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Snapshot of Households That
Received the Canada Emergency
Response Benefit and Paths
for Further Investigation

Series: Survey of Household Finances
in a Time of Pandemic
– Part 2

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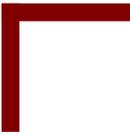
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PERSPECTIVES / INSIGHTS



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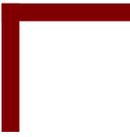
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Background

At the beginning of the pandemic many households hit a wall. In Quebec, over 21 per cent of them experienced job loss.¹ To deal with this situation the Government of Canada reacted rapidly by setting up an emergency fund (the Canada Emergency Response Benefit) that had to be delivered on very short notice. We learned from conversations with government sources that the employment insurance program would have been unable to

¹ For an overview of the impacts of the pandemic on personal finances, the reader is encouraged to consult the first of our series of Notes on the survey: <http://cirano.qc.ca/en/summaries/2020PE-25>.



handle this volume of demand in such a short time. Targeted tax measures would have been difficult to implement because, with few exceptions, the tax system is based on an information cycle that is annual, not monthly or even weekly. It would have been challenging to implement more complicated income- or asset-based criteria including claw-back provisions, etc. This gave rise to a program that issued cheques to over eight million Canadians who applied under very flexible conditions.

As we enter the recovery phase we perceive a need to better understand the impact this assistance has had on households. To that end, we have chosen to sketch an overview of CERB recipient households by incorporating several questions to into the Survey of Household Finances in a Time of Pandemic, jointly conducted by the Retirement and Savings Institute, the Research Chair in Intergenerational Economics, and CIRANO.

Survey Methodology

We begin by reviewing the methodology used to collect the responses presented in this article. An online survey was conducted on a random (but nonprobabilistic) sample of 3009 Quebec respondents between 25 and 64 years of age using Delvinia's [Asking Canadians](#) Web Panel. It ran from May 8 to May 20, 2020. The results were adjusted with weights generated from Statistics Canada's 2016 Census.² Using variables for employment, income, and expenditures, the survey compares data on personal finances in three different periods:

1. The year 2019, "pre-pandemic," serves as the benchmark.
2. April 2020 provides a measure of the situation "during the pandemic".
3. The rest of 2020 is about the respondents' expectations.

In this Note we focus on comparing the profiles of respondents who declare having received CERB with those who did not (excluding retirees).

What is the profile of CERB recipients?

In Table 1, we present some statistics on CERB beneficiaries who were identified by the survey (15.3 per cent of the total, 16.7 per cent of non-retirees) as well as on non-recipients (excluding retirees). Noteworthy differences include:

- CERB applicants were much more likely (71.6 per cent) than non-applicants (19.7 per cent) to declare themselves laid off or looking for work in April 2020.

² Overall, the representativeness of the survey respondents in terms of sociodemographic characteristics is sound. Furthermore, it is also representative in financial terms. For example, average employment income in 2019 is \$51 691 in our survey, compared with \$51 825 in the 2016 Census. The average number of hours of work for April 2020 is 22.24 in the survey, versus 17.3 in Statistics Canada's Labour Force Survey. Our survey found average RRSP savings to be \$70 805, while the value in Statistics Canada's 2016 Survey of Financial Security is \$67 380.

- Applicants had suffered a much more severe loss of monthly employment income (–\$1 330) than non-applicants (–\$254).
- While the average financial savings of respondent households that did not apply for CERB were higher (\$104 600), the savings of applicant households were not negligible (averaging \$69 850). The ratio of these amounts (not shown) mirrors that of values specifically held in RRSPs—which comprise a large share of those savings. We observe that the proportion of households with an RRSP is similar in both groups (difference not statistically significant).
- The savings of CERB recipient households were mostly concentrated in RRSPs and TFSAs, suggesting that they had little in the way of rainy day savings.
- Moreover, CERB applicants were more likely to have worked in manufacturing, retail and wholesale trades, arts and leisure, hospitality, real estate, and transportation in 2019. They were less likely to be from administration and public services, finance and insurance, professional services, education, and health.

Table 1: Who is receiving CERB?

	CERB applicants (N=423)	CERB non- applicants (N=2245)
Respondents: proportion women	48.1	50
Respondents: average age	43	43.2
Respondents: proportion married or common-law (%)	59.2	59.6
Respondents self-declared laid off or seeking work in April 2020 (%)	71.6 **	19.7
Hours worked in a typical week in 2019	36.3 **	34.3
Monthly earnings in 2019	\$3 722 **	\$4 594
Decline in monthly employment income in April 2020	\$(1 330) **	\$(254)
Value of household's real estate holdings end of 2019	\$177 969 *	\$199 751
Value of household's financial savings end of 2019 (excluding pension plans)	\$69 850 **	\$104 558
Household's mortgage(s)	\$65 467 *	\$75 220
Household's non-mortgage debt	\$7 713	\$6 686
Proportion of respondents' households owning an RRSP end of 2019 (%)	57.1	59.6
Household's RRSP balance end of 2019	\$40 061 **	\$55 323
Household's TFSA balance end of 2019	\$8 216 **	\$12 365
Balance of household's other registered savings instruments end of 2019	\$3 795 **	\$6 147
Balance of household's non-registered savings instruments end of 2019	\$12 197 **	\$20 880

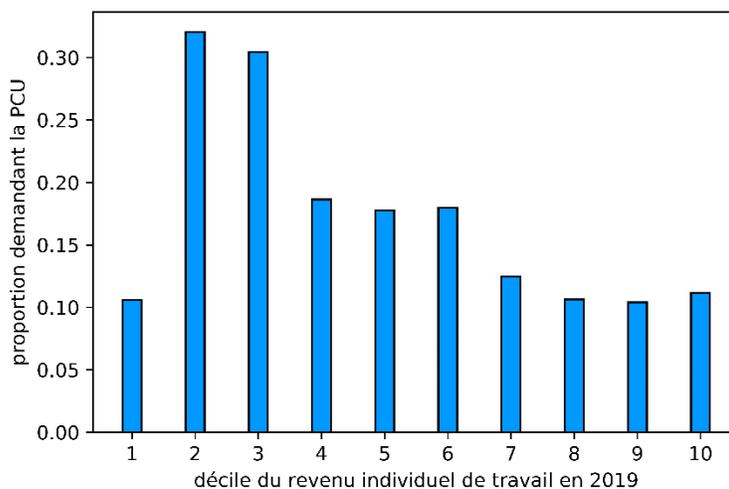
Source: RSI-CREEI-CIRANO Web survey conducted from May 8 to May 20 using the AskingCanadians panel. N=3009; in order to render the survey representative of the population of Quebecers aged 25 to 64, statistical weights were constructed based on the 2016 Census and applied to the raw data.

In terms of income, who benefited from CERB?

Table 1 reveals that the 2019 income of CERB beneficiaries was lower than that of non-beneficiaries on average. Figure 1 shows the breakdown of respondents having applied for CERB by their 2019 employment income decile. It must be borne in mind that one of the conditions for receiving CERB is to have had more than \$5 000 in income in the previous year (in 2019 or in the last 12 months). We note that only a little more than 10 per cent of respondents in the first decile declared having received CERB. If we ignore this first decile, we observe that CERB was primarily claimed by individuals with the lowest employment income. More than one-third of workers in the second decile of 2019 employment income declared receiving CERB in May. Among those in the second decile who lost their jobs in April, this proportion is 49.4 per cent. Thus, CERB was a big help to this group. The second notable observation in Figure 1 is that over 10 per cent of respondents at the top of the distribution of individual employment income received CERB.

Among those in the second decile who lost their jobs in April, this proportion is 49.4 per cent. Thus, CERB was a big help to this group.

Figure 1: Proportion of respondents having applied for CERB at the time of the survey, by employment income decile in 2019



Source: RSI-RCIE-CIRANO Web Survey conducted from May 8 to May 20 using the panel Asking Canadians? N=3009; in order to render the survey representative of the population of Quebecers aged 25 to 64, statistical weights based on the 2016 Census were applied to the raw data.

Note: the construction of income deciles excludes respondents who declared themselves "mostly retired" in 2019. However, it does include non-retired individuals who declared employment income of \$0 in 2019. They make up over one-half of the first decile.

Could households that received CERB have used other sources to compensate for lost income?

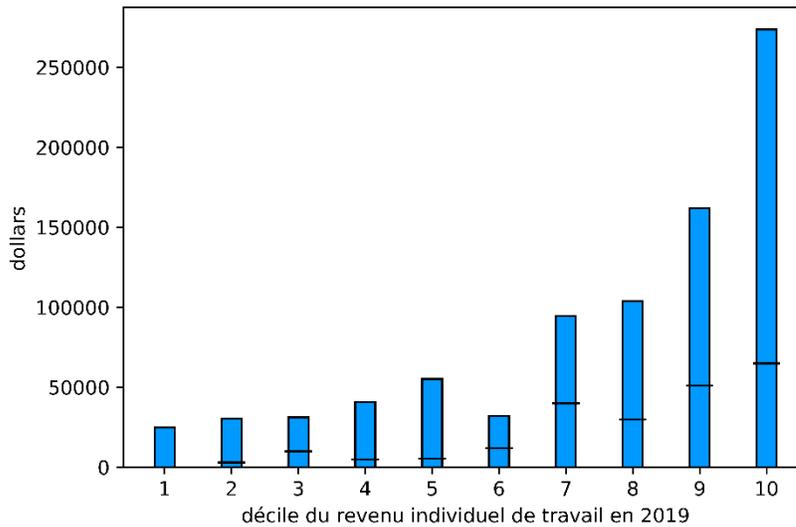
In Figure 2, we present the average stock of financial savings (RRSPs, TFSAs, other savings accounts) of respondent CERB beneficiaries by income decile. It is striking how substantial the savings of some households that received CERB are, especially those among the upper deciles of employment income. Median savings levels are much lower, suggesting the existence of a cluster at the top with deep reserves.

The point of this exercise is to see who, among our respondents, would have been able to finance an amount equivalent to CERB over four months (i.e. \$8 000) from their savings. Since CERB, like an RRSP withdrawal, is taxable, we did not make any adjustments to account for taxes. The share of individuals with over \$8 000 in available savings (before deductions) is 54.6 per cent overall, 42.3 per cent in the bottom five deciles, and 76% in the top five deciles.³ Of course, this analysis does not tell us whether it would have been desirable for all these individuals to finance their consumption expenditures from private savings, but it does provide a sense of households' scope for action in the absence of CERB.

The share of individuals with over \$8 000 in available savings (before deductions) is 54.6 per cent overall, 42.3 per cent in the bottom five deciles, and 76% in the top five deciles.

³ We could have subtracted payroll deductions, which would have changed the disposable income available for financing expenditures during the pandemic (job loss). Since the relevant amount is \$8 000, the federal source deduction (for Quebecers) is 10 per cent³ while the Government of Quebec's rate is 15%. Thus, we could have adjusted RRSP balances as at April 2019 for these deductions. If we did, the proportion whose savings would be sufficient to cover \$8 000 would be 51.4 per cent instead of 54.6%.

Figure 2: Financial savings among those receiving CERB



Source: RSI-RCIE-CIRANO Web Survey conducted from May 8 to May 20 using the panel Asking Canadians? N=3009; in order to render the survey representative of the population of Quebecers aged 25 to 64, statistical weights based on the 2016 Census were applied to the raw data.

Note: the construction of income deciles excludes respondents who declared themselves “mainly retired” in 2019. However, it does include non-retired individuals who declared employment income of \$0 in 2019. They make up over one-half of the first decile. The median is represented with a line across each bar.

dollars	dollars
décile du revenu individuel de travail en 2019	individual employment income decile in 2019

Quebeckers’ intentions regarding tax-free RRSP withdrawals

We asked respondents with RRSPs how much they would take out in 2020 (in addition to amounts already withdrawn) if this withdrawal was tax exempt (to a maximum of \$10 000). Here is the wording of the question:

*If the government allowed you to withdraw up to \$10 000 tax-free and without any penalty from your RRSP, how much would you withdraw in 2020 **in addition** to any amount you may have withdrawn so far? Please indicate 0 if you would not withdraw any amount.*

Nearly 24.7 per cent of respondents with an RRSP entered a positive amount. The following table presents the share of respondents who have an RRSP, what proportion of them would make a withdrawal, and finally the average amount of the withdrawal. We disaggregated these statistics by age group. Overall, we observe that the share of respondents who would make a withdrawal increases with age. The average amount withdrawn would be roughly equivalent to CERB benefits paid to someone receiving them for 16 weeks (\$8 000).

Table 2: RRSP withdrawal intentions if tax-free in 2020 (maximum \$10 000)

Age group	% owning an RRSP	% that would make a tax-free withdrawal (from those owning an RRSP)	Average amount of withdrawal
25–39	53.7	18.9	\$7 249
40–54	60.6	24.9	\$8 328
55–64	68.4	35.1	\$8 893
Total	59.2	24.7	\$8 187

Source: RSI-RCIE-CIRANO Web Survey conducted from May 8 to May 20 using the panel Asking Canadians? N=3009; in order to render the survey representative of the population of Quebecers aged 25 to 64, statistical weights based on the 2016 Census were applied to the raw data.

Paths for future investigation

First, it is important to realize that the greatest demand for CERB was from the poorest households. Thus, even though it was conceived as a universal benefit (conditional on the eligibility criteria being satisfied), it mostly affected households with low employment incomes. It was, however, also granted to households with substantial savings, who would have been able to finance their own consumption during the period of economic turbulence. It is our opinion that it would be important to account for this should CERB be extended or replaced with a similar program. Our survey results reveal that tax-free RRSP withdrawals would be popular, with over 15 per cent of respondents saying they would take advantage of this provision (25 per cent of those having an RRSP). Thus, it could be of some interest to examine the possibility of encouraging households to dip into their private savings in the event of a second wave leading to shelter-in-place restrictions accompanied by more job losses.

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