



# Brown's Economic Damages Newsletter

July 2020

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## Economic effect of COVID-19 in Canada: Disproportionate effects on industry sectors (Part 2)

By Cara L. Brown, M.A.\*

### Introduction

The restrictions put in place by the Canadian government in March 2020 in order to curb the spread of the COVID-19 pandemic led to an immediate and sharp decline in economic activity in Canada. In Part 2 of this series of articles, we focus on the **discrepancy of economic impacts by industry sector in Canada** as of June 2020, and update Table 1 (confirmed COVID-19 cases and deaths across Canada)<sup>1</sup> as of July 30, 2020.

#### COVID-related topics in other issues of **Brown's Economic Damages Newsletter:**

- ◆ Preliminary economic effects of COVID-19 in Canada, and implications for quantum experts (Part 1) – disseminated June 15, 2020
- ◆ Shut-down of economy: impact on productivity
- ◆ Evaluating efficacy of government COVID-19 subsidies and programs
- ◆ Measuring the “benefits” related to COVID “costs”: the *Value of a Statistical Life (VSL)* methodology

\* Appreciation is extended to Ha Nguyen, M.A, for research assistance.

<sup>1</sup> Statistics displayed in Table 1 of **Brown's Economic Damages Newsletter** “Preliminary economic effects of COVID-19 in Canada, and implications for quantum experts (Part 1)” June 2020, vol. 17, issue #3 were reproduced as of June 11, 2020.

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**Table 1: Compilation of COVID-19 confirmed cases & deaths, by province and territory in Canada  
(as of July 30, 2020)**

Canada/Province and Population	Confirmed cases	Deaths
Canada (38 million)	115,785	8,929
Alberta (4.4 million)	10,716	195
British Columbia (5.1 million)	3,591	194
Manitoba (1.4 million)	395	8
New Brunswick (0.8 million)	170	2
Newfoundland and Labrador (0.5 million)	266	3
Northwest Territories (0.04 million)	5	0
Nova Scotia (1.0 million)	1,067	64
Nunavut (0.04 million)	0	0
Ontario (14.7 million)	39,075	2,772
Prince Edward Island (0.1 million)	36	0
Quebec (8.5 million)	59,131	5,673
Saskatchewan (1.2 million)	1,306	18
Yukon (0.04 million)	14	0

Source: Government of Canada. *Coronavirus disease (COVID-19): Outbreak update*. Accessed at: <https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection.html> on July 31, 2020; and Statistics Canada. Table 17-10-0009-01 *Population estimates, quarterly*.

In comparing the data from Table 1 as of June 11, 2020 to July 30, 2020,<sup>2</sup> the following can be observed:

- Total cases across Canada increased by more than 18,000, but deaths increased by less than 1,000
- The “rate of death” from the tested patients equaled 24 per 100,000 Canadians (up slightly from 21 per 100,000 Canadians as of June 11, 2020)
- The slight increase in the “rate of death” across Canada (24 per 100,000) was due to the situation in Quebec. There, the “rate of death” was 67 per 100,000 as of July 30, 2020
- All provinces (except Quebec) reined in the number of deaths *versus* the number of cases,<sup>3</sup> despite increases in the absolute number of “confirmed cases” by July 30, 2020
- Many provinces and territories held steady both in the number of confirmed cases and the number of deaths since June 11, 2020 (MB, NB, NL, NT, NS, NU, PEI, YT),<sup>4</sup> likely because the population of all of these regions is considerably smaller than Canada’s most populous provinces (Ontario, Quebec, BC and Alberta)

<sup>2</sup> For “Caveats attached to interpreting the data in Table 1”, see **Brown’s Economic Damages Newsletter** “Preliminary economic effects of COVID-19 in Canada, and implications for quantum experts (Part 1)” June 2020, vol. 17, issue #3, p. 10. This section pertains mostly to testing protocols.

<sup>3</sup> For instance, the total number of “confirmed cases” across Canada increased by 16% but the number of deaths increased by 10% (from June 11, 2020 to July 30, 2020). Conversely, in Quebec, the total number of “confirmed cases” increased by 10%, identical to the percentage increase in the number of deaths in that province.

<sup>4</sup> Saskatchewan’s total number of “confirmed cases” increased by 50% from June 11 to July 30, 2020, but the increase in its number of deaths was very small (from 13 to 18 deaths as of July 30, 2020).

## 25% unemployment rate for Alberta economy due to COVID-19 (?)

Jason Kenney predicted in April of 2020 that Alberta's unemployment rate will surpass 25% as a result of the COVID-19 economic blowout: "I fully expect unemployment in Alberta to be at least 25 per cent — at least half a million unemployed Albertans — and it could be significantly higher than that".<sup>5</sup>

Premier Kenney's prediction pertains to the unemployment rate, not a "recession", which is technically (and narrowly) defined as two consecutive quarters of negative real GDP growth.<sup>6</sup> Other economic think tanks define a recession in a broader sense; for instance, the C.D. Howe council defines a recession as a "pronounced, persistent, and pervasive decline in aggregate economic activity and it looks at both GDP and employment as its main measures".<sup>7</sup>

Importantly, Premier Kenney's unemployment rate statistic only pertained to youths between the ages of 15 and 24. Data from Statistics Canada's *Labour Force Survey* show that the unemployment rate among individuals aged 15 to 24 was 30% (averaged from March to June 2020, inclusive) in Alberta, in comparison to an unemployment rate of 11% for Alberta's working population<sup>8</sup> between the ages of 25 and 54 over the same time period.<sup>9</sup> Unfortunately, this was not reported in the media with Premier Kenney's statement.

Even with a 30% unemployment rate amongst youth (averaged from March to June 2020), a *larger share* of the youth population are living at home a *great deal longer* than previous cohorts,<sup>10</sup> and presumably they have access to some type of financial support from their parents while they do so. Kenney's unemployed youth also have had access to the *Canada Emergency Response Benefit* (CERB) almost immediately after the COVID-induced economic shutdown in March 2020 (which has been extended to a total of 24 weeks, until October 3, 2020), whereas previous cohorts did not. For instance, the 1980s youth cohort had no such safety net, and they were clobbered with excessively high interest rates attached to student loans (if they attended post-secondary education). Indeed, the (very) high level of interest rates in Canada in the 1980s was so damaging to the economy (including a negative impact on the labour market with fewer jobs available for all age groups) that the Bank of Canada implemented an official target rate for inflation of 2% in 1991, a target which still exists in 2020.<sup>11</sup>

Notwithstanding the federal and provincial government responses to the COVID-induced shutdown (or *because of* them),<sup>12</sup> unemployment rates for the month of June 2020 tripled in some cities (Vancouver and Montreal), more than

<sup>5</sup> E. Graney, K. Cryderman, and R. Fife. *Alberta unemployment to likely surpass 25 per cent because of pandemic, Kenney says*. *The Globe and Mail*, April 7, 2020; and D. Bennett. *Jason Kenney predicts unemployment in Alberta could rise to 25% amid COVID-19*. *Global News*, April 7, 2020.

<sup>6</sup> S. Bein. *A guide to recession in Canada during the coronavirus pandemic*. *The Globe and Mail*, May 14, 2020. Journalists most often use the narrow definition of a recession in their publications, whereas Statistics Canada and economic think-tank agencies consider additional metrics before diagnosing a recession.

<sup>7</sup> C.D. Howe Institute. *Canada Entered Recession in First Quarter of 2020: C.D. Howe Institute Business Cycle Council*. May 1, 2020. Similarly, the US National Bureau of Economic Research (NBER) defines recession as a period of *diminishing* activity rather than *diminished* activity. NBER identifies a month when the economy reached a peak of activity and a later month when the economy reached a trough. For example, in September 2010, when NBER decided that a trough had occurred in June 2009, the economy was still weak, with lingering high unemployment, but had expanded considerably from its trough 15 months earlier. The time in between is a considered a "recession", in other words, a period when economic activity is contracting (negative real GDP growth) (source: *The NBER's Business Cycle Dating Procedure: Frequently Asked Questions*).

<sup>8</sup> The 11% rate for Alberta from Statistics Canada's *Labour Force Survey* (LFS) is for 25- to 54-year-olds, compared to the metropolitan-specific unemployment rates in our "Unemployment Rate" table on page 16, which shows rates in June 2020 of almost 16% in Calgary and Edmonton for workers of all ages.

<sup>9</sup> Statistics Canada. Table 14-10-0287-01 (formerly CANSIM 282-0087), *Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months* (accessed July 28, 2020).

<sup>10</sup> Data from the 2016 Census shows that 35% individuals aged 20 to 34 in Canada still lived with their parents, compared to 27% from the 1981 Census (which may be a conservative estimate, because it only reflects youths aged 20 to 29 so excludes 30 to 34-year-olds).

<sup>11</sup> One of the reasons that interest rates were in excess of 10% per year in this time period was that inflation was not well-controlled.

<sup>12</sup> See the section below entitled "CERB is evolving into a disincentive to work".

doubled in most other regions (Toronto, Ottawa, Edmonton, Calgary and Charlottetown) and increased by 50 to 70% in Halifax, St. John's, and Saint John compared to rates in February 2020.<sup>13</sup>

Ensuring that data are properly distinguished by characteristic (in this case, by age group) is as necessary in the field of forensic economics as it is for the widespread media.

### Canadian economy experiences its deepest contraction since 1961<sup>14</sup>

In a recent report published on June 18, 2020,<sup>15</sup> *Parliamentary Budget Officer* (PBO) Yves Giroux projects real gross domestic product (GDP) to decline by -13.5% in the second quarter of 2020 (real GDP growth has never dropped more than 2.6% per quarter since 2009).<sup>16</sup> The -13.5% decline is almost *double* that of the -7% decrease recorded in March of 2020 compared to February 2020.<sup>17</sup>

In contrast, America's GDP plunged by 33% in the second quarter of 2020, the sharpest drop on record in their history since 1947.<sup>18</sup>

### Labour market "shock": impact by industry sector

The labour market shock resulting from the COVID-19 economic shutdown has had a disproportionate impact on different groups of Canadians. As reported by the Bank of Canada, women have seen proportionately steeper job losses due to their higher-than-average representation in sectors that have been hard hit by lockdown measures; and parents have been disproportionately affected by COVID-19 lockdown due to lack of childcare given the closures of schools and daycares.<sup>19</sup> During March and April 2020, the impact of COVID-19 economic shutdown on employment was most immediate and severe on industries involving lower-wage workers and close physical proximity to others.<sup>20</sup>

The initial impact of the pandemic was greatest in the travel, entertainment and food services businesses in tourism.<sup>21</sup> Sectors involving face-to-face personal services such as hair salons and dental offices experienced significant losses,<sup>22</sup> though firm-level data is impossible to obtain at this time.<sup>23</sup> Results from Statistics Canada's *Labour Force Survey* (March 2020) showed that 41% of the decline in payroll employment was in accommodation and food services and retail trade, the two sectors which pay the lowest average weekly earnings.<sup>24</sup> Hourly-paid workers accounted for 84% of the total decline in payroll employment from February to April 2020.<sup>25</sup>

<sup>13</sup> Analysis undertaken by comparing the **Unemployment Rate** tables from this issue (for June 2020) to the same table showing data for February 2020, as published in **Brown's Economic Damages Newsletter** "Forensic Economic Data: Updates to the real discount rate, life expectancy, disability contingency, health contingency, and housekeeping rates" March 2020, vol. 17, issue #2, p. 9.

<sup>14</sup> M. Rathore and I. Ghosh. *Canadian economy mired in its deepest recession on record, with U-shaped recovery likely*. *Financial Post*, April 28, 2020.

<sup>15</sup> Yves Giroux. *Scenario Analysis Update: COVID-19 Pandemic and Oil Price Shocks*. *Office of Parliament Budget Officer*, June 18, 2020.

<sup>16</sup> Statistics Canada. *Gross domestic product, income and expenditure, first quarter 2020*. *The Daily*. Released May 29, 2020.

<sup>17</sup> Statistics Canada. *Gross domestic product by industry, March 2020*. *The Daily*, May 29, 2020. The Bank of Canada projected in July of 2020 that real GDP would be 14.6% lower in the second quarter of 2020 compared to GDP levels in the fourth quarter of 2019 and real GDP would decline by 7.8% on an annual basis in 2020 (source: Bank of Canada's *Monetary Policy Report*, July 2020).

<sup>18</sup> M. Crutsinger. *Coronavirus: U.S. economy tanked at historic 33% rate in 2nd quarter*. *Global News*, July 30, 2020.

<sup>19</sup> Bank of Canada. *Our COVID-19 response: navigating diverse economic impacts*. June 29, 2020.

<sup>20</sup> Statistics Canada. *Payroll employment, earnings and hours, March 2020*. *The Daily*, May 28, 2020.

<sup>21</sup> Bank of Canada. *Our COVID-19 response: navigating diverse economic impacts*. June 29, 2020.

<sup>22</sup> Bank of Canada. *Our COVID-19 response: navigating diverse economic impacts*. June 29, 2020.

<sup>23</sup> This data is primarily compiled by Statistics Canada's *Small Business Profiles* (SBP), which tracks revenues, expenses and profits for businesses in each province/territory whose gross revenue ranges from \$30,000 to \$5 million per year. However, the SBP data is compiled every two years, so we have no data at this time for 2020 to compare to prior years. Moreover, the relevant industry sectors for which data is published are so broad that it could obscure the impact of COVID. For example, repair and maintenance, personal and laundry services (such as hair and beauty salons), religions, grant-making, civic, and professional and similar organizations and work done in private households (housecleaning, handyman repairs) are classified under one NAICS code "Other services".

<sup>24</sup> Statistics Canada. *Payroll employment, earnings and hours, March 2020*. *The Daily*, May 28, 2020.

<sup>25</sup> Statistics Canada. *Payroll employment, earnings and hours, April 2020*. *The Daily*, June 25, 2020.

Retail sales fell in all subsectors and in all provinces. In April 2020, retail sales declined by 26%, *marking the largest monthly decline since 1961*. Among the subsectors of retail trade, the largest declines were experienced by sales at clothing and clothing accessories stores (by 69%) and furniture stores (by 51%).<sup>26</sup>

### Comparison of wages, for Canada & by Industry Sector/Province, February to March 2020

Brown Economic uses Statistics Canada's wage data from the *Survey of Employment, Payroll and Hours (SEPH)*, which is Canada's main (and only) index that tracks wages,<sup>27</sup> on a daily basis in its work preparing income loss assessments in civil litigation.<sup>28</sup>

The **SEPH** wage index is published according to province/territory and industry sector (using NAICS<sup>29</sup> codes). As a result, it combines workers of all ages, genders, and education levels. The advantage to tracking this data by industry sector rather than occupation is that the former will immediately impact wage levels (because it reflects the level of economic activity and productivity in the sector),<sup>30</sup> and there are many occupations which are represented in multiple industry sectors. If the **SEPH** followed wages by occupation code, there could be multiple metrics for a single occupation.

In the figures that follow, we show the change in wages (positive or negative) from February 2020 (pre-COVID) to March 2020 from Statistics Canada's **SEPH** data. The bars in each figure that extend below 0% reflect declines in wages from February to March 2020 (the **red-colored** bars). Figure 1 compares industry sectors across Canada, which shows – as expected – that wages *declined* in the majority of industry sectors from February to March 2020.<sup>31</sup> The main reason that there was not a decline in wages for the accommodation and food services sector in March of 2020 (compared to February 2020) is because the numbers of job losses in this sector were experienced by people in the lower-paid positions, thereby *raising* the average wage in the **SEPH** data from February to March 2020 when the higher-paid positions dominated payroll records.<sup>32</sup>

Also, four major grocers in Canada including Loblaw's, Metro, Empire Company and Walmart gave their frontline workers a raise of \$2 per hour during the COVID-19 pandemic. In March 2020, Walmart also rewarded their employees with an "appreciation bonus" of \$200 for full-time workers and \$100 for part-time ones.<sup>33</sup> Measures like this would have increased wages in March of 2020.

<sup>26</sup> The Conference Board of Canada. *Unprecedented decline for retail sales*. Released June 19, 2020.

<sup>27</sup> Statistics Canada's *Consumer Price Index*, which measures the change in price levels for a fixed basket of goods and services (known as "inflation"), does not track wages. For more detail and a comparison of the CPI and SEPH data, see **Brown's Economic Damages Newsletter** "Wage inflation data: CPI versus SEPH" April 2009, vol. 6, issue #3.

<sup>28</sup> Brown Economic purchases the complete results from the SEPH data each month from Statistics Canada, which encompasses all 398 NAICS industry codes for each province and territory.

<sup>29</sup> North American Industry Classification System. The 398 industry NAICS codes together reflect 35,000 job titles.

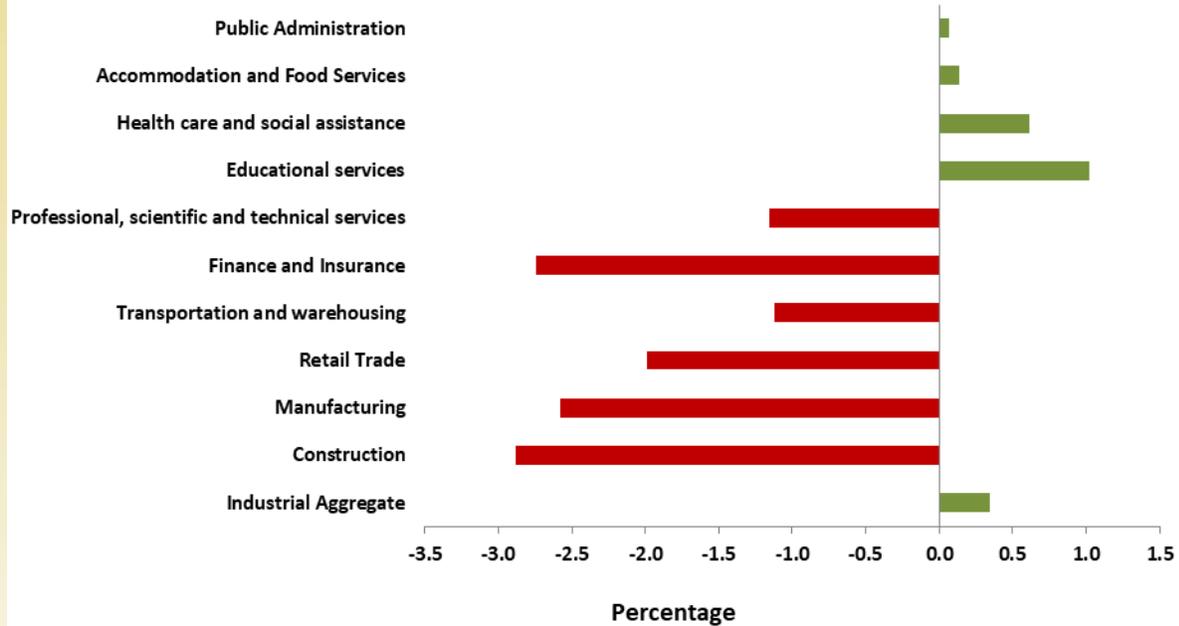
<sup>30</sup> For more discussion on how industry sector influences wage levels, see **Brown's Economic Damages Newsletter** "The Productivity Rate: What is it, and how is it determined?" February 2012, vol. 9, issue #1.

<sup>31</sup> Because the health care and social assistance sector employs more people than any other sector, and educational services employs almost as many people or more as other sectors (it is ranked 6<sup>th</sup> when we compare coverage by sector in the SEPH data), this pattern influenced the (very) small positive increase in the industrial aggregate index (which combines all sectors).

<sup>32</sup> Hourly- and low-paid workers accounted for 84% of the total decline in payroll employment from February to April 2020. (Source: Statistics Canada. *Payroll employment, earnings and hours, April 2020*. *The Daily*, June 25, 2020).

<sup>33</sup> H. Ryan. *4 major Canadian grocers give front-line workers a raise during COVID-19 pandemic*. *CBC News*, March 23, 2020.

**Figure 1: Comparison of Wages in March 2020 *versus* February 2020 by Industry Sector in Canada**



The only sectors across Canada in which wages *increased* from February to March 2020 were the **health care and social assistance** and **educational** services sectors.<sup>34</sup>

Figure 2 below, which shows the trend of wages by industry sector *for each province and territory* in the **health care and social assistance** sector, demonstrates the unusually high increases (+2% to +8%) from one month to another in most provinces<sup>35</sup> excepting Saskatchewan, where wages in this sector *decreased*.

<sup>34</sup> I am not including the public administration or accommodation and food services sectors in this statement because the change in wages from February to March 2020 were negligible (close to or approaching 0%), so cannot be construed as a "positive" trend.

<sup>35</sup> In sectors providing essential goods and services (health care providers, businesses and services providing critical goods such as foods, groceries, utilities, etc.), demand for frontline workers increased during the mandatory lockdown period from February to May 2020, and as a result, these essential workers received higher compensation for their working effort and to keep them on the job (source: R. Aiello. *Essential workers to get salary top-up, eligibility for emergency benefit expanded*: PM. *CTV News*, April 15, 2020).

**Figure 2. Comparison of Wages in March 2020 versus February 2020 in Health Care and Social Assistance Sector (Covers 2.5 million Canadians)**

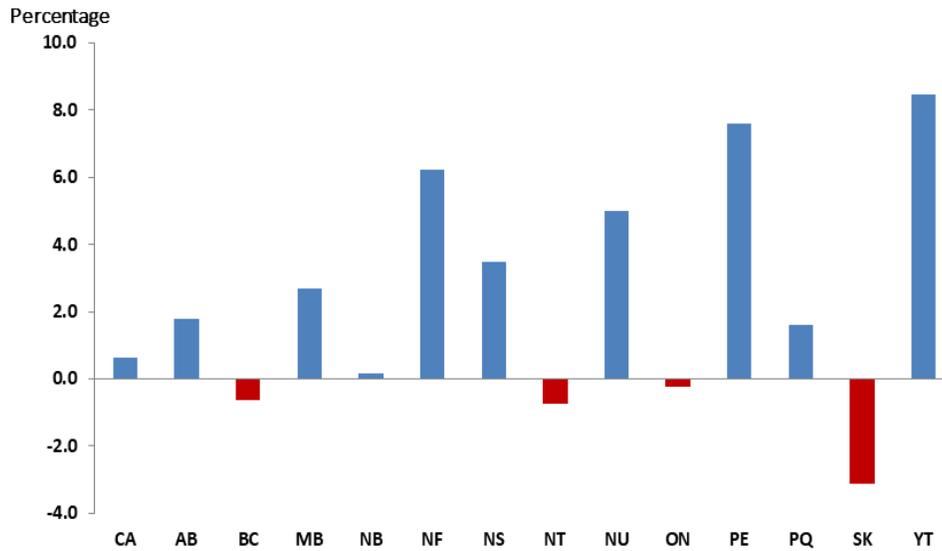
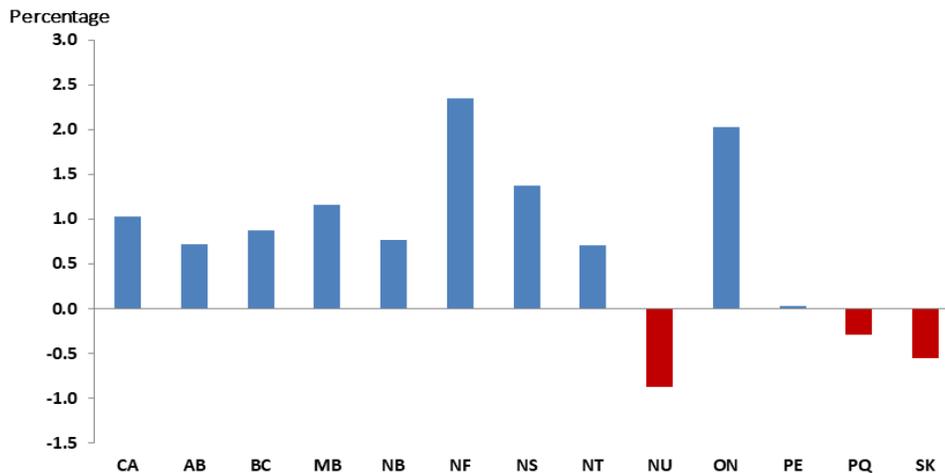


Figure 3, which compares wages by province/territory for the **educational services sector**, shows peculiar results given that most teachers were relegated to at-home lessons delivered virtually and were paid the same salary as when they were teaching in-person in schools. Yet wages in most provinces increased in the **educational services sector** from February to March 2020. Again, this may be due to the dismissal of lower-paid positions in this sector (such as teacher’s aides and ancillary staff) which, when omitted from the wages that *are* counted, cause the average wage to increase.<sup>36</sup>

**Figure 3: Comparison of Wages in March 2020 versus February 2020 Educational Services (Covers 1.4 million Canadians)**



<sup>33</sup> For instance, in March of 2020, Alberta’s education minister ordered the layoffs of more than 20,000 support staff in the educational services sector including substitute teachers, school bus drivers and educational assistants. (Source: D. Bennett. *Alberta education minister will not reverse decision on layoffs amid COVID-19 pandemic*. *The Canadian Press*, March 31, 2020).

By far the hardest-hit sectors, in almost all provinces and territories, were the **retail trade** and **construction** sectors. Figures 4 and 5 below demonstrate these impacts.

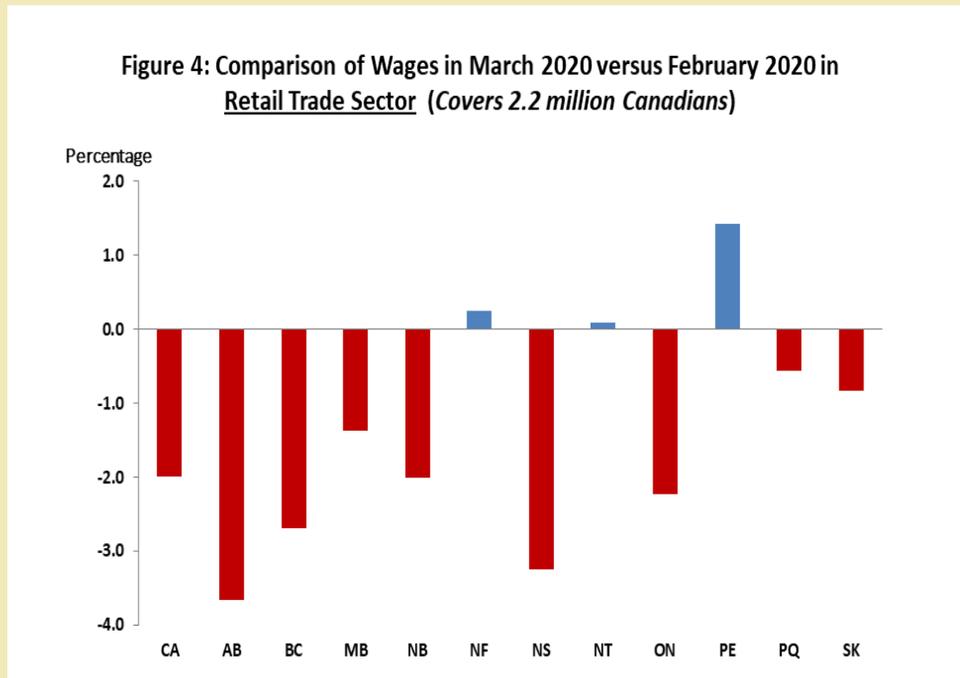


Figure 4, for the **retail trade** sector, shows that everywhere except in PEI, wages decreased.

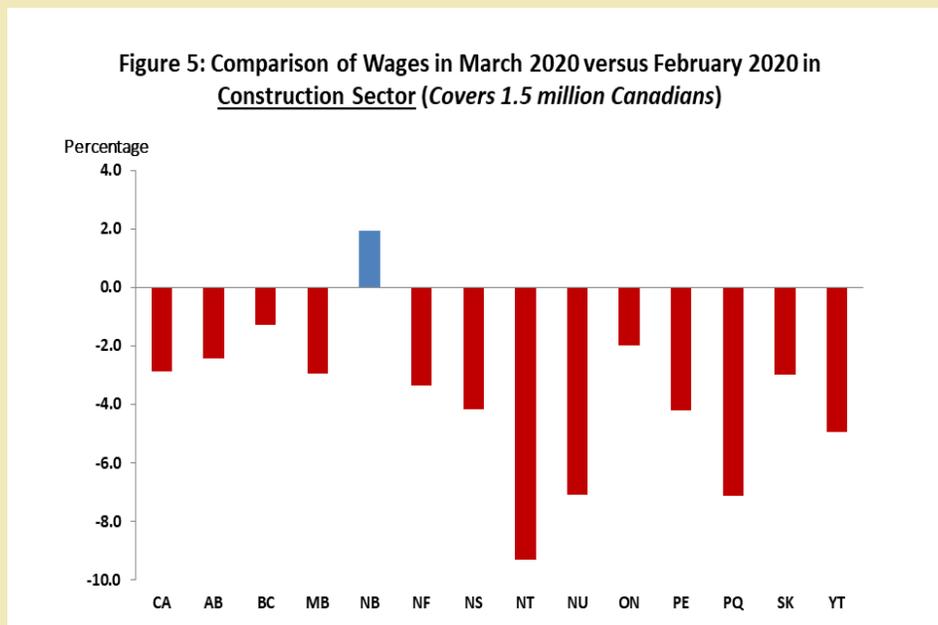


Figure 5, for the **construction** sector, shows that everywhere except in New Brunswick, wages decreased. While there could be a seasonal component to this pattern, the magnitude of the wage decreases are so substantial for a 1-month time period (-2% in Alberta, Manitoba, Saskatchewan, and Ontario; -4% in Newfoundland, Nova Scotia, PEI, and Yukon Territory; and more than -6% in the NWT, Nunavut and Quebec) suggesting that the shutdown of the Canadian economy definitely played a role.

**Figure 6: Comparison of Wages in March 2020 versus February 2020 in Manufacturing Sector (Covers 1.7 million Canadians)**

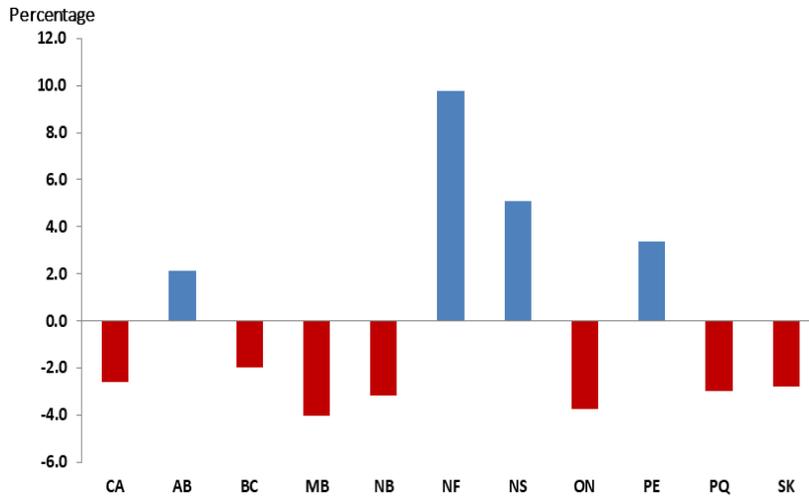
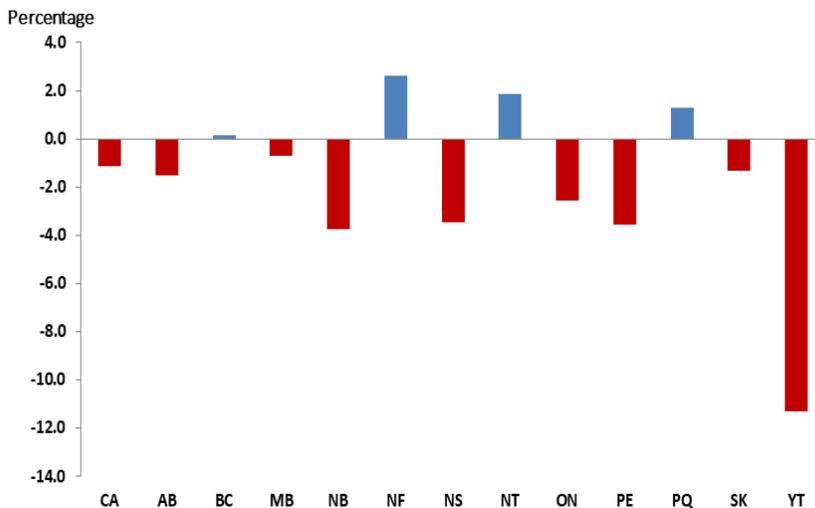


Figure 6 for the **manufacturing** sector shows a mixed result. Manufacturing employees in Alberta, Newfoundland, Nova Scotia and PEI found their wages unaffected or wages had increased in March of 2020. All other regions exhibited a decline in manufacturing wages.

Figure 7 covers the **“professional, scientific and technical services”** sector, which reflects lawyers, economists, engineers, accountants, architects, advertisers, and other consultants. Again, we see mixed results. Aside from Yukon Territory, which posted a 10%+ decline in wages in this sector, almost all of the impact on wages in other provinces (whether positive or negative) was very small (only New Brunswick, Nova Scotia, and Quebec’s wages decreased by more than 2%).

**Figure 7: Comparison of Wages in March 2020 versus February 2020 in Professional, Scientific and Technical Services (Covers 1.6 million Canadians)**



## Earnings of federal employees appear to be unaffected by COVID-19 economic lockdown

On March 18, 2020, the Prime Minister announced several never-before-seen economic programs to help Canadians facing hardship as a result of the COVID-19 outbreak. The major income support programs include the *Canada Emergency Response Benefit* (CERB)<sup>37</sup> providing income support for individuals (wage-earners and sole proprietors<sup>38</sup>); the *Canada Emergency Wage Subsidy* (CEWS) subsidizing employee wages to employers;<sup>39</sup> the *Canada Emergency Business Account* (CEBA) providing interest-free loans to small businesses and not-for-profit organizations; and a number of other liquidity-enhancing measures.

At the same time as COVID-19 has prompted the federal government to incur almost \$1000 billion in program costs and liquidity measures in a matter of months,<sup>40</sup> employees of this level of government continued to be paid their full-time salaries, *regardless of whether or not they maintained their pre-COVID work hours*. [This excludes government employees (such as health care providers and law enforcement agencies and their ancillary staffs) who were deemed to be “essential services” or “critical services”].<sup>41</sup>

Indeed, a striking contradiction is evident when we know that payroll employment and total earnings were virtually unchanged in the higher-paying public administration sector,<sup>42</sup> despite the drop in GDP (output), in part due to reduced work hours in this sector. And there were many more federal civil servants who received full pay who were *not* essential or critical to the functioning of the Canadian economy. As reported by the National Post:<sup>43</sup>

“...thousands of federal bureaucrats who were told to work from home as a result of the COVID-19 virus *are not actually working because their internet servers can’t handle more than “essential” government services ...* Many bureaucrats who aren’t assigned to critical services and who’s work involves sensitive information, such as classified, secret or even some protected-level documents or dossiers are most affected and are essentially on paid leave ... Similarly, employees at Canada Revenue Agency who perform “non-critical services” have been asked to take paid leave from March 15 to April 5” (emphasis added).

<sup>37</sup> Prime Minister Justin Trudeau announced on June 16, 2020 that the CERB is extended by 8 weeks to October 3, 2020, making the \$2000 monthly CERB benefit available to eligible workers for up to a total of 24 weeks.

<sup>38</sup> If a person works on a self-employed basis operating a sole proprietor or incorporated business, he/she can qualify for CERB provided that he/she must have stopped working as a result of reasons related to COVID-19; have had employment or self-employment income of at least \$5,000 in 2019 or in the 12 months prior to the date of application; and receive less than \$1,000 in employment or self-employment income for at least 14 consecutive days within the initial four-week application period (source: As per information contained on the Government of Canada website ([www.canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra/who-apply.html](http://www.canada.ca/en/revenue-agency/services/benefits/apply-for-cerb-with-cra/who-apply.html))).

<sup>39</sup> The emergency COVID-19 wage subsidy program (CEWS) will be extended to the end of December 2020 to help kick-start the reopening of provincial economies and allow people to move from the CERB to paid work (sources: Canadian Chamber of Commerce. *CEWS extension positive, but improvements needed, says Canadian Chamber of Commerce*. July 13, 2020; and CBC, *Deficit reduction will have to wait for the economic recovery, federal officials say*. May 9, 2020).

<sup>40</sup> House of Commons of Canada, Department of Finance. *Canada’s COVID-19 Emergency Response: Bi-Weekly Report on Parts 3, 8, and 18 of Bill C-13, NINTH REPORT*, July 23, 2020.

<sup>41</sup> The Treasury Board of Canada Secretariat defines a “critical service” as “one that, if disrupted, would result in a high or very high degree of injury to the health, safety, security or economic well-being of Canadians, or to the effective functioning of the Government of Canada”. The Board also defines “essential services” as “positions that must continue to provide service during strike activity” (source: information provided by the Professional Institute of the Public Services website ([pipsc.ca/news-issues/](http://pipsc.ca/news-issues/)); and information provided by each provincial government website). The list that defines which type of business is considered to be essential and non-essential is slightly different across provinces and territories and is amendable depending on the situation (source: M. Collie, and A. Patel. *What is an essential service? After groceries, it depends where you live in Canada*. Global News, April 3, 2020).

<sup>42</sup> Statistics Canada. *Payroll employment, earnings and hours, March 2020*. The Daily, May 28, 2020.

<sup>43</sup> C. Nardi. *Thousands of federal employees to receive paid vacation since they can’t work from home*. National Post, March 17, 2020.

As indicated by the World Bank, in many countries, public sector workers are a “privileged group” with employment protections and, on average, are paid 20% more than their peers in the private sector.<sup>44</sup> In Canada, federal weekly wages are the third-highest of any industry, behind only utilities, mining, and oil & gas.<sup>45</sup> According to Philip Cross, federal pay is unnecessarily high:

“[t]here is never a shortage of candidates for the vast majority of job openings – even before private sector employment nose-dived as a result of the coronavirus crisis. In today’s depressed labour market, *federal government jobs are coveted more than ever*” (emphasis added).<sup>46</sup>

Reducing federal civil service pay, which has been neglected by the government since the beginning of the pandemic, should be the first on the table for review, as argued by Philip Cross, a Senior Fellow at the Macdonald-Laurier Institute.<sup>47</sup> Philip Cross suggests a permanent 20% reduction of public service pay to tackle the federal government’s ballooning deficit.<sup>48</sup>

### Manitoba Government is leading the way to manage COVID-19 related spending

A 2020 study conducted by the Manitoba Bureau of Statistics shows that COVID-19 caused *employment* in the private sector to fall by 4.5% in March 2020 in that province; however, *employment* in the public-sector increased by 3% during this month. The study also shows that public sector workforce salaries are the province’s single largest expense.<sup>49</sup> To control its expenses, Manitoba aims to reduce the employment and wages of public sector workers.

Recently, Manitoba Premier Brian Pallister voluntarily took a pay reduction of 25% to push non-essential public-sector workers to accept reduced hours or temporary layoffs.<sup>50</sup>

### Sectors impervious to the economic shut-down

Almost all industry sectors experienced losses across Canada since March of 2020, except real estate, rental & leasing, and finance & insurance sectors:<sup>51</sup> GDP increased by more than 2% from March 2019 to March 2020, compared to the -7% decrease for the Canadian economy at large in this time frame (which has fallen further to -13.5% in the second quarter of 2020).<sup>52</sup>

<sup>44</sup> Z. Hasnain. *What about public sector wage bill cuts to finance coronavirus response?*. [The World Bank Group](#), April 6, 2020. The Fraser Institute (from BC) estimated in 2018 that Alberta government workers enjoyed a 9.3% wage premium compared to their private-sector counterparts; 70% of government workers in Alberta receive employer contributions to a registered pension plan (RPP) versus 20% of private-sector workers; and that government workers generally retired earlier and posted almost twice the amount of sick days per year as workers in the private sector (source: M. Palacios, N. Li, and S. Lafleur. (2019) *Comparing Government and Private Sector Compensation in Alberta, 2019*. [Fraser Institute](#)).

<sup>45</sup> Philip Cross. *A modest proposal on public service pay to help tackle the ballooning deficit: Philip Cross in the Financial Post*. [The Financial Post](#), April 9, 2020.

<sup>46</sup> Philip Cross. *A modest proposal on public service pay to help tackle the ballooning deficit: Philip Cross in the Financial Post*. [The Financial Post](#), April 9, 2020.

<sup>47</sup> Philip Cross. *A modest proposal on public service pay to help tackle the ballooning deficit: Philip Cross in the Financial Post*. [The Financial Post](#), April 9, 2020.

<sup>48</sup> Philip Cross. *A modest proposal on public service pay to help tackle the ballooning deficit: Philip Cross in the Financial Post*. [The Financial Post](#), April 9, 2020.

<sup>49</sup> Manitoba Bureau of Statistics. *COVID-19: Financial and Workforce Impacts*. April 9, 2020.

<sup>50</sup> S. Lambert. *Pallister takes pay reduction as he seeks public-sector cuts during COVID-19 pandemic*. [The Globe and Mail](#), April 21, 2020.

<sup>51</sup> The finance sector has been relatively unscathed in part because they were deemed to be “essential services” by the Canadian government (source: M. Collie, and A. Patel. *What is an essential service? After groceries, it depends where you live in Canada*. [Global News](#), April 3, 2020).

<sup>52</sup> Statistics Canada. *Gross domestic product by industry, March 2020*. [The Daily](#), Friday, May 29, 2020; Statistics Canada. *Payroll employment, earnings and hours, March 2020*. [The Daily](#), May 28, 2020; and Statistics Canada. Table 36-10-0434-02, *Gross domestic product (GDP) at basic prices, by industry, monthly, growth rates (x 1,000,000)*.

As people remained at home due to the COVID-19 lockdown, demand for audio and video content streaming services has increased rapidly. Main players in the content streaming market such as Netflix, Amazon Web Services, Apple Inc., Google LLC, Cisco Systems Inc., and Walt Disney Company expect the global content streaming market to double, from \$25 billion in 2019 to about \$50 billion in 2020.<sup>53</sup> Netflix, for example, has added 26 million customers since January 2020 (10 million added in the second quarter of 2020, the COVID-19 lockdown period), nearly equal to the company's total subscriptions added in 2019 (28 million subscribers).<sup>54</sup>

Given the temporary closures of retail stores providing non-essential services,<sup>55</sup> online shopping enjoyed a significant uptake in sales in the first half of the year 2020 (by 120% compared to 2019).<sup>56</sup>

### If you are not receiving your mail on a timely basis, here's why....

Due to the temporary closure of non-essential businesses including retail stores and businesses providing household consumer products, consumers' behavior and purchasing habits changed, shifting consumer spending to digital channels to a greater extent than before COVID-19. Online sales from retailer of all sizes experienced double-digit growth.<sup>57</sup> Increasing online orders apparently led to a backlog at Canada Post's processing centers despite the fact that there was a concomitant decrease in commercial deliveries with many schools, colleges and workplaces closed.<sup>58</sup>

This subsequently caused an increase in residential deliveries. Canada Post is presently experiencing record parcel volume. From April to May 2020, Canada Post delivered more packages than during most days leading up to the winter holiday season. At the same time that parcel volume rapidly increased during the COVID-induced shutdown, Canada Post advised that to ensure safety for its staff and to maintain physical distancing measures in its facilities, many post offices operated by Canada Post have reduced hours of service, opening one hour later and closing one hour earlier to clean and restock.<sup>59</sup>

Chit Chats, a courier service in Canada, reports that their shipments are experiencing severe processing and delivery delays as their partner, Canada Post, struggles to keep up with its record-high parcel volume. The company indicates that shipments within Ontario, Montreal and British Columbia are experiencing delays of 7, 4 and 2 business days, respectively.<sup>60</sup>

### Impact on small businesses in Canada

Small businesses, which represent 42% of Canada's GDP and 48% of new jobs in Canada, are currently facing extreme challenges during the economic downturn caused by the COVID-19 pandemic.<sup>61</sup> Nearly 60% of small businesses with 1 to 4 employees, 56% of those with 5 to 19 employees, and 32% of businesses with 500+ reported more than a 20% decline in revenue.<sup>62</sup>

<sup>53</sup> PR Newswire. *Content Streaming Witnesses Huge Surge in Demand Amid COVID-19 Lockdown; Global Market Expected to be Worth \$50.3 Billion in 2020*. May 15, 2020.

<sup>54</sup> CBC News. *Netflix adds 10 million new subscribers in 3 months but warns new sign-ups will slow*. July 17, 2020; and S. Zeitchik. *Netflix added 10.1 million subscribers this spring as people around the world stayed home*. *The Washington Post*, July 16, 2020.

<sup>55</sup> There are no official definitions for non-essential services. The list defining which type of businesses are non-essential services varies across provinces. In general, this list includes, but is not limited to: libraries, museums, cinemas and theatres, fitness centers, furniture and book stores, hair salons and barber shops, wellness services, personal services, restaurants, pubs and bars, casinos and bingo halls.

<sup>56</sup> P. Evan. *Retail sales plunged, but online shopping soared as COVID-19 settled in in April*. *CBC News*, June 19, 2020.

<sup>57</sup> Conference Board of Canada. *COVID-19 Will Drive a Paradigm Shift in Consumer Spending*, April 14, 2020.

<sup>58</sup> Research and Market. *Couriers: COVID-19 - Couriers See Rise in Residential Demand*. May 20, 2020.

<sup>59</sup> As per information contained on Canada Post website ([www.canadapost.ca/cpc/](http://www.canadapost.ca/cpc/)).

<sup>60</sup> Source: As per information provided by Chit Chats' website ([chitchats.com/blog/delivery-processing-delays-due-to-covid-19](http://chitchats.com/blog/delivery-processing-delays-due-to-covid-19)).

<sup>61</sup> RBC Small Business. *Small Business, Big Pivot: A devastating downturn, and how Canadian enterprises can transition*, June 11, 2020.

<sup>62</sup> Statistics Canada. *Impact of COVID-19 on Small Businesses in Canada* (Ottawa, Ontario: Minister of Industry, May 2020).

A survey conducted by Statistics Canada in April 2020 covering 12,600 businesses across Canada showed that more than 25% of respondents reported laying-off 50% or more of their employees, including 60% of those in accommodation and food services and 40% of those in the retail trade sector.<sup>63</sup>

Effective June 29, 2020, businesses that are affected by the COVID-19 economic shutdown and have 500 or fewer employees can apply for the "Small and Medium Enterprise Relaunch Grant", which will give them up to \$5,000 to offset costs due to the pandemic. This is one of the initiatives offered by the Alberta's government to assist small business with relaunch after the lockdown period from March to May 2020.<sup>64</sup>

### CERB is evolving into a disincentive to work

Owed to its design, the CERB is considered to deter workers, particularly low-income earners, from returning to work or increase their level of work activity post-lockdown as people are not eligible for CERB payments if they make more than \$1,000 a month. At the same time, PBO estimates that it will cost the federal government an additional \$18 billion to provide an extra 8 weeks of payments under the CERB program (extending to Oct. 3, 2020).<sup>65</sup>

CERB was designed to cushion COVID-19's impact but it is now threatening to impede economic recovery as argued by MP Andrew Scheer.<sup>66</sup> It is considered to be a better strategy to shift funding *away* from the CERB and *into* the CEWS, as it would eliminate the CERB's disincentive for workers to re-enter the workforce and encourage businesses to reopen as their operating costs are reduced with the CEWS.<sup>67</sup> Subsequently, the CEWS program was extended to the end of December 2020 to "kick-start the reopening of provincial economies and allow people to move from the CERB to paid work."<sup>68</sup>

Economists have long studied the impact on "labour force participation" (the voluntary decision<sup>69</sup> to engage in paid work) *when other sources of income are available*, such as EI benefits or disability benefits (*Canada Pension Plan* (CPP) benefits or long-term disability benefits (LTD)). The empirical data reveals a strong consensus: when benefits dissipate, labour force participation increases, i.e., people resume working.<sup>70</sup> The reverse pattern is precisely what is occurring with the CERB: while benefits are available, labour force participation is reduced.

In surveying small businesses, the **Canadian Federation of Independent Business** (CFIB) reported on July 16, 2020 that *of the staff who refused to return to work*, the largest share (62%) stated they preferred to stay on the CERB than to work.

<sup>63</sup> G. Gellatly. *Recent Development in the Canadian Economy, 2020: COVID-19, first edition*. *Economic Insights*, Statistics Canada Catalogue no. 11-626-X, May 2020.

<sup>64</sup> A. Bench. *Alberta government launches grant to help small businesses with relaunch, PPE costs*, June 18, 2020.

<sup>65</sup> CBC News. *Eight more weeks of CERB to cost \$17.9 billion, budget officer says*. June 23, 2020.

<sup>66</sup> K. Harris. *As provinces begin to reopen economies, Scheer says federal benefits deter Canadians from returning to work*. *CBC News*, May 4, 2020.

<sup>67</sup> The Conference Board of Canada. *Extend wage subsidy program, not individual response benefits*. Released July 10, 2020.

<sup>68</sup> Canadian Chamber of Commerce. *CEWS extension positive, but improvements needed, says Canadian Chamber of Commerce*. July 13, 2020; and CBC, *Deficit reduction will have to wait for the economic recovery, federal officials say*. May 9, 2020.

<sup>69</sup> Excluding the small percentage of non-labour force participants who are so disabled (on a permanent basis) that they cannot do paid work and will never recover, since this would not be voluntary.

<sup>70</sup> J. C. Ham and S. A. Rea, Jr. "Unemployment Insurance and Male Unemployment Duration in Canada" *Journal of Labor Economics*, Vol. 5, No. 3, July, 1987; M. Campolieti, "Disability Insurance and the Labour Force Participation of Older Men and Women in Canada" *Canadian Public Policy* (2001); and David Autor, Andreas Kostol, Magne Mogstad and Bradley Setzler, "Disability Benefits, Consumption Insurance and Household Labor Supply", *American Economic Review*, vol. 109, no. 7, July 2019.

## CERB should be targeted

Results from Statistics Canada's *Labour Force Survey* (April and May 2020) show that about 60% of those who had applied for either regular EI or CERB benefits since March 15 were in the core-working age group of 25 to 54; **22% were youth aged 15 to 24** and these applicants were about equally likely to be women as men.<sup>71</sup>

At the same time that almost ¼ of Canada's youth are receiving the CERB benefit, data from the 2016 Census show that the percentage of individuals **aged 20 to 34 who lived with parents** was **35%** in 2016.<sup>72</sup> Among people **aged 20 to 24** in 2017, about **68%** were *living with a parent*.<sup>73</sup>

Given that there may be overlap with youth (ages 20 to 34) who live at home and are receiving the CERB/CESB benefits, this suggests that the CERB program could have been administered in a more targeted way to deliver the benefits to workers who must financially support themselves. The prompt implementation of the COVID-19 benefits by the federal government sacrificed a targeted approach.

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<sup>71</sup> Statistics Canada. *Labour Force Survey, May 2020*. *The Daily*, June 5, 2020, p. 18.

<sup>72</sup> The 2016 Census also shows that 50% of census families have children aged 24 and younger. (Sources: Statistics Canada. *Young adults living with their parents in Canada in 2016*. Catalogue no. 98-200-X2016008, August 2, 2017; and Statistics Canada. *Data Table, 2016 Census: Census Family Structure (7) and Presence and Ages of Children (15) for Census Families in Private Households of Canada, Provinces and Territories, Census Metropolitan Areas and Census Agglomerations, 2016 and 2011 Censuses - 100% Data*. Catalogue no. 98-400-X2016387).

<sup>73</sup> Statistics Canada. *Family Matters: Under the same roof, living with my parents!*. February 15, 2019.



## Consumer Price Index

## Unemployment Rate

From June 2019 to June 2020*		For the month of June 2020	
(rates of inflation)			
Canada**	0.7%	Canada:	12.3%
Vancouver:	0.2%	Vancouver:	13.1%
Toronto:	0.3%	Toronto:	13.6%
Ottawa:	1.2%	Ottawa:	9.0%
Montréal:	0.9%	Montréal:	15.1%
Edmonton:	1.4%	Edmonton:	15.7%
Calgary:	1.5%	Calgary:	15.6%
Halifax:	0.4%	Halifax:	11.9%
St. John's, NF:	0.1%	St. John's, NF:	11.6%
Saint John, NB:	0.4%	Saint John, NB:	11.5%
Charlottetown (PEI):	-0.4%	Charlottetown (PEI):	15.2%
* Using month-over-month indices. Source: Statistics Canada			
** 12 month rolling average up to June 2020 is 1.5% (see table above).			

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## UPDATING NON-PECUNIARY AWARDS FOR INFLATION (JUNE 2020, CANADA)

Year of Accident/ Year of Settlement or Trial	"Inflationary" Factors*	Non-Pecuniary Damages - Sample Awards				
		\$10,000	\$25,000	\$50,000	\$75,000	\$100,000
June 2019-June 2020	1.015	\$10,146	\$25,366	\$50,732	\$76,097	\$101,463
Avg. 2018-June 2020	1.024	\$10,241	\$25,604	\$51,207	\$76,811	\$102,414
Avg. 2017-June 2020	1.047	\$10,473	\$26,183	\$52,365	\$78,548	\$104,731
Avg. 2016-June 2020	1.064	\$10,640	\$26,601	\$53,201	\$79,802	\$106,403
Avg. 2015-June 2020	1.079	\$10,792	\$26,981	\$53,962	\$80,943	\$107,924
Avg. 2014-June 2020	1.091	\$10,914	\$27,285	\$54,570	\$81,855	\$109,140
Avg. 2013-June 2020	1.112	\$11,122	\$27,805	\$55,610	\$83,415	\$111,220
Avg. 2012-June 2020	1.123	\$11,226	\$28,065	\$56,131	\$84,196	\$112,262
Avg. 2011-June 2020	1.140	\$11,397	\$28,492	\$56,983	\$85,475	\$113,966
Avg. 2010-June 2020	1.173	\$11,728	\$29,321	\$58,642	\$87,963	\$117,283
Avg. 2009-June 2020	1.194	\$11,937	\$29,844	\$59,687	\$89,531	\$119,374
Avg. 2008-June 2020	1.199	\$11,994	\$29,985	\$59,970	\$89,955	\$119,940
Avg. 2007-June 2020	1.226	\$12,257	\$30,642	\$61,283	\$91,925	\$122,566
Avg. 2006-June 2020	1.252	\$12,518	\$31,296	\$62,592	\$93,887	\$125,183
Avg. 2005-June 2020	1.277	\$12,769	\$31,922	\$63,844	\$95,766	\$127,687
Avg. 2004-June 2020	1.305	\$13,052	\$32,629	\$65,259	\$97,888	\$130,518
Avg. 2003-June 2020	1.329	\$13,294	\$33,236	\$66,472	\$99,708	\$132,944
Avg. 2002-June 2020	1.366	\$13,661	\$34,153	\$68,307	\$102,460	\$136,614
Avg. 2001-June 2020	1.397	\$13,970	\$34,925	\$69,851	\$104,776	\$139,701
Avg. 2000-June 2020	1.432	\$14,322	\$35,804	\$71,608	\$107,412	\$143,217
Avg. 1999-June 2020	1.471	\$14,712	\$36,780	\$73,560	\$110,339	\$147,119
Avg. 1998-June 2020	1.497	\$14,967	\$37,416	\$74,833	\$112,249	\$149,666
Avg. 1997-June 2020	1.512	\$15,116	\$37,789	\$75,578	\$113,367	\$151,156
Avg. 1996-June 2020	1.536	\$15,360	\$38,401	\$76,802	\$115,203	\$153,604
Avg. 1995-June 2020	1.560	\$15,603	\$39,006	\$78,013	\$117,019	\$156,025
Avg. 1994-June 2020	1.594	\$15,937	\$39,844	\$79,687	\$119,531	\$159,375
Avg. 1993-June 2020	1.596	\$15,964	\$39,909	\$79,818	\$119,727	\$159,635
Avg. 1992-June 2020	1.626	\$16,262	\$40,655	\$81,310	\$121,964	\$162,619
Avg. 1991-June 2020	1.650	\$16,504	\$41,259	\$82,518	\$123,777	\$165,036
Avg. 1990-June 2020	1.743	\$17,432	\$43,581	\$87,162	\$130,743	\$174,324
Avg. 1989-June 2020	1.827	\$18,267	\$45,667	\$91,335	\$137,002	\$182,669
Avg. 1988-June 2020	1.918	\$19,177	\$47,943	\$95,887	\$143,830	\$191,773
Avg. 1987-June 2020	<b>1.995</b>	\$19,947	\$49,869	<b>\$99,737</b>	\$149,606	\$199,474
Avg. 1986-June 2020	2.082	\$20,817	\$52,042	\$104,084	\$156,126	\$208,168
Avg. 1985-June 2020	2.169	\$21,689	\$54,224	\$108,447	\$162,671	\$216,894
Avg. 1984-June 2020	2.255	\$22,549	\$56,372	\$112,743	\$169,115	\$225,487
Avg. 1983-June 2020	2.352	\$23,519	\$58,798	\$117,596	\$176,395	\$235,193
Avg. 1982-June 2020	2.490	\$24,900	\$62,249	\$124,499	\$186,748	\$248,997
Avg. 1981-June 2020	2.758	\$27,579	\$68,948	\$137,896	\$206,844	\$275,792
Avg. 1980-June 2020	3.102	\$31,024	\$77,561	\$155,122	\$232,682	\$310,243
Avg. 1979-June 2020	3.417	\$34,167	\$85,418	\$170,835	\$256,253	\$341,671
Jan. 1978-June 2020	<b>3.892</b>	\$38,917	\$97,293	\$194,587	\$291,880	<b>\$389,174</b>

\$99,737= \$50,000 x 1.995 represents the dollar equivalent in June 2020 of \$50,000 based on inflation increases since 1987. Similarly, \$389,174 (= \$100,000 x 3.892) represents the dollar equivalent in June 2020 of \$100,000 in 1978 based on inflationary increases since the month of January 1978.

\* Source: Statistics Canada, Consumer Price Index, monthly CPI release, rolling average (except for Jan. 1978).



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