



ACORN Canada

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Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

By ACORN Canada

List of Recommendations

To ensure Canada's competitiveness, ACORN makes the following recommendations to the federal government:

Recommendation 1: That the government improves access to the digital economy by expanding and improving the Connecting Families program to provide \$10/month internet to all people below the low income measure;

Recommendation 2: That the government tackles affordability issues experienced by low and moderate income families by making mainstream banking fairer and ending predatory lending;

Recommendation 3: That the government responds to the changing nature of work by modernizing the EI system to make it fairer, more accessible and more representative of people in non-standard employment.

Introduction

ACORN Canada (Association of Community Organizations for Reform Now, Canada) is an independent national organization of low and moderate income individuals and families. Founded in 2004, we have rapidly grown into one of the country's most effective voices for low and moderate income Canadians, with over 113,000 members in Canada. To ensure Canada's competitiveness, we would like to work with the federal government to advance digital equity, provide fair financial services and protect our most vulnerable workers.

Internet for All

Technology is a key pillar of competitiveness. More than 50 per cent of jobs require employees to use some form of technology; a digitally literate workforce is increasingly important. Yet, only 59 per cent of the lowest-income households are connected, compared with 94 per cent of the highest-income households. ACORN members were pleased to see the federal government take leadership to address this digital divide, by introducing the Connecting Families program to provide \$10/month internet for low-income families. Around 220,000 households - up to 600,000 people - are expected to benefit, keeping approximately \$20 million in the pockets of low-income parents.

We believe the Connecting Families initiative will make Canada more competitive, as low-income individuals and families will develop crucial skills and benefit from the opportunities that arise from participation in the digital economy. However, we hear from many low and moderate income ACORN members without children that cost is a barrier to internet access. Preliminary results of a new ACORN study reveals that 82 per cent of respondents without children think that internet is too expensive. We strongly believe that \$10 per month internet should be expanded to all low-income households, not just those with children.

Comments from low and moderate income ACORN members:

"I would like to have faster and more stable services but I cannot afford it."

- Quebec

"I never use the internet... one of the big reasons I don't have internet is I cannot afford the cost of a computer. I don't even have a cellphone, just landline. If it was cheaper to have devices and internet I would probably get on it. My wife was like me for the longest time and never used the internet, but then she started looking for work, so she needed to start using the internet to get employed. You can't find work otherwise nowadays."

- Alberta

"I live in a not so safe neighborhood and I am a single female who uses public internet wherever I can find it, and sometimes get harassed by people in my neighborhood."

- Quebec

"Everybody says, 'Go surf the net'. But how do you do that if you don't have a clue what you're doing?"

- British Columbia

Low-income Nova Scotians were deeply disappointed to discover that Eastlink has opted out of the program. This postal code lottery means that low-income families face digital inequity as a result of their location. A crucial next step in the Connecting Families program will be enforcing participation by all telecoms companies to achieve digital equity across the country.

Low-income people need the federal government to expand the Connecting Families program to include *all people below the low-income measure*, and *mandate participation by all telecoms providers*, to tackle geographical and cost barriers that prevent participation in the digital economy.

Fair Banking

Up to 47 per cent of Canadian workers report living paycheck to paycheck. For those living precariously, one unexpected expense could lead to spiralling debt. Yet ACORN finds that many of these vulnerable individuals are financially marginalized. Up to 15 per cent of Canadians are “underbanked”: they have access to a bank account, but it does not meet their needs for any number of reasons, including high NSF fees of \$48 at most banks, no overdraft protection for emergencies, or no access to low-interest credit, or because of geographical barriers. An estimated 1,774 bank branches have closed since 1990. Often when bank branches close, high-interest lenders move in.

These lenders charge predatory rates and often rely on repeat borrowing as a business model, causing too many Canadians to fall into a debt trap. A 2016 ACORN survey found that only four per cent of respondents who use high-interest lending services prefer to use these services; most have no alternative.

Regulated provincially, payday lenders have been impacted by increased consumer protections in recent years. This is positive, but as regulation of payday loans has increased, many lenders have shifted their focus to offering new types of loans. TransUnion reports that installment loan debt is growing faster than any other type of debt in Canada. In 2017, approximately 6.4 million Canadians had an installment loan. These are typically unsecured loans of up to \$15,000, with set payments over periods of up to three years. Interest rates can reach 59.9 per cent, just below the federal cap of 60 per cent.

Recent ACORN research has found that a quarter of people who are experiencing crisis-level debt – to the extent that they must seek professional assistance – have debt with a high-interest, alternative lender. Of the most common high-interest lenders, 37 per cent of individuals experiencing crisis debt have debt with Money Mart, the largest payday lender in Canada. Money Mart also offers installment loans. One third have debt with installment lender Fairstone.

Case Study: Donna Borden - Installment Loan from CitiFinancial (now Fairstone)

ACORN member Donna Borden borrowed \$10,000 from CitiFinancial in 2003. She took out the loan to consolidate some debts, after being denied a consolidation loan by her bank. After 7 years, Donna had paid \$25,000 in interest and still owed \$10,000. She was misled into getting \$2,600 in insurance on a \$10,000 loan and then also paid interest on the insurance. The lender also changed Donna's loan terms several times without telling her and charged her

a number of refinancing fees. Donna tried to seek help but found that alternative financial institutions offering installment loans are insufficiently regulated and little information is available to consumers about these types of high-interest loans.

See video “ACORN leaders share their experiences of predatory lending” [here](#).

Low and moderate income ACORN members urge the federal government to take leadership by creating a national anti-predatory lending strategy to tackle inter-jurisdictional issues and address the grey areas that allow lenders to take advantage of our most vulnerable populations. Specifically:

- Mandate the banks to provide access to low-interest credit for emergencies;
- Mandate the banks to provide low-interest overdraft protection;
- Mandate the banks to provide no holds on cheques;
- Mandate the banks to lower NSF fees from \$45 to \$10;
- Support alternatives to predatory lenders, such as postal banking and credit union credit products geared toward low and moderate income families;
 - *Without an alternative, many low-income Canadians have no option but to rely on the services of predatory lenders. The federal government could tackle this problem by providing a low-cost loan for emergencies. This approach is taken by governments in other jurisdictions. For example, the UK government’s Budgeting Loan provides interest-free loans of £100 - £800 for eligible benefit recipients, with a two-year repayment period.*
- Create a national anti-predatory lending strategy;
- Create a real-time national tracking system (or database) to help stop roll over loans;
- Amend the Criminal Code to lower the maximum interest rate from 60% to 30%.

Employment Insurance

Only 39 per cent of individuals who are unemployed receives employment insurance. Women are disproportionately impacted -- they are most likely to work in part-time or precarious jobs, but only one third of unemployed women are eligible for EI. In previous years, the government has seen recorded billions of dollars of surpluses in the EI Operating Account, while unemployed or underemployed people suffer. Preliminary results from a survey of 256 ACORN members across Canada found that almost one-third had been denied EI. The biggest reason applications were declined was due to applicants not having enough hours. As result, many respondents were forced to rely on food banks, borrow from family members, or rack up debt to survive. Of the respondents who were accepted for EI, 78 per cent said the amount they received was not enough to meet their basic needs, such as rent, food, or medication.

Comments from low and moderate income ACORN members:

“EI is not enough to cover living expenses. The length of claim coverage is too short. It's too stressful establishing a claim, especially when there is a dispute with your employer.”

- Ontario

"It's way too long of a wait for a service we pay into. Time is of the essence and is crucial, as people will lose their apartment or place of living like I almost did, twice."

- British Columbia

"The income replacement rate is far far too low. There is insufficient assistance for those who are not computer literate."

- Quebec

"Some of their application questions are confusing and the process is intimidating. It seems like they make you jump through a few unnecessary hoops. It took 6 weeks for my first payment while on medical leave. That's a bit much. Long enough that I could have missed rent if it wasn't for my roommate helping me."

- Nova Scotia

The EI system needs to be modernized and made fairer, more accessible and more representative of people in non-standard employment, specifically:

- Reduce time taken between losing job and when you can apply for EI;
- Reduce the number of hours needed to qualify to 360 hours;
- Address racial and gender-based inequalities of the EI system;
- Make applications easier to process online;
- Develop ways for precarious workers to access EI;
- Allow for more flexibility when receiving benefits;
- End punitive job search requirements;
- Loosen travel restrictions on recipients;
- Workers who qualify should receive benefits without invasion of privacy;
- Benefits should be based on the worker's best weeks at work, not the worst;
- Raise the benefits to 75% of earnings;
- Encourage good jobs through labour market training, and partner with government infrastructure projects to ensure communities are lifted out of poverty.

Conclusion

The nature of work is changing, technology is advancing and workers are required to keep their skills up to date. Meanwhile, many Canadians are finding basic necessities increasing unaffordable. Ensuring competitiveness in this changing landscape requires policies that meet the needs of our most vulnerable community members. ACORN looks forward to working with the federal government to achieve this.

Thank you for considering our submission. Please do not hesitate to contact ACORN if you would like more information:

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