and ensures that they do not default in turn? To avoid a cascade of defaults, the central bank should consider back-up for non-bank lenders too.

ii. For renters

New measures announced:

Basically **nothing** has been announced yet specifically for renters, but the National Housing Strategy -- of which the Canada Housing Benefit is a crucial element -- kicks in on April 1, at least in some jurisdictions

Across the country there are numerous, locally-based vehicles to provide this kind of support (eg rent banks) as well as broader approaches such as provincial housing benefits targeting vulnerable households.

Mobilizing these various efforts through the Canada Housing Benefit is one way to engage provincial and territorial partners in identifying and achieving a rapid response via existing mechanisms and ensuring that the response is tied to broader housing initiatives.

What could be done?

- o Currently the Canada Housing Benefit will provide \$4B over 10 years, but these funds are back-end loaded
- o Not all provinces/territories have signed agreements, but all have been negotiating with feds all year; they each know what they want to do with their share of the 50 cent dollar program (matched funding)
- o The Government of Canada could place a priority on speeding up these bilateral deals, and sweeten the pot to speed the pace by announcing a doubling of funding for the CHB, which would be front-end loaded, or more (waive the amount cost-shared by the P/T in some cases, for example for Newfoundland and Labrador, which is on the verge of bankruptcy). The goal is to make the money available to let the jurisdiction take it up as fast as they can absorb it and implement it in ways they've deemed the best in their region.
- o Additional fed contributions could be (also/instead) earmarked to support a low income rent supplement for COVID9.

- The Government could capitalize rent banks in communities where they exist and use this expertise to start new ones where they don't (facilitate national peer to peer training) as a stop gap until the NHB comes fully online. Part of the Social Innovation Social Finance fund could be allocated to this purpose.
- Much of the protections and rules for renters can't occur through federal authority and jurisdiction (unless and until the Emergencies Act is triggered). Consequently daily federal briefings should showcase best practices in what P/T/munis are doing, to encourage more uniformity of response, for example: stopping evictions, creating rent banks, other that is specifically housing related? Indirect, but helpful sub-national initiatives that extend disposable income: deferring payments for property taxes, utilities, offering free transit, other?

iii. For emergency housing

New measures announced include:

- Double the funding for Reaching Home homelessness reduction program (\$157.5M)
- Increasing funding for shelters for women and children fleeing violence (\$50M)

What more could be done?

- Expanded supports for the Not For Profit (NFP) sector constructing more affordable housing, cooperatives, shelters, and emergency housing services, and funding to reduce backlogs of maintenance on older stock of such housing.
- Purchasing hotel space (at discounted rates) to relieve congestion in hospitals in the coming months (move out "bed blockers" who have lower health care needs and do not need to be quarantined, but need care and have nowhere to move to; provide nursing and cleaning staff supplements for these patients, and free up hospital space for the surge of cases that will come in the next 3 months.
- Shelters are not accepting new admissions in Toronto, there are no more hot meals available for the homeless and there is noplac to go other than shopping malls during the day. Self-isolation is not possible for the homeless because they have no place to go. Consider a vast version of "Housing First" on a national scale – immediately rent thousands of single rooms.

iv. For Indigenous Communities

New measures announced include:

\$305M, their call how they use it, and most may not be used for housing purposes

What more could be done:

How this file is managed will be important but this group's initial exchanges did not include specific recommendations or suggestions.

III. Reduce Debt Pressures

Canadian households were already the second most indebted nation in the world before Covid19 struck. With a major hit to incomes, but no shift in fixed costs, fast action needs to be taken to deal with an anticipated, and unmanageable spike in household debt that cascades into a swell of insolvencies and mass displacement from existing housing arrangements.

New measures announced include:

- Waived interest on repayment of Canada Student Loans for the next six months, for those who are currently paying.
- Arranged for major chartered banks to defer mortgage payments up to six months, depending on the client and the bank

What more could be done:

- o Pay as many people as possible through direct deposit.
- o As an alternative to paper cheques and direct deposit for the unbanked, consider pre-loaded debit card (Toronto uses this to pay social assistance when clients don't have a bank account.)
- o Introduce lower caps on interest rates that payday lenders can charge.
- o Work with Transunion and Equifax and announce private-sector led moratorium on credit rating impairment for people failing to make minimum credit card, loan, lease and bill payments
- o Showcase examples of ways P/T/munis (no evictions, defer property tax/utility payments, free transit, what libraries are making accessible, what post offices/postal workers are doing) and private sector (ex telecoms not charging overages for data use on home internet plans) are reducing the pressure to immediately pay
- o Since the emergency income supports will be delayed in getting into our pockets, it is as important to reduce pressure to pay as providing more money to pay. Draw attention to the bad apple examples who aren't calling off the dogs/cutting people slack.

IV. Support the Non-Profit Sector

New measures announced include:

- a 10% wage subsidy
- additional funding for emergency shelters

What more could be done:

- o Provide more money to support housing and food initiatives, through the P/Ts or directly
- o Increase access to credit, since non-profit agencies will be called on to do more, but will be losing revenues from fee for service at the same time having less access to credit through the banking system than even small businesses. Though notionally non-profit are able to apply for low-cost credit from BDC, that agency has no track record with the voluntary sector. You could consider using the Social Innovation Social Finance Fund as an emergency source of low-cost credit, with a change to the Treasury Board terms and conditions, since ESDC has a long track record of funding NGOs
- o Of immediate concern are the thousands of Community Volunteer Income Tax Preparation provider who have had to stop work in the middle of the peak of the tax-filing season. The federal government should consider repurposing the SISF to support agencies that host these services.
- o Support the NFP sector with literally footsoldiers from the armed forces, delivering food, emergency supplies where needed to the vulnerable at home (for ex, Meals on Wheels has been cancelled). These forces would be trained and provided protective gear. A reserve army of volunteers could be marshalled. To trigger this possibility, as per the constitution, local mayors or premiers would have to make a formal request for Aid to Civil Power. F/P/T tables and meetings with the Federation of Canadian Municipalities could discuss the merits of such an initiative.

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