

# COVID-19, Income Inequality and the Call for Philanthropy

In addition to the dire health consequences, the economic ripple effects of COVID-19 will have the most severe impact on the precariously employed and the unemployed. “It really struck me while writing Vital Signs last fall that one of the major things holding the system together in Toronto for the most vulnerable was low unemployment,” says Steve Ayer, lead researcher and author of Toronto’s Vital Signs Report.

## **Income inequality has risen sharply leaving many behind**

Looking at the October 2019 Vital Signs Report, on many indicators we saw incredible vulnerability in the Canadian population for those at the bottom of the income distribution. From 1980 to 2015, for those Toronto residents who were Canadian born, their income increased by 58%, according to data from a recent report by the United Way of Greater Toronto.<sup>1</sup> However, the same report found that over that same time period, newcomer income adjusting for inflation increased by only 1% and that young people had their income decrease by -1%. And over the last decade the cost of rent in Toronto increased by 80% (about \$10,000 in rental payments over the course of a full calendar year).<sup>2</sup>

Two ways Toronto residents have managed housing unaffordability has been increased debt and decreased unemployment. In 2018, the average Canadian household had debt that was 175% of their disposable income, up from 149% in 2008.<sup>3</sup> While this is a trend in many areas of the country, we in Toronto are far more indebted than the average Canadian household (debt that was 210% of after-tax family income).<sup>4</sup> Also, in Toronto those in the bottom 20% of income had twice as much debt to after-tax family income as the typical household in Toronto (420% versus 210%). A 2019 report by the international accounting and advisory firm BDO found that 53% of Canadians were living pay cheque to pay cheque, and 25% found their current level of debt overwhelming.<sup>5</sup> In short, those with the least income, the least savings, and the most debt will be most vulnerable.

One of the other main ways that Toronto residents, especially those with the lowest incomes, have been able cope with high debt levels is the very low unemployment rate. When more people have jobs, more families have two incomes, which makes it easier to cover rising costs. In 2018, the unemployment rate in Toronto was at the lowest level since 1990 at 6.4%.<sup>6</sup>

## **Huge risks to vulnerable workers in coming months**

Jobs in Canada are not equal. Canada has 3.4 million workers of its 19 million workers in just two sectors: accommodations and food services (6.4%) and retail trade (11.6%)<sup>7</sup>. These are two sectors we know have high employment precarity – meaning jobs that do not have a lot of security or benefits.

Just one third of workers in these two sectors losing their jobs could double the national unemployment rate. After Ohio closed all bars and restaurants among other initiatives to curb COVID-19, unemployment filings increased by 78,000 in 3 days, up from 3000 in the previous week. We have already seen restaurant traffic decline by more than half in Toronto by mid March,<sup>8</sup> and these trends are only likely to get worse. Jobs in these sectors are disproportionately held by those living in poverty, younger people, newcomers, and racialized populations.<sup>9</sup>

With few people going outside, restaurants closing, and many of the retail businesses too, how many of those workers are going to be unemployed? How many workers won't be able to afford their rent if they lose just one pay cheque? How many will have their entire life savings wiped out, even with new government programs to greatly expand eligibility for unemployment insurance?<sup>10</sup>

### **More support needed from all Canadians for charities**

The Canadian government has introduced sweeping bills to help remedy some of these challenges,<sup>11</sup> but they won't be enough without the broader support of Canadians and more government support to come.<sup>12</sup> It is critical to consider that unemployment benefits are typically far less than wages. And those at the bottom in precarious employment are at risk of being left behind.

As jobs are lost and savings run out, many will need to turn to the supports provided by charities for their immediate food, shelter and health (mental and physical) supports. During the last recession, donations to charities declined significantly. In 2009, charities (excluding hospitals and colleges) reported 5% less in tax-receipted donation revenue than in 2008 and other fundraising revenue declined even more.<sup>13</sup> If this pattern is repeated charities could lose more than \$2 billion in donations and fundraising revenue in 2020. Many charities also rely on running social enterprises that provide childcare, gym memberships, museum fees, conferences, and camps to pay their bills. If these are shut down for just several months, charities in Canada could easily lose another \$1 billion in much needed revenue.

Many charities are already operating with little reserves and have begun to see more and more people looking for services. Before the COVID-19 crisis, we already saw high levels of usage of food banks,<sup>14</sup> homeless shelters at full capacity in the city,<sup>15</sup> and it was taking years to get mental health counselling for youth.<sup>16</sup> Now, without more support from Canadians, many charities will run out of money and supplies, and will have to cut critical staff.

We need Canadians with resources to give more than ever because for the most vulnerable, the next few months will present unprecedented challenges.

*Special thanks to Vancity Community Investment Bank, sponsor of our Better Toronto Coalition webinars and first contributor to the Better Toronto Coalition Fund.*

- <sup>1</sup> Mihaela Dinca-Panaitescu et al., “Rebalancing the Opportunity Equation” (Toronto, 2019), [https://www.unitedwaygt.org/file/2019\\_OE\\_ExecSummary\\_FINAL.pdf](https://www.unitedwaygt.org/file/2019_OE_ExecSummary_FINAL.pdf).
- <sup>2</sup> This analysis is from Canada Mortgage and Housing Corporation. It blends data from custom data requests and publicly available documents.
- <sup>3</sup> Guy Gellatly and Elizabeth Richards, “Indebtedness and Wealth Among Canadian Households” Economic I, no 11-626-X No. 089 (2019), <https://www150.statcan.gc.ca/n1/pub/11-626-x/11-626-x2019003-eng.htm>.
- <sup>4</sup> Gellatly and Richards.
- <sup>5</sup> “BDO CANADA AFFORDABILITY INDEX 2019 - Affordability and debt challenges are keeping Canadians from getting ahead”, 2019, <https://debtsolutions.bdo.ca/our-people/bdo-in-the-news/bdo-canada-affordability-index-2019/>.
- <sup>6</sup> Toronto Foundation, “Toronto’s Vital Signs: Growing Pains Amid Narrow Gains Report 2019/20” (Written by Steven Ayer on Behalf of Toronto Foundation., 2019), <https://torontofoundation.ca/wp-content/uploads/2019/10/VitalSigns2019.pdf>.
- <sup>7</sup> Statistics Canada., “Table 14-10-0023-01 Labour force characteristics by industry, annual (x 1,000)”, n.d., <https://doi.org/10.25318/1410002301-eng%0A>.
- <sup>8</sup> Stephen Punwasi, “Here’s How Bad Canadian Restaurants Are Doing Into The COVID-19 Pandemic”, Better Dwelling, 17 March 2020, <https://betterdwelling.com/heres-how-bad-canadian-restaurants-are-doing-into-the-covid-19-pandemic/>.
- <sup>9</sup> René Morissette and Dominique Dionne-Simard, “Recent changes in the composition of minimum wage workers”, Statistics Canada 75-006–X, no Insights on Canadian Society (2018), <https://www150.statcan.gc.ca/n1/pub/75-006-x/2018001/article/54974-eng.htm>.
- <sup>10</sup> Robert Fife and Bill Curry, “Trudeau unveils \$27-billion in aid, \$55-billion of tax deferrals in coronavirus response - The Globe and Mail”, The Globe and Mail, 18 March 2020, <https://www.theglobeandmail.com/politics/article-trudeau-unveils-82-billion-in-aid-tax-deferrals-for-coronavirus/>.
- <sup>11</sup> Fife and Curry.
- <sup>12</sup> Jim Stanford, “FEDERAL SUPPORT PACKAGE: THE PROS, THE CONS, AND THE NEXT SHOE TO DROP”, Progressive Economics Forum, 18 March 2020, <http://www.progressive-economics.ca/2020/03/18/federal-support-package-the-pros-the-cons-and-the-next-shoe-to-drop/>.
- <sup>13</sup> All data on charity revenue is from the author’s analysis using Charity’s tax data that they submit to the Canada Revenue Agency. These estimates are preliminary and are presented to help understand the scale of the need for donations and should be interpreted with caution. For any questions please contact Steven Ayer.
- <sup>14</sup> Toronto Foundation, “Toronto’s Vital Signs: Growing Pains Amid Narrow Gains Report 2019/20” (Written by Steven Ayer on Behalf of Toronto Foundation., 2019), <https://torontofoundation.ca/wp-content/uploads/2019/10/VitalSigns2019.pdf>.
- <sup>15</sup> Toronto Foundation, “Toronto’s Vital Signs: Growing Pains Amid Narrow Gains Report 2019/20”.
- <sup>16</sup> Children’s Mental Health Ontario, “2020 REPORT ON WAIT LISTS AND WAIT TIMES FOR CHILD AND YOUTH MENTAL HEALTH CARE IN ONTARIO”, 2020, <https://www.cmho.org/images/policy-papers/CMHO-Report-WaitTimes-2020.pdf>.