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Impacts of the Pandemic on Personal Finances: A Preliminary Assessment

Series: Survey of Household Finances
in a Time of Pandemic
– Part 1

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Background

For the past two months Quebec and the rest of Canada have been under a shelter-in-place regime because of the COVID-19 pandemic. At this point, decision makers have very little data to inform decisions on how to follow through on the support measures already in place. In fact, aside from the Labour Force Survey, which is monthly, our toolkit of household statistics is collected on a much longer cycle (one or several years). Administrative data from our governments are currently difficult to access. Furthermore, they fail to give a full picture of personal finances in that they lack data on household spending, assets, and indebtedness. It might, for example, prove important to know who is receiving federal assistance, such as the Canada Emergency Response Benefit

(CERB), or whether households having suffered job losses were able to use credit or savings to meet their needs. From a macroeconomic perspective, it could be important to understand how household spending has changed since consumption is such a large part of GDP. It could also be important to measure households' expectations regarding the future.

The Survey

It is in this spirit that CIRANO, the Research Chair in Intergenerational Economics (CREEi), and the Retirement and Savings Institute (RSI) at HEC Montréal have joined forces in an initiative to collect data on several thousand Quebec households during this pandemic. In this note we present several highlights from this survey, conducted online in the past few weeks. Delvinia's [AskingCanadians](#) Web panel was used to field a random (but nonprobabilistic) sample of 3009 Quebec respondents between 25 and 64 years of age. It ran from May 8 to May 20, 2020. The results were weighted with Statistics Canada's 2016 Census.¹ It compares data on personal finances, covering employment, income, and expenditures, from 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, to gather respondents' expectations.

In this note we focus on the first two periods.

Results

The key survey results are summarized in the tables below. With regard to hours of work and employment, Table 1 reveals that a significant proportion of the population of Quebec has been affected by job loss or reduced hours of work, as well as by lower incomes. These findings echo those of Schirle, Milligan, and Skuterud (CD Howe Institute, Intelligence memo, May 13, 2020).² We also note that 20.5 per cent of male respondents and 23.9 per cent of female respondents reported having been laid off as of April 2020. Similarly, 32 per cent of both men and women worked fewer hours in April 2020—26.7 per cent fewer for the men and 29.5 per cent fewer for the women. Ultimately, because of COVID-19, 29.5 per cent of households had experienced a change in employment status from 2019, affecting the respondent, his or her spouse, or both.

¹ Overall, the representativeness of the survey respondents in terms of sociodemographic characteristics is sound. Furthermore, it is also representative in financial terms, for example by reference to Statistics Canada's Survey of Financial Security.

² These authors analyze the situation Canada-wide using Statistics Canada's Labour Force Survey for February and April 2020. <https://www.cdhowe.org/intelligence-memos/schirle-milligan-skuterud-%E2%80%93-what-april%E2%80%99s-jobs-data-shows-future>

Table 1: Employment situation of Quebeckers (respondents aged 25 to 64), 2019 and April 2020.

	<u>2019</u>	<u>April 2020</u>	<u>Difference</u>
Household in which the respondent is mostly employed	76.4%	55.5%	-20.9
Household in which the spouse is mostly employed	73.2%	52.2%	-21.0
COVID-19 caused employment status change—at least one spouse		29.5%	
Male respondents who report having been laid off as of April 2020		20.5%	
Female respondents who report having been laid off as of April 2020		23.9%	
Typical work hours per week for working respondents	37.8	35.4	-6.3%
Typical work hours per week for working spouses	37.1	34.9	-5.9%
Male respondents who worked less in April 2020 because of COVID-19		32.0%	
Female respondents who worked less in April 2020 because of COVID-19		32.0%	
Reduction in hours in April 2020: Male respondents		26.7%	
Reduction in hours in April 2020: Female respondents		29.5%	

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 Quebeckers aged 25 to 64, statistical weights were constructed based on the 2016 Census and applied to the raw data.

Of course, these impacts on employment have repercussions for household incomes, as we see in Table 2. Thus, we find that 55.5 per cent of households have suffered a decline in employment income because of COVID-19—affecting the respondent, the respondent’s spouse, or both. In these households specifically, income fell by 22.2 per cent. In light of the fact that these workers lost their jobs in April, it is possible that these declines in earned income are not representative of what we will see in May. Overall, total household income fell an average of 8.4 per cent. Finally, at the time of the survey, 15.3 per cent of respondents report having applied for the Canada Emergency Response Benefit (CERB).

Table 2: Quebeckers’ incomes and expenditures (respondents aged 25 to 64), 2019 and April 2020.

	<u>2019</u>	<u>April 2020</u>	<u>Difference</u>
Respondent’s monthly employment income, whether or not he/she was working	\$4 253	\$3 909	-8.1%
Spouse’s monthly employment income (N=1 862), whether or not he/she was working	\$3 914	\$3 627	-7.3%
Household employment income (all households: couples and singles)	\$7 523	\$7 003	-6.9%
Proportion of households with reduced employment income in April 2020		55.5%	
Decline in these households’ employment income		22.2%	
Total household income (all households: couples and singles)	\$9 630	\$8 822	-8.4%
Proportion of respondents having applied for the CERB at the time of the survey		15.3%	
Monthly household expenditures (all households)	\$4 544	\$4 204	-7.5%
Households having reduced their spending in April 2020		33.6%	
Reduced spending among these households		23.0%	

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 Quebeckers aged 25 to 64, statistical weights were constructed based on the 2016 Census and applied to the raw data.

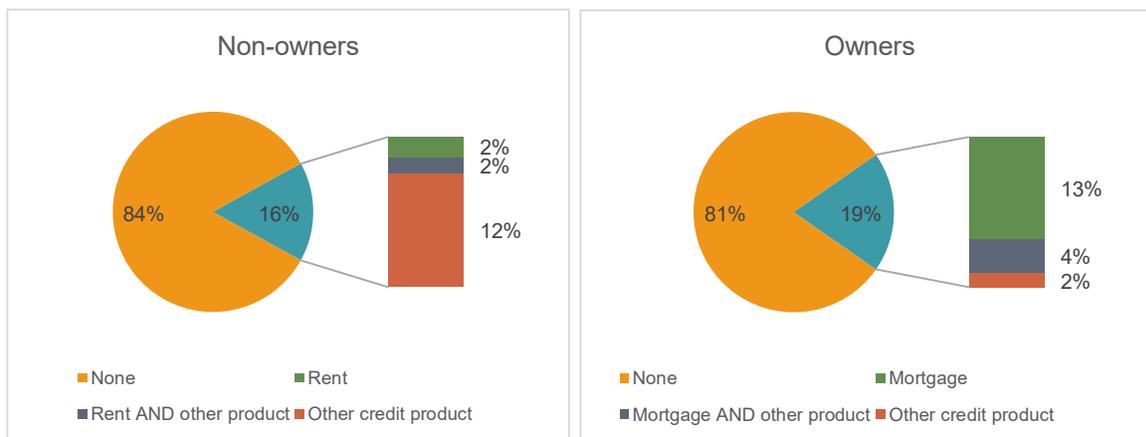
In terms of consumption and credit, we find that in April 2020 household spending was below the 2019 average in 33.6 per cent of cases. In these households specifically, spending fell by 23 per cent. Overall, household spending fell by 7.5 per cent. We observe in Table 3 that, since the beginning of 2020, 18.2 per cent of households have defaulted on or deferred a payment, whether for rent or a credit product (mortgage, credit card, or other loan). The graph shows the distribution of payment defaults and deferrals by payment type or credit product according to whether the household owns its principal residence: We observe that owner households mainly acted on their mortgages (17.5 per cent) while non-owners acted on other credit products, such as a credit card (13.8 per cent).

Table 3: Payment defaults and deferrals attributed to the pandemic, Quebec households (respondents aged 25 to 64)

	<u>Since beginning of 2020</u>
Proportion of owner households that, because of COVID-19 ...	
defaulted on a mortgage payment	5.4%
deferred a mortgage payment	13.4%
Proportion of non-owner households that, because of COVID-19 ...	
defaulted on or deferred a rent payment	4.2%
Proportion of households that, because of COVID-19 ...	
defaulted on a credit card or other loan payment	2.5%
deferred a credit card or other loan payment	7.3%
TOTAL: Proportion of households having defaulted on, or deferred, at least one payment because of COVID-19 ...	18.2%

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.

Figure 1: Proportion of Quebec households having defaulted on, or deferred, payments because of the pandemic, by ownership of their principal residence





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.

Paths for future consideration

On the basis of this note we can already generalize that, despite a substantial shock to the labour market, overall household income and spending declined comparatively less in April 2020, suggesting that households have ways to smooth their expenditures or that the full impact of the shock is yet to be felt.

Despite a substantial shock to the labour market, overall household income and spending declined comparatively less in April 2020, suggesting that households have ways to smooth their expenditures or that the full impact of the shock is yet to be felt.

However, there appears to be a sizable group of households that is suffering real hardship and has benefited from federal (and provincial) support programs. Several other findings arising from the survey, especially regarding consumption, use of savings and household expectations, will be the subject of analysis and dissemination in the coming weeks.