FINANCIAL VULNERABILITY AS A RESULT OF THE COVID-19 PANDEMIC IN CANADA

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INTRODUCTION AND BACKGROUND

There is now ample evidence to suggest that the COVID-19 pandemic has impacted certain groups and communities in Canada more than others. Canadians who were already in precarious economic situations prior to the outbreak faced even more dire circumstances during the pandemic. Indigenous Peoples, visible minorities and newcomers to Canada all tend to be overrepresented among those in vulnerable social and economic conditions (Statistics Canada, 2022).

In terms of financial impacts, the pandemic and consequent economic lockdowns led to disproportionate employment and income losses among lower wage and younger workers (Hou et al., 2020). The initial impacts of the pandemic were similar for both Indigenous and non-Indigenous people—unemployment increased by 6.6 and 6.2 percentage points respectively in the first three months. By the end of 2020, unemployment remained higher among Indigenous people at 12%, compared with 8% among non-Indigenous people (Statistics Canada, 2021).

Visible minorities in Canada also continued to be impacted disproportionately a year into the pandemic. In January 2021, the Labor Force Survey reported an increase in the unemployment rate for Southeast Asians (20.1%, +7.6), Black Canadians (16.4%, +5.5) and Latin Americans (16.6%, +4.5) (Statistics Canada, 2021). In the second half of 2021, labour market conditions – particularly job recovery – strengthened for many Canadians as employment rates rose for Southeast Asian, Black and Filipino Canadians (Statistics Canada, 2022). Although some of the economic hardships dissipated after two years, some latent and longer term impacts were still emerging – a major one being headline consumer inflation[1]

1 The Consumer Price Index (CPI) is a standard measure of the price of a representative basket of goods and services. The headline consumer inflation is measured as the percentage change between the CPI in the current month and the CPI in a base month or the same calendar month of the previous year. Source: The Daily — Consumer Price Index, Statistics Canada, March 2023 (statcan.gc.ca).

which was at a 30-year high at 5.1% in January 2022 (Statistics Canada, 2022).

The current study focuses on determining how different socio-demographic groups in Canada were affected in various financial aspects during the pandemic years. With support from Canadian Institutes of Health Research (CIHR), the Association for Canadian Studies (ACS) and University of Manitoba conducted a cross-national comparison of Canada, United States and Mexico to understand and answer the following research question: To what extent has the COVID-19 pandemic exacerbated socioeconomic inequalities faced by Indigenous Peoples, racialized persons and immigrants?

METHODOLOGY

ACS-Metropolis conducted five large-scale population-based surveys between October 2020 (Wave 1) and October 2022 (Wave 5) with over 40,000 respondents in Canada, United States and Mexico. The surveys were administered by Leger Marketing using a Computer-Assisted Web Interface (CAWI) approach. Various themes were explored in each survey Wave, which were contingent upon time-relevant issues surrounding the pandemic. Some of the major themes focused on financial impacts of the pandemic, fear of catching COVID-19, vaccine uptake and hesitancy, mental and physical health, and trust in institutions.

Since the purpose of this study is to examine the financial impacts of the pandemic on newcomers, Indigenous Peoples and racialized communities in Canada, we focus on the Canadian sample across four Waves of data. To ensure consistency and accuracy of the trend analysis, the final Wave (Wave 5) was omitted from this study due to a change in how the financial impacts questions were formulated. Table 1 shows select demographic information of the Canadian sample for Waves 1 through 4, i.e. the period between November 2020 and March 2022.

DETERMINING FINANCIAL VULNERABILITY

In the financial module of the survey, we asked respondents whether the COVID-19 pandemic has financially affected them when it comes to the following – income or retirement income, losing the job, had to settle for a job with lesser pay, capacity to meet financial obligation, capacity to assist immediate and extended family, meeting basic food requirement, and capacity to send money abroad (remittances). Based on the aforementioned eight questions, we created a Financial Vulnerability Index (FVI) which was normalized to have a minimum value of 0 and a maximum of 100 – the higher the value, the greater the financial vulnerability. To measure how closely related the set of questions are as a group, we performed scale reliability analysis using Cronbach's alpha. The values obtained were 0.8 or higher for each survey Wave which denoted relatively high internal consistency.

RESULTS AND DISCUSSION

Table 2 shows the percentage of respondents impacted by various financial issues over the four survey waves. Respondents' income (or retirement income) was the most affected aspect in each wave, followed by their capacity to meet financial obligations (paying bills, etc.) and assist their families financially. Loss of job was reported by roughly 15 to 18% of the respondents throughout the four waves.

As seen in Figure 1, financial vulnerability among Canadians reached its peak in November 2020 (Wave 1), especially in the western provinces. Respondents from Quebec and the Maritimes reported significantly lower financial vulnerability ($F = 12.2$, $p < 0.05$) compared to the central and western parts of the country. From Wave 1 to 3 (September 2021), there was a gradual decline in financial vulnerability in British Columbia, Alberta, Ontario, and the Maritimes, while the change was minimal in Prairies and Quebec during that period.

In Wave 4 (March 2022), most provinces reported an increase in financial vulnerability compared to Wave 3. The highest increment was observed in the Maritimes where the FVI score jumped from 17 to 26, while the Prairies were an exception where it fell from 30 to 26. Respondents in Quebec reported lower financial vulnerability throughout all survey waves, particularly in the fourth wave where the FVI was significantly lower ($F = 4.1$, $P < 0.05$) compared to other provinces.

Figure 2 shows there was no significant difference (< 1.0) in FVI scores between males and females in all four survey Waves. In terms of education, respondents with a university bachelors degree or higher had a significantly lower FVI score compared to respondents with a high school degree and post-secondary schooling in Wave 1 ($F = 10.3$, $P < 0.05$). Although this trend continued throughout all the waves, the differences between groups were not significant in Waves 2, 3 and 4.

In the first Wave, the younger respondents (18 to 34 years old) experienced greater financial vulnerability (FVI = 34) compared to middle aged (35–54 years old) (FVI = 28–30) and older respondents (55+ years old) (FVI = 16–21). In Wave 2, financial vulnerability was reduced across all age groups compared to the first wave. However, in the third wave, it increased by 5 points for the 35–44 and 55–64 age group and by 10 points for those above 55 years of age. Differences between age groups were significant throughout all waves (F-score ranged between 18 and 34, $P < 0.05$).

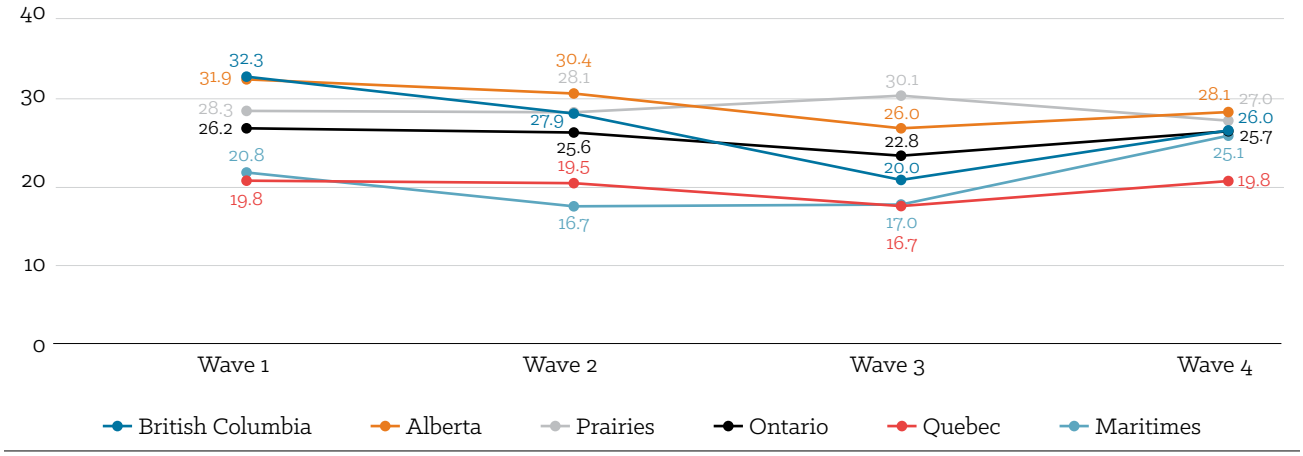
TABLE 1. DEMOGRAPHIC INFORMATION OF SURVEY RESPONDENTS.

Demographics	Wave 1 (Nov 2020)	Wave 2 (Mar 2021)	Wave 3 (Sep 2021)	Wave 4 (Mar 2022)
Total	2759	3070	2980	2939
Ethnicity				
White	73.5%	74.0%	74.0%	74.1%
Indigenous	4.9%	5.0%	5.0%	5.0%
Black	3.5%	3.6%	3.6%	3.6%
Asian	11.8%	11.9%	12.4%	12.0%
Other	6.2%	5.5%	5.0%	5.4%
Immigrant status				
Non-Immigrant	78.1%	78.1%	78.1%	78.1%
Immigrant	21.5%	21.7%	21.6%	21.6%
Sex				
Male	48.2%	48.2%	48.4%	48.3%
Female	51.4%	51.8%	51.6%	51.7%
Age				
18–24	9.9%	10.1%	10.5%	10.7%
25–34	16.9%	17.0%	16.7%	16.6%
35–54	16.1%	16.1%	15.8%	16.0%
45–54	18.7%	18.3%	18.2%	18.3%
55–64	17.1%	17.5%	17.5%	17.3%
65+	21.2%	21.1%	21.2%	21.1%
Education				
High School or less	28.8%	28.9%	28.8%	30.4%
Postsecondary schooling	43.2%	43.2%	42.8%	41.5%
University bachelor or higher	27.2%	27.2%	27.2%	27.2%
Province				
British Columbia	13.6%	13.5%	13.6%	13.5%
Alberta	11.2%	11.2%	11.2%	11.2%
Prairies	6.5%	6.5%	6.5%	6.5%
Ontario	38.4%	38.4%	38.4%	38.4%
Quebec	23.5%	23.5%	23.5%	23.5%
Maritimes	6.9%	6.9%	6.9%	6.9%

TABLE 2. RESPONDENTS AFFECTED IN VARIOUS FINANCIAL ASPECTS DURING THE PANDEMIC.

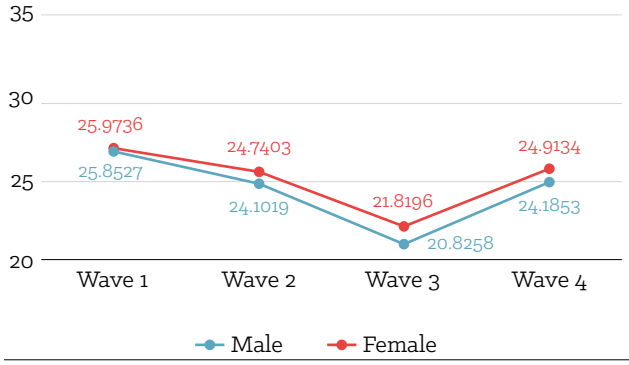
Is the COVID-19 crisis negatively affecting you when it comes to the following? (Yes %)	Wave 1 (Nov 2020)	Wave 2 (Mar 2021)	Wave 3 (Sep 2021)	Wave 4 (Mar 2022)
Your income or retirement income	38.8%	31.8%	31.1%	34.5%
Losing the job you had before the pandemic	17.2%	16.7%	15.4%	18.3%
Had to settle for a new job with lesser pay	12.4%	11.4%	11.7%	13.2%
Your capacity to meet your financial obligations (home/rental, utility payments, etc.)	27.3%	24.4%	24.7%	29.1%
Your capacity to assist your immediate family	32.0%	34.1%	26.4%	29.2%
Your capacity to assist your extended family	32.4%	32.7%	25.5%	27.9%
Meeting basic food requirements	20.2%	19.0%	20.2%	26.7%
Your capacity to send money to family abroad (e.g. remittance)		11.1%	13.6%	15.8%

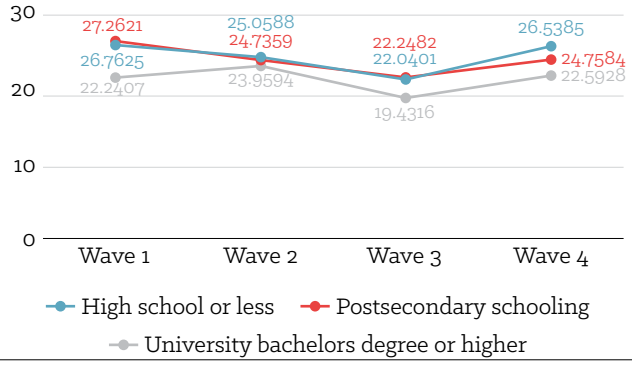
FIGURE 1. FINANCIAL VULNERABILITY INDEX BY PROVINCE.



Source: Ravindra Shrestha and Paul Holley, AEC

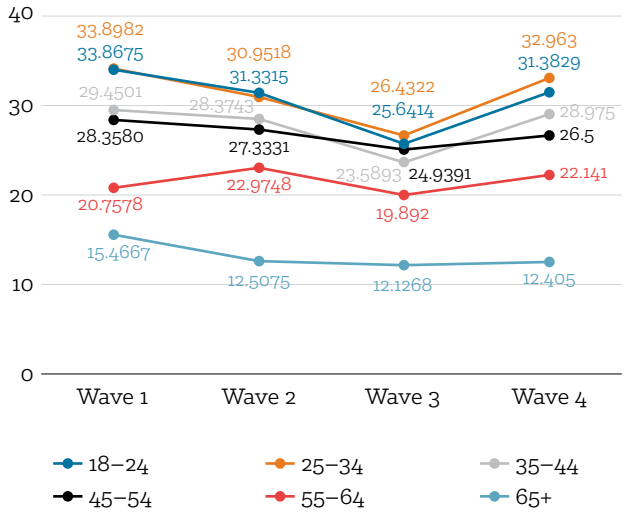
FIGURE 2. FINANCIAL VULNERABILITY INDEX BY SEX AND EDUCATION.





Source: Ravindra Shrestha and Paul Holley, AEC

FIGURE 3. FINANCIAL VULNERABILITY INDEX BY AGE.

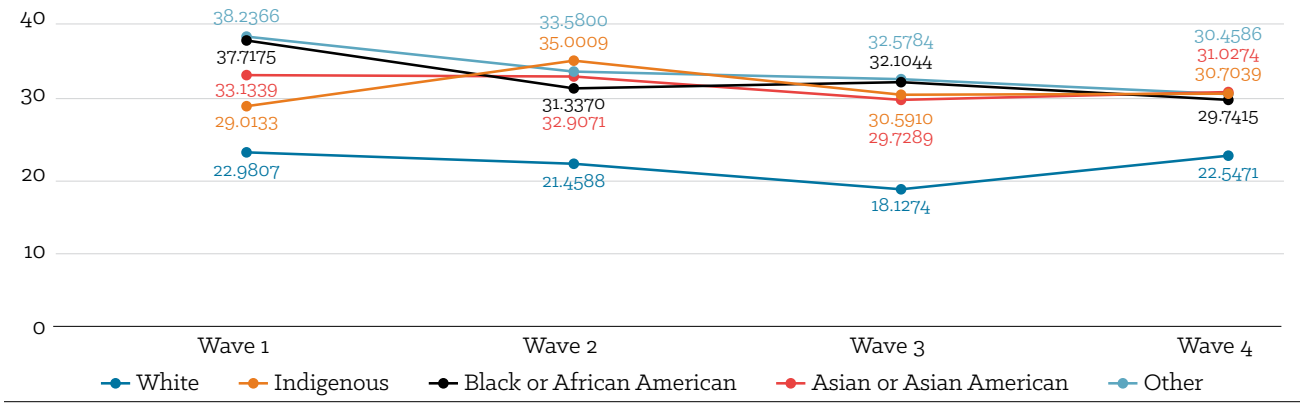


Source: Ravindra Shrestha and Paul Holley, AEC

Figure 4 shows the trend of financial vulnerability across different ethnicities over the four survey Waves. In all the Waves, respondents from visible minority groups were significantly more financially vulnerable than White respondents (F-score ranged from 9 to 24, $p < 0.05$). In Wave 1, respondents who identified as Black and Other had the highest financial vulnerability score (~38) of all groups, followed by Asians and Indigenous. Financial vulnerability declined for almost all groups in Wave 2 except Indigenous Peoples who saw an increase of 6 points (to 35). The financial vulnerability index dropped by five points for Indigenous respondents in Wave 3, by three points for Asian and White respondents, and by 1 point for Others; there was a slight increase (+1 point) for Black respondents. In Wave 4, White respondents reported a sharp rise in financial vulnerability (by 4 points). For visible minorities there was only a minor change – it increased slightly (~1 point) for Asian and Indigenous respondents and decreased by 2 points for Black and Other respondents.

As seen in Figure 5, immigrant respondents were found to have significantly higher financial vulnerability (F-score

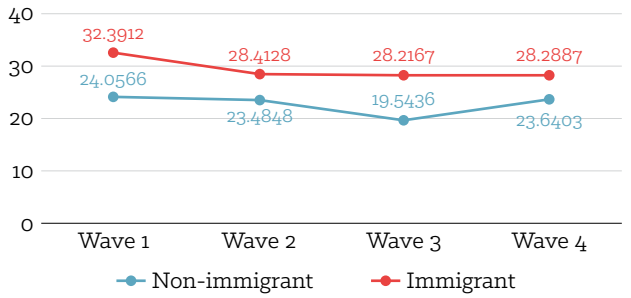
FIGURE 4. FINANCIAL VULNERABILITY INDEX BY ETHNICITY.



Source: Ravindra Shrestha and Paul Holley, AEC

ranged from 5 to 22, $p < 0.05$) compared to Canadian born respondents in all four Waves. The FVI score (32) was at its highest for immigrants in Wave 1 – it dropped to 28 in Wave 2 and remained more or less unchanged in Waves 3 and 4. Although Canadian born respondents saw a steady decline in FVI through the first three Waves, it jumped back to almost the early pandemic levels in Wave 4.

FIGURE 5. FINANCIAL VULNERABILITY INDEX BY IMMIGRANT STATUS.



Source: Ravindra Shrestha and Paul Holley, AEC

SUMMARY AND DISCUSSION

Based on the 18-month survey period between late 2020 and early 2022, the following groups appeared to have the highest financial vulnerability as a result of the COVID-19 pandemic:

- Western Canadians;
- Younger working age group population (18–54);
- Visible minority groups, especially Black, Indigenous and Other;
- Immigrants / Newcomers to Canada.

The overall trend of financial vulnerability from late 2020 to early 2022 in our study seems to indicate that people had started to recover from some of the impacts of the pandemic by mid 2021. It coincides with the time when restrictions were eased and businesses were opening up again. However, the data collected in March 2022 showed a rise in financial vulnerability across many regions and sociodemographic groups. Statistics Canada (The Daily, Labour Force Survey 2022) reported a decline in the employment rate in January 2022 for core-aged members of the general population, including visible minority groups.

One of the key economic issues in early 2022 was the long-term impact of the pandemic on the global supply chain. Many factors such as logistics disruption, production delays, shortage of labour force, and resulting inflation were critical in hampering the economic recovery (Harapko, 2022). The period between survey Wave 3 (September 2021) to Wave 4 (March 2022) also coincides with the peak of the Omicron variant, which could have potentially impacted people's economic situation. In late 2021, the Conference Board of Canada had forecasted a real gross domestic product (GDP) growth of 4.4% in 2022. However, in January 2022, the CBC were forced to change the growth forecast to 3.9% as the effects of surging Omicron cases weighed on Canada's economy (The Conference Board of Canada, 2022).

Previous economic recessions have had long-term negative impacts on labour markets, particularly unemployment rates (OECD, 2020). Even a decade after the 2008 financial crisis, the unemployment rate had still not recovered in half of OECD regions. Looking at the previous five recessions in the United States, the most affected local labour markets experienced employment and wage losses that persisted for at least a decade (OECD, 2020). Based on historical precedents, we cannot gauge the impacts of major economic shock events such as the COVID-19 pandemic completely and accurately within two years. Longer term and in-depth research needs to be conducted over the next several years to better understand the widespread impacts of the pandemic, notably on the financially vulnerable groups identified in this study.

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APPENDIX – TABLE A. TEST OF SIGNIFICANCE (ANOVA) FOR FINANCIAL VULNERABILITY INDEX.

	Wave 1	Wave 2	Wave 3	Wave 4
FVI by Province				
F statistic	12.2	9.8	9.4	4.1
P value	< 0.05	< 0.05	< 0.05	< 0.05
FVI by Sex				
F statistic	0.3	0.01	0.8	0.4
P value	**0.78**	**0.91**	**0.38**	**0.53**
FVI by Education				
F statistic	10.3	0.9	1.6	2.3
P value	< 0.05	**0.42**	**0.18**	**0.07**
FVI by Age				
F statistic	29.2	33.8	18.1	33.1
P value	< 0.05	< 0.05	< 0.05	< 0.05
FVI by Ethnicity				
F statistic	20.2	24.4	24.7	9.3
P value	< 0.05	< 0.05	< 0.05	< 0.05
FVI by Immigrant status				
F statistic	21.8	7.6	20.9	5.6
P value	< 0.05	< 0.05	< 0.05	< 0.05