



Centre for the Study
of Living Standards

Big Ideas Seminar Series

Understanding and Addressing Canada's Affordability Challenges

September 29, 2026



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Centre for the Study
of Living Standards

Addressing Canada's High Cost of Living: The Role of Productivity and Bargaining Power

Claude Lavoie

September 29, 2026



High cost of living became a top issue a decade ago

Pressures on governments to address affordability arose in the mid-2010s, just after Canada middle class was characterised as the richest in the world.

It was hard to find data that could substantiate these concerns. It still is.

Similar stories have emerged in other countries as well.

Top Issues Facing Canada (% of Canadians)

Issue	July 2015	October 2019	October 2025	August 2026
Cost of living	55%	60%	62%	62%
Health care	N/A	44%	35%	29%
The economy	36%	29%	35%	39%
Housing affordability	N/A	27%	34%	30%
Donald Trump	N/A	N/A	33%	45%
Immigration	N/A	26%	27%	23%

Outside the pandemic, cost of living increases were not abnormal

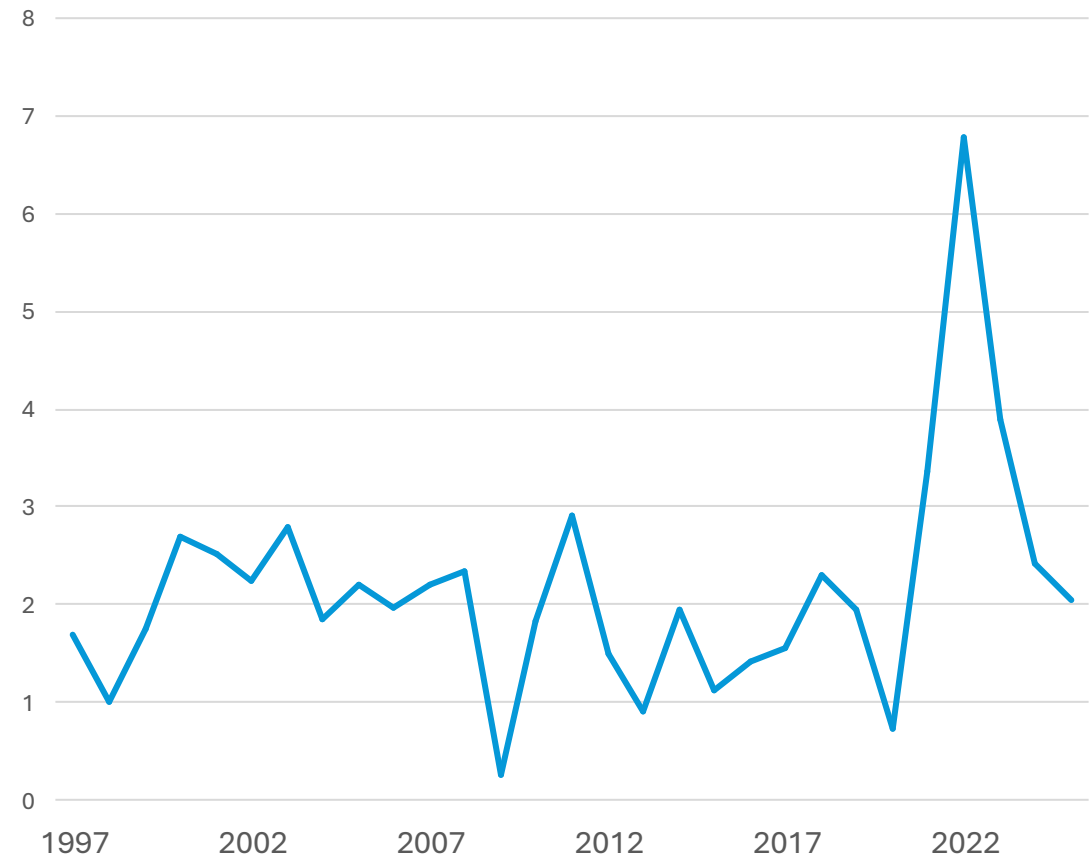
When cost of living concerns emerged, inflation was stubbornly **below** target, and disinflation fears existed. It increased during the pandemic, but inflation is back at 2%, and people expect it to continue to remain near that level.

Consumers' perceptions of inflation may be higher if prices of goods they purchase frequently are going up fast.

However, inflation for food, gasoline, and shelter was modest during the pre-pandemic period when concerns emerged, and not that high over the 2010-24 period.

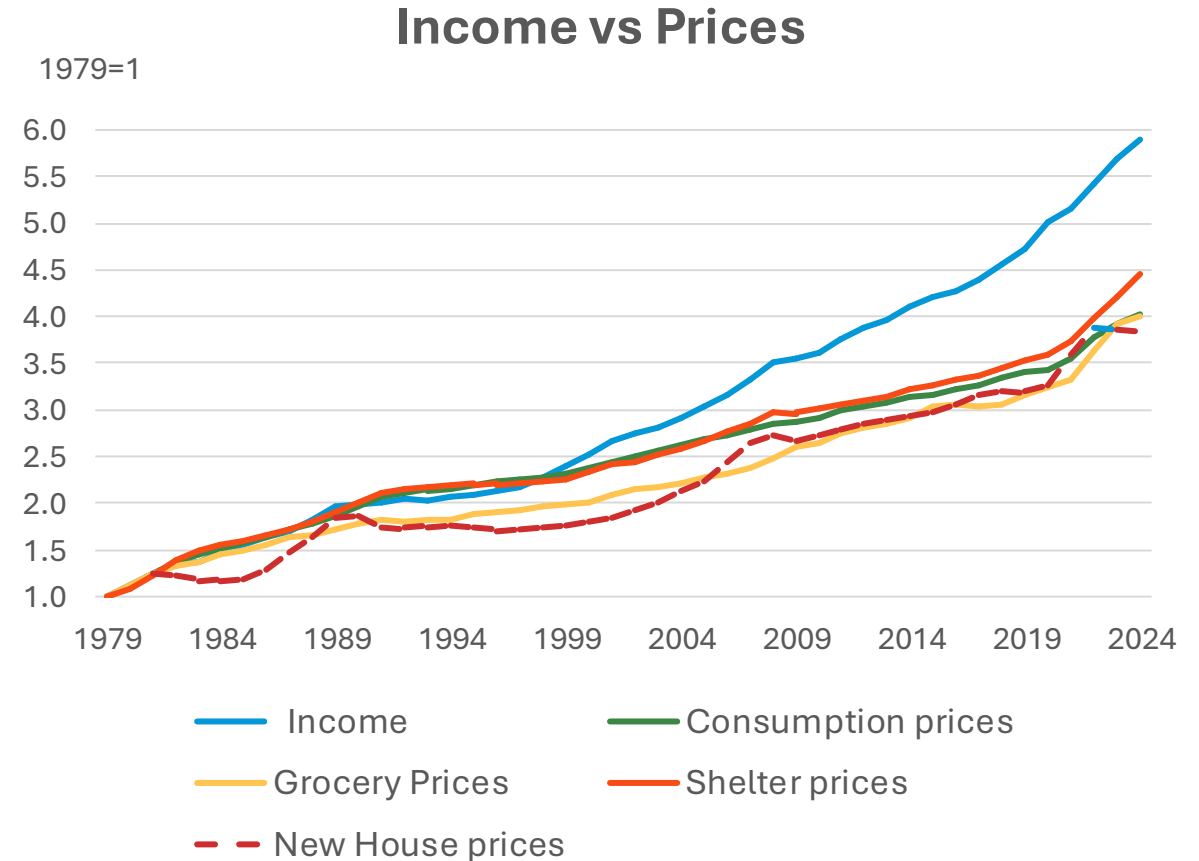
Existing house prices grew relatively fast but two-thirds of Canadians own a home. Only a concern of 30%.

Inflation Rate, 1997-2025



This isn't due to a large initial gap or strong increase in necessity costs

Category	2010-19	2019-24	2010-24
All Items	1.7%	3.4%	2.3%
Food	2.2%	4.7%	3.1%
Shelter	1.8%	4.8%	2.8%
Gasoline	1.6%	6.0%	3.1%

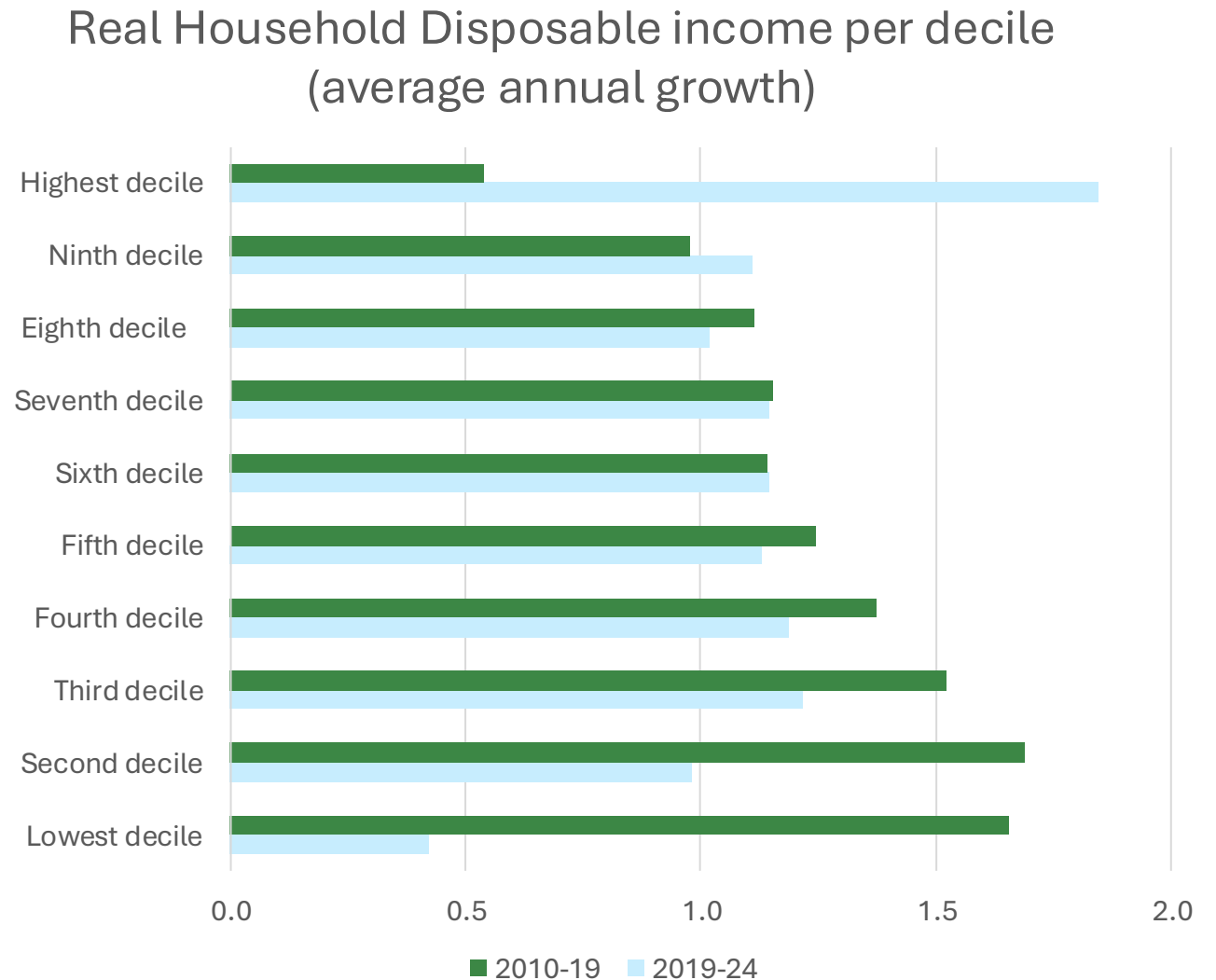


Most saw increased real disposable income...

Most Canadians experienced real income growth despite the widespread perception of the contrary.

The same is true using different groupings, such as age groups, or different measures, such as wages

Obviously, some did not see any increase, but they are a minority.



... and in their net wealth

Fast cost-of-living increases should be expected to deplete financial wealth.

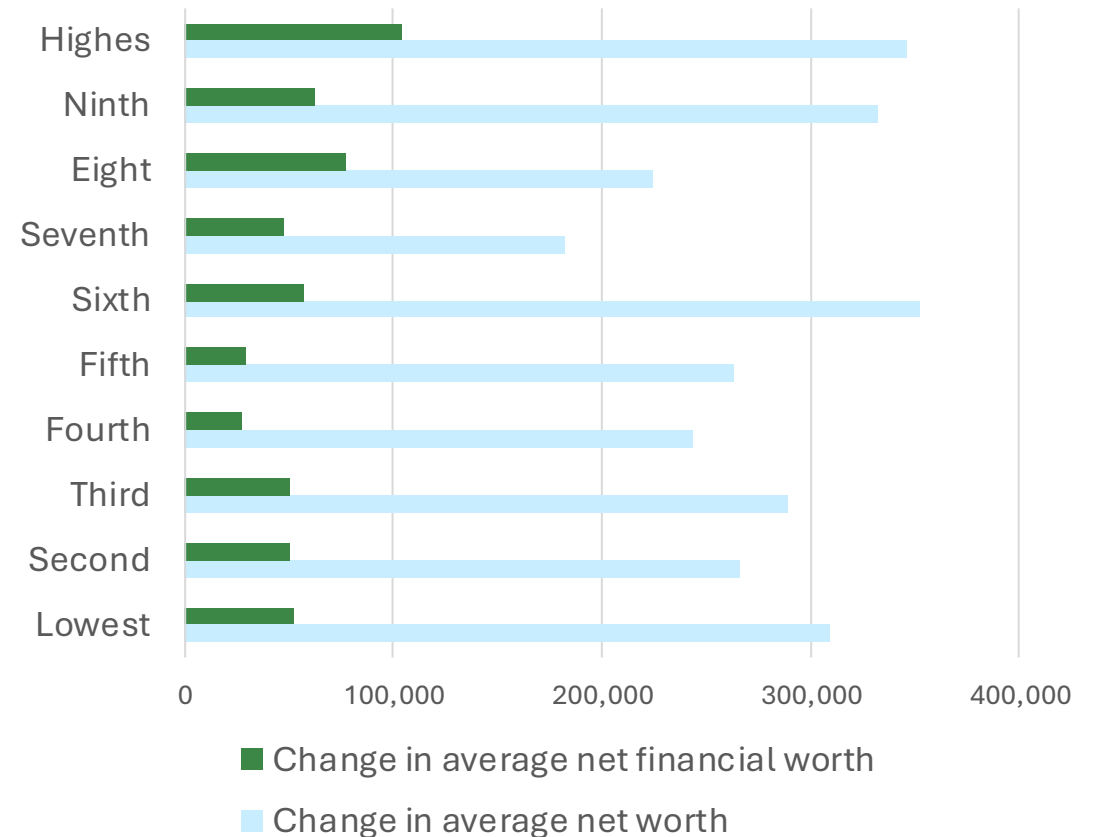
Polls suggest over half of Canadians feel "financially paralyzed"

Net worth statistics contradict these financial anxiety narratives. Households across all income deciles experienced real net worth increases, and not only because of housing and pension asset appreciation

Some composition effects may play a role but this is also true across age groups.

This dichotomy between “feeling” and income and wealth data is also found in other countries.

Change in average net worth per after-tax income decile, 2012-23



Reasons for dichotomy: 1) Unmet expectations

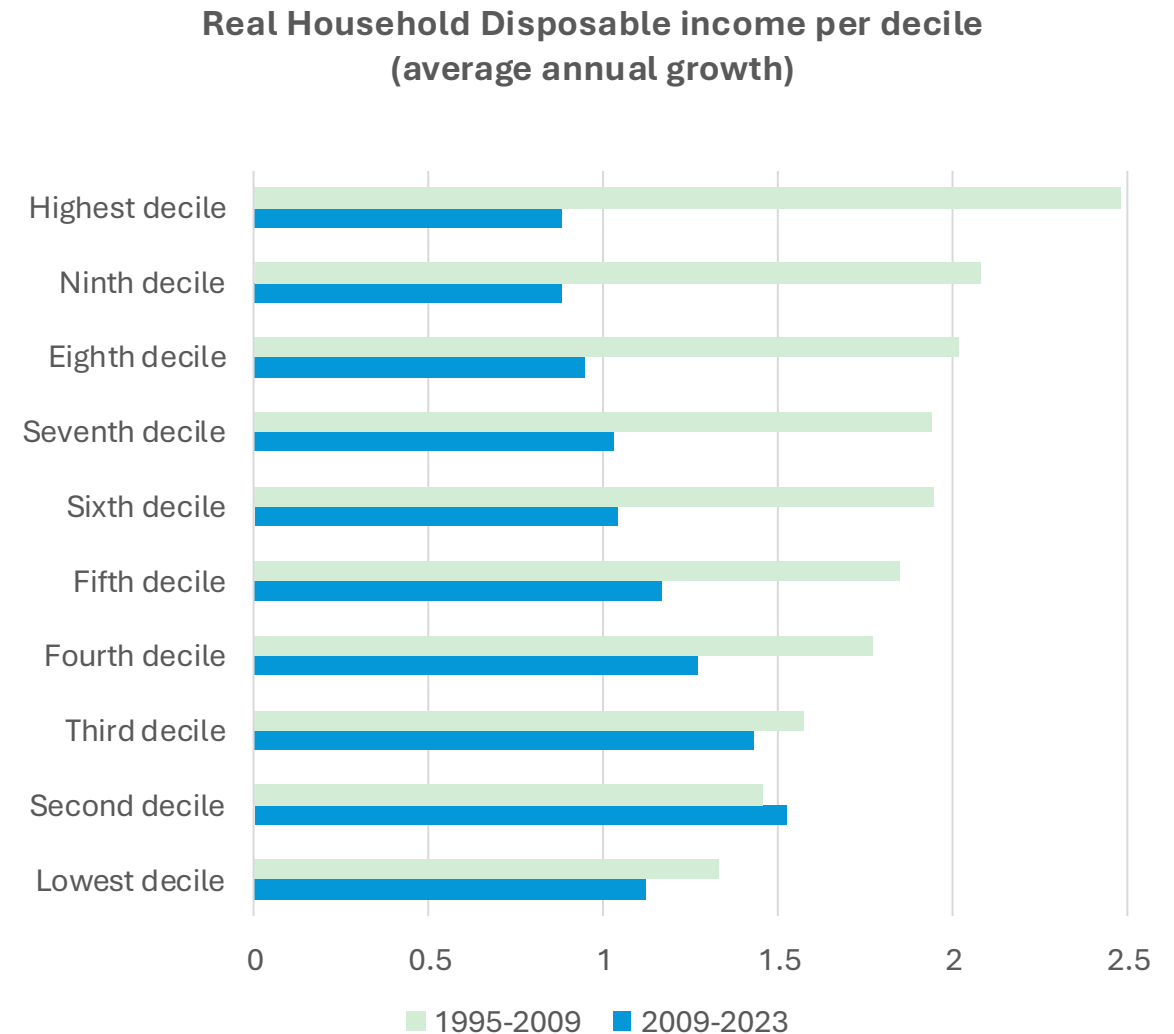
Rate of real income (and wage) growth was ~50% slower in 2009-2023 than in 1995-2009 for most income deciles and age groups

This extends beyond Canada: the “new mediocre“

People also became more worried about their future financial ability

Research shows how your real income compares to your expectations matters, not the absolute level

Workers comparing themselves to their parents' experience, or to their own earlier progression, may feel disappointed despite the improvement



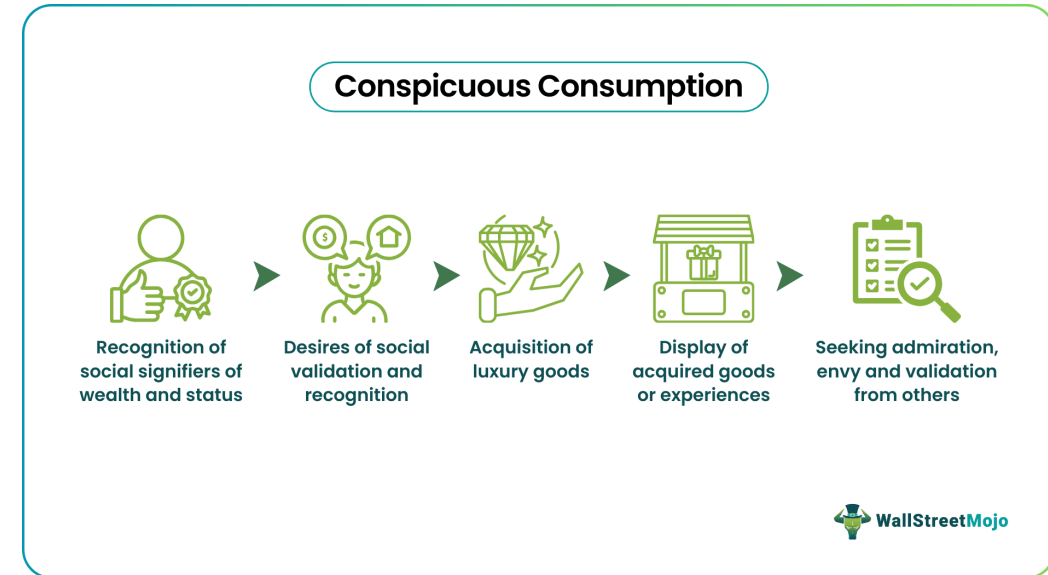
2) Social Media and Financial Dysmorphia

People care about their relative social position (more than their absolute wellbeing)

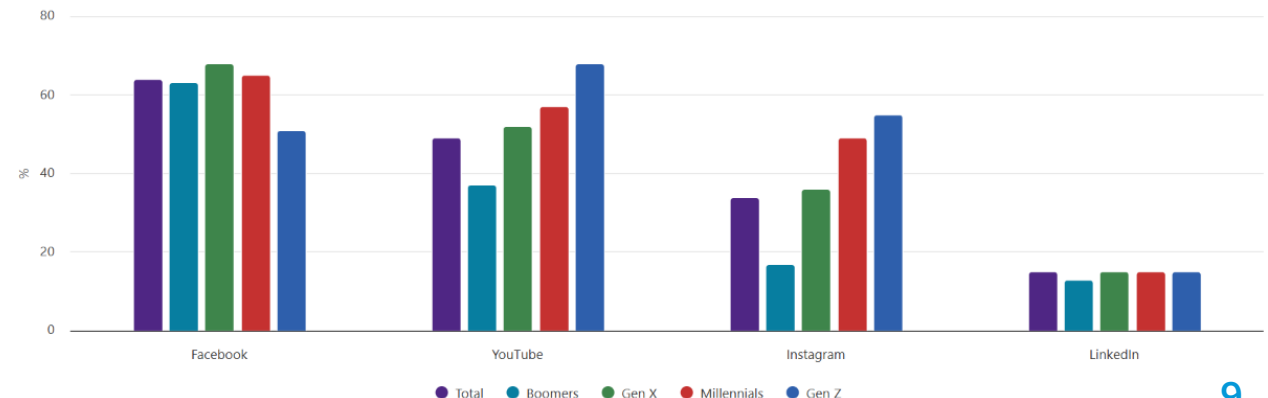
Social media algorithms encourage users to perceive portrayed lifestyles as representative of peer groups, distorting perceptions of "normal" consumption and "necessary" expenditures.

This generates feelings of financial inadequacy, so-called financial dysmorphia, and the pressure to emulate these lifestyles can lead to financial anxiety.

Other potential reasons were examined, like volatility or instability, but nothing very satisfactory



Envionics RTS | Social Media Usage by Generation



Solutions?

- Concern about cost of living is a global phenomenon and started when inflation was lower than expected. It is not a Canadian-made problem. Income still grew faster than food or shelter prices, so does not seem to be a “perception” problem.
- Unmet expectations from the supposed “new mediocre” and financial dysmorphia are two potential explanations.
- However, some individuals do face genuine hardship, confronting choices between feeding children and paying rent.
- The only way to achieve broad-based increases in living standards is to increase productivity and ensure workers receive their fair share of these productivity gains.
- Productivity growth stems from organizational, procedural, or technical innovations, which depend on numerous interacting factors including social context, cultural norms, and regulatory frameworks. No economist has proven prescriptions. It is a “hard nut to crack.”
- Stronger bargaining power gets bad press and is accused of undermining growth.

Policy suggestions

- **Improve competition and economic framework**
 - Reduce barriers to FDI, more competition-friendly regulations, more independent Competition Bureau, more scrutiny on M&A, reduce subsidies and ineffective business support programs, shift tax burden to consumption, zoning laws, etc.
- **More in-kind support**
 - Remove non-financial training barriers, enhance business advisory services, facilitate access to government programs and services, improve credential recognition, improve business literacy.
- **Strengthen bargaining power**
 - Facilitate unionization (evidence shows unionization does not harm productivity), enable sectoral bargaining, ensure all provinces adopt mandated paid sick days, recognize gig workers as employees, etc.
- **Support vulnerable populations**
 - More generous employment insurance and social assistance, personalized guidance and wraparound supports for long-tenured displaced workers, at-risk youth, single low-skilled adults, more affordable housing

Canada's Affordability Challenges:

Findings and policy lessons from IRPP research

Shaimaa Yassin
Institute for Research on Public Policy
September 2026



[Toward a More Equitable Canada](#)



[Affordability Action Council](#)

What is *Affordability*?

Working Definition for this discussion

A household's ability to meet its essentials/basic needs on a sustained basis, given its resources and the costs it faces.



"No one should have to forgo buying food to pay the rent."

No one should avoid heating or cooling their homes to afford a transit pass to get to work."

Affordability Action Council,
[*Making Ends Meet*](#), February 2024.

Meeting one essential need should not mean sacrificing the other.

Three lenses on *Affordability*

Prices and income

Are incomes keeping pace with the costs households face?

Resources after essentials

Is there enough to adequately meet essentials/basic needs?

Hardship and financial security

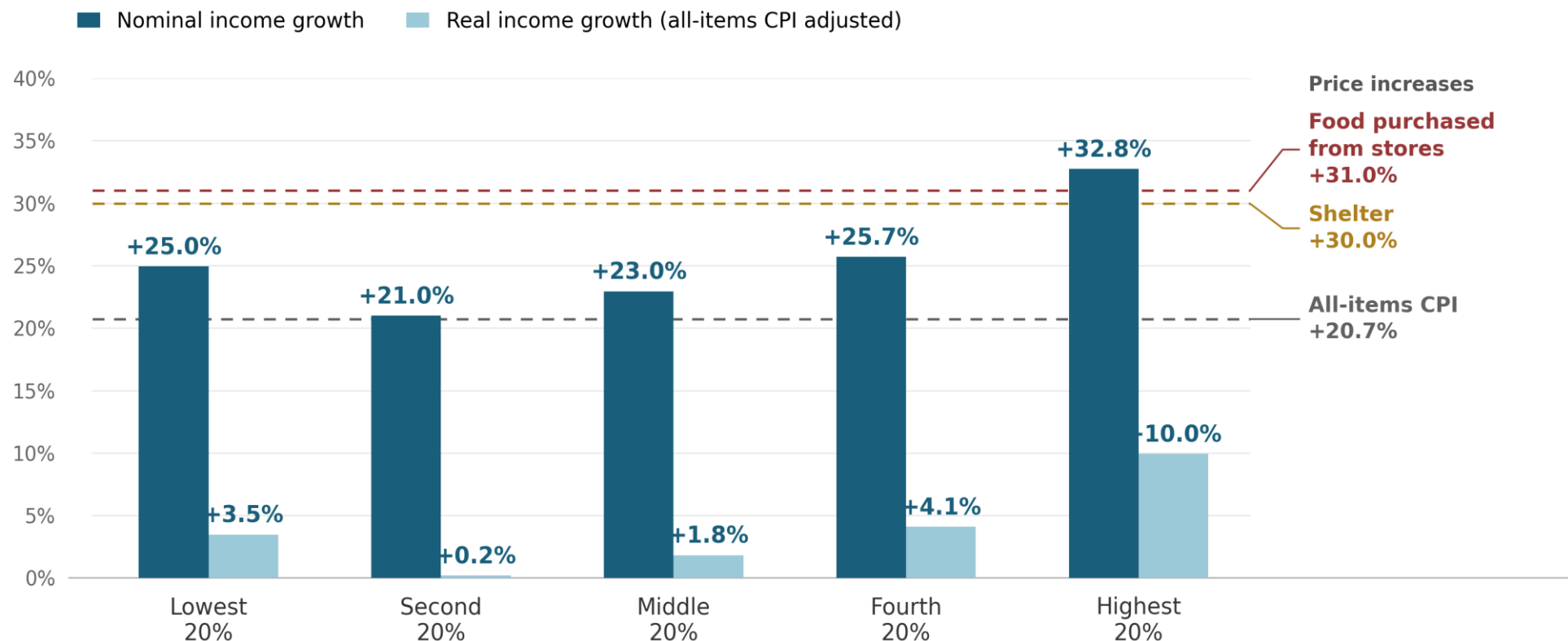
Are people going without essentials or at risk of doing so when their circumstances change?

Across all three: affordable for whom?

Lower inflation does not reverse earlier price increases

From 2019 to 2025, food and shelter prices rose faster than disposable income in the bottom four income quintiles.

Cumulative change in household disposable income per equivalent adult, Canada, 2019-2025



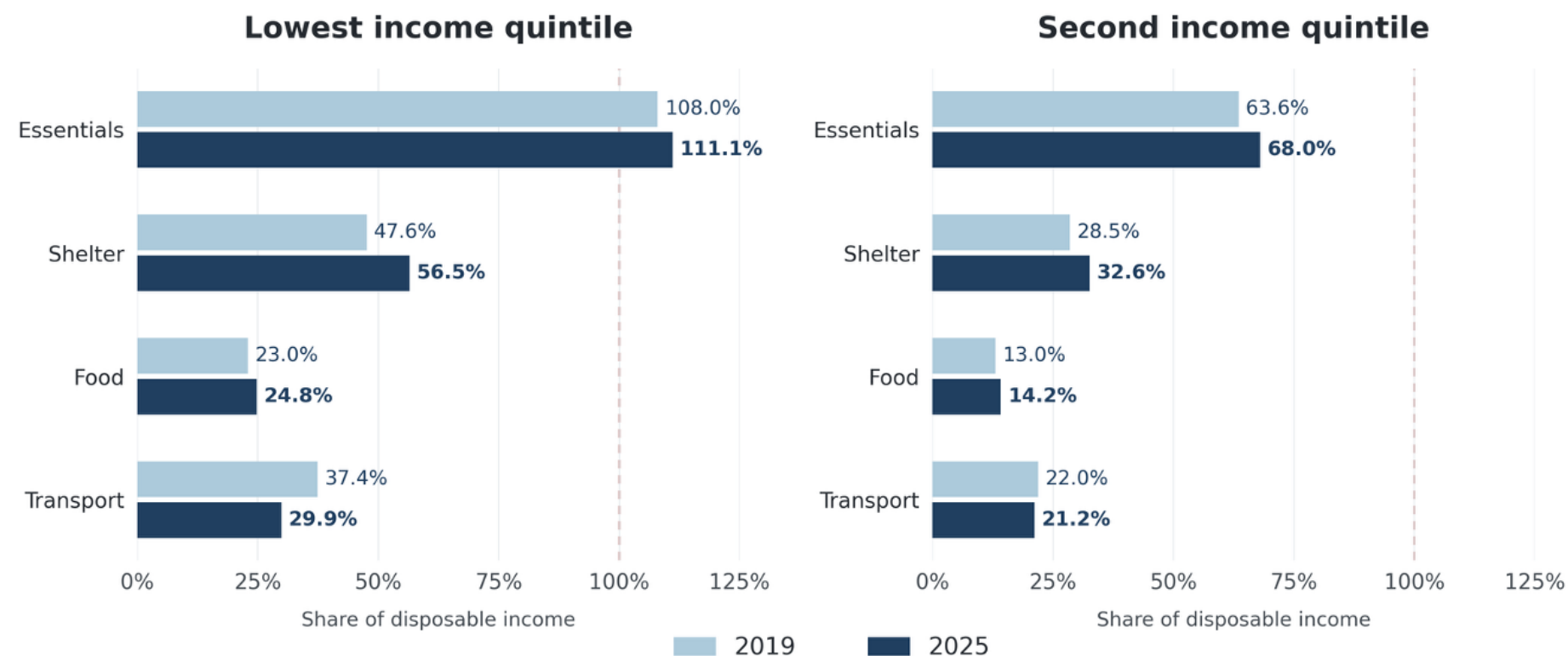
Dashed price lines compare with nominal income growth.

Income is per consumption unit (OECD-modified equivalence scale). Groups do not follow the same households over time.

Source: Author's calculations, Statistics Canada tables 36-10-0587-01 and 18-10-0005-01; downloaded September 24, 2026.

Keeping pace with inflation does not resolve an inadequate starting point

Spending on essentials as a share of disposable income
Lowest two income quintiles, Canada, 2019 and 2025



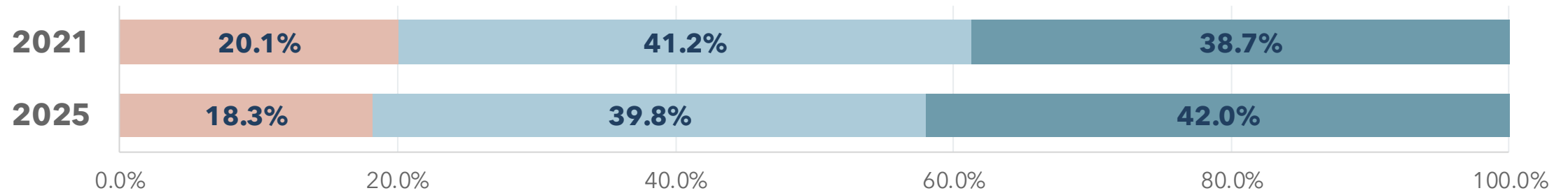
Source: Author's calculations from Statistics Canada, Table 36-10-0587-01. Canada, annual data.

Income and wealth became more concentrated

Share of total household disposable income and net wealth, 2021 and 2025

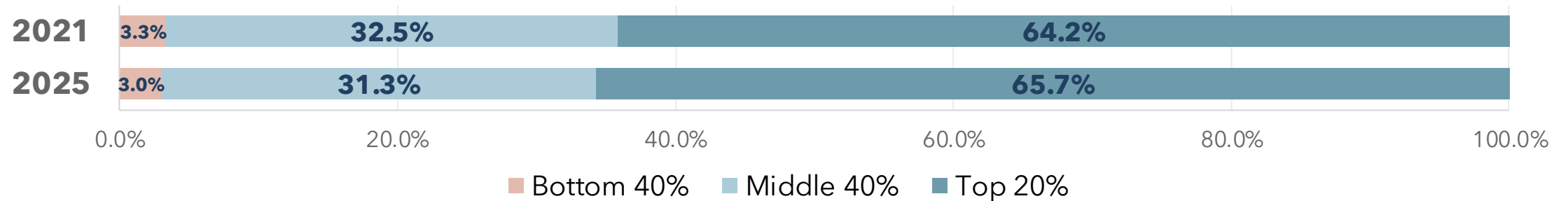
Disposable income

Annual income, households ranked by income



Net wealth

Year-end (Q4), households ranked by wealth



Source: Author's calculations based on Statistics Canada (Tables [36-10-0587-01](#) and [36-10-0660-01](#))

Hardships and financial security

Food insecurity

24%

of people lived in food-insecure households in 2025

47.4% People in woman-led one-parent families

30.4% Unattached non-seniors

Energy hardship

14%

of households kept their home at an unsafe or uncomfortable temperature because heating or cooling was unaffordable in 2023

18% Households in the lowest income quintile

Housing

65,000

people counted as experiencing homelessness in 75 communities
2025 counts

UNAFFORDABLE HOUSING • 2021

20.9% overall

33.2%

Renters

14.8%

Owners

Economic shocks can become affordability shocks

Household income

Layoffs, reduced hours and unstable earnings can put essential spending at risk.

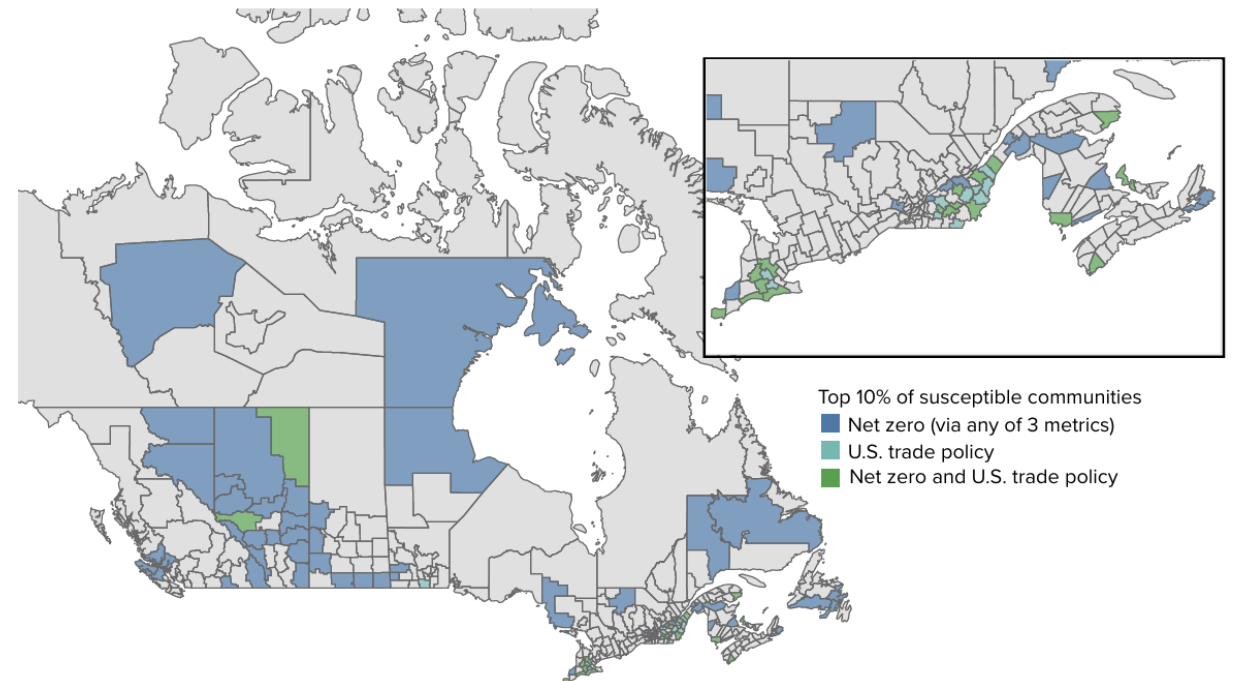
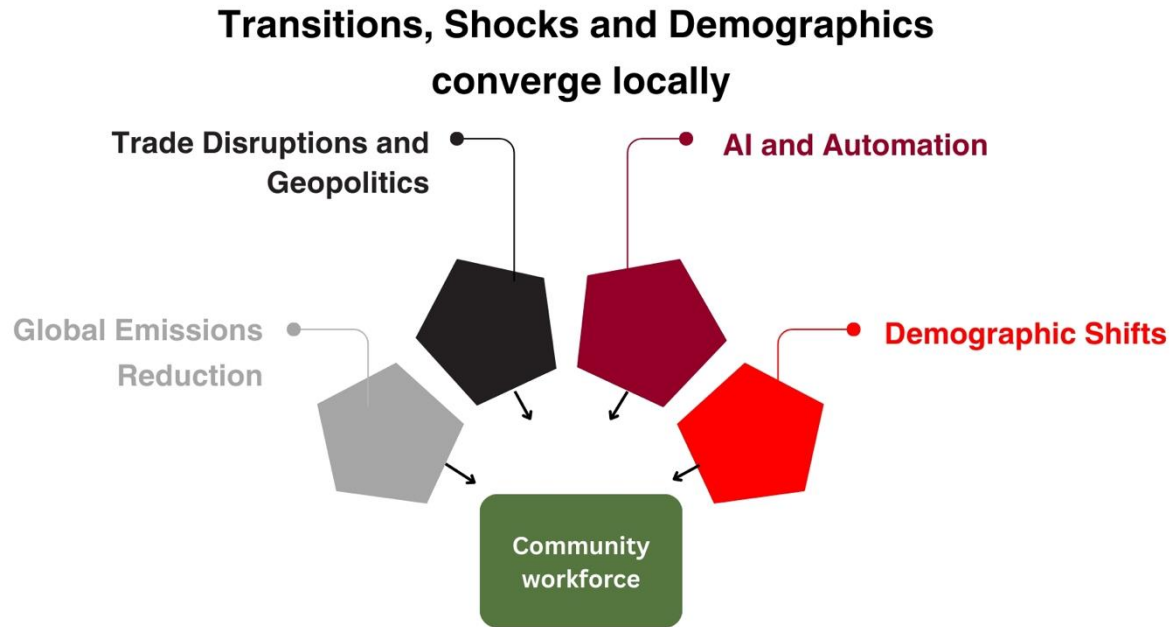
Local services

A major closure can affect suppliers, municipal revenues and community organizations.

Capacity to adapt

Savings, skills, mobility and accessible supports shape the ability to recover.

Economic shocks can turn pressure into hardships

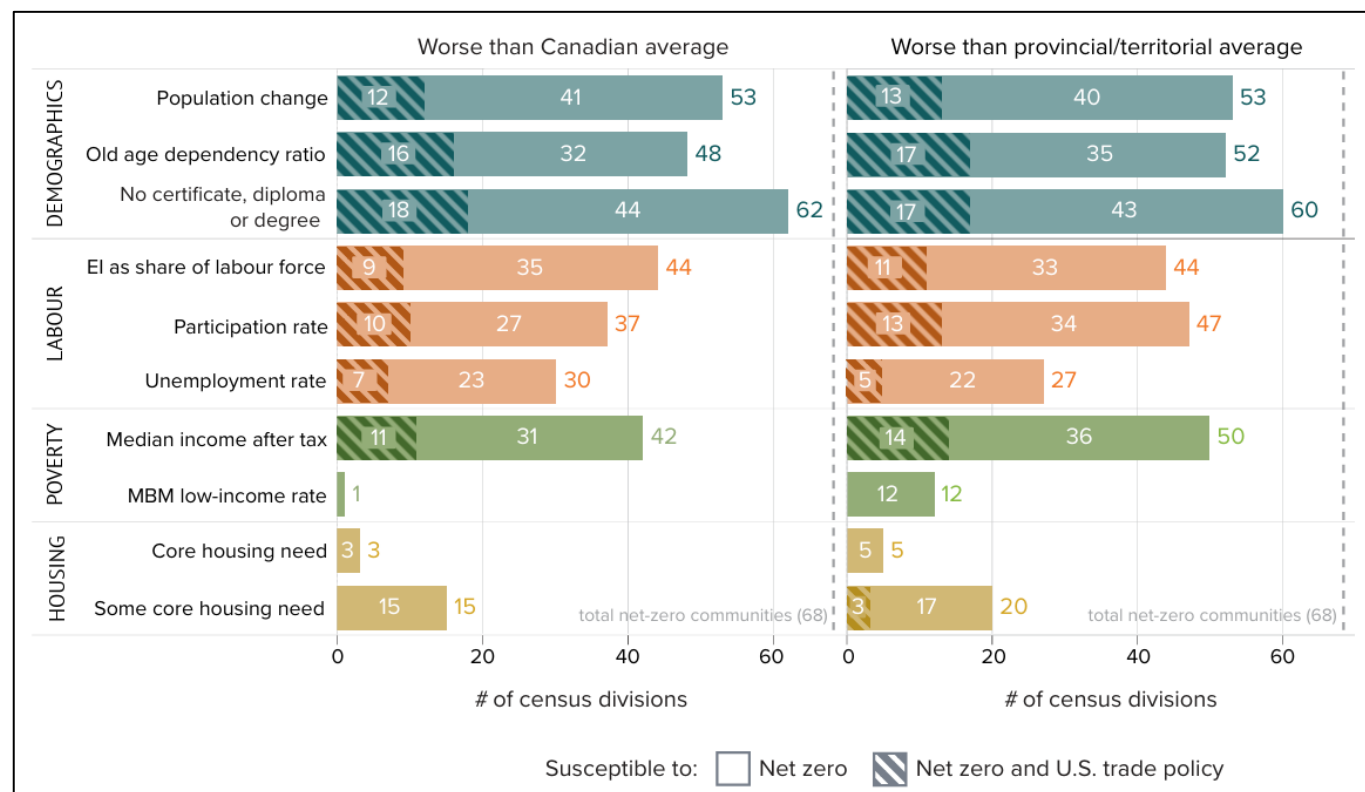
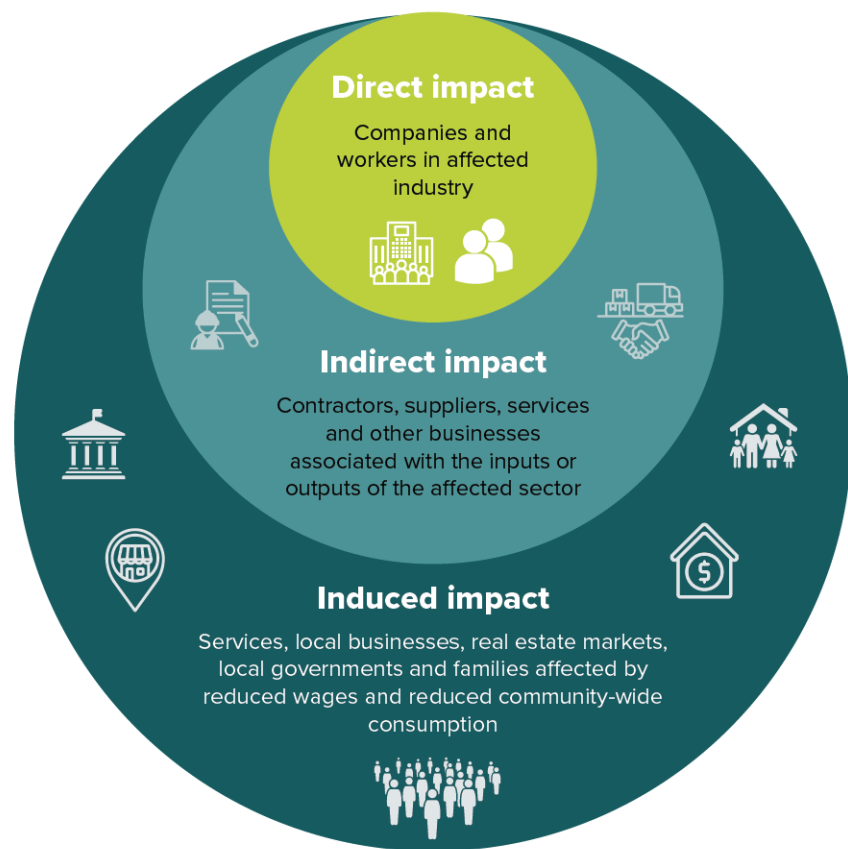


10 per cent of Canadians live in places susceptible to workforce disruption due to net-zero transitions.

19 communities are among the most susceptible to workforce disruption resulting from both the net-zero transition and changes to exports to the US.

Economic shocks can turn pressure into hardships

Major employer closures and mass layoffs can create direct, indirect, and induced impacts that ripple across entire communities



Weaker socio-economic conditions can mean closures hit harder

16 susceptible communities underperform relative to Canadian or provincial/territorial averages across four socio-economic areas

An all-in approach to lasting affordability

1 Adequate incomes

Target income gaps.

Make benefits accessible and predictable.

Support good jobs.

2 Lower essential costs

Invest in housing, energy efficiency and transport.

Improve access and competition.

3 Support through change

Respond timely and adequately to income loss (including EI reform).

Connect people to services.

Help communities adapt.

Slaying myths about income support

Rachel Samson, Shaimaa Yassin and Gillian Petit
Policy Options, February 20, 2026

Will it fuel inflation?

Scale and targeting matter. Modest support for essentials differs from broad economic stimulus.

Will it discourage work?

Research generally finds small effects on labour supply, especially among those already working. Income support can supplement inadequate earnings.

Should funding go to economic investment instead?

Well-designed income support can improve longer-term outcomes and reduce future public costs.

CGEB: a positive step but design limits impact

Expanding the GST/HST Credit

Gillian Petit and Shaimaa Yassin, IRPP Commentary, February 19, 2026

Progress

Expanded support through the GST/HST credit, consistent with the delivery approach recommended by IRPP/AAC.

Design	IRPP / AAC recommendation	CGEB
Maximum annual benefit	\$1,800 per adult + \$600 per child ➤ Single adult: \$1,800 ➤ Couple with two children: \$4,800	➤ Single adult: \$679 ➤ Couple with two children: \$1,358 (excluding the one-time top-up)
Duration	Permanent increase	25% enhancement for five years, plus a separate one-time 50% top-up (June 2026)
Who receives support?	Larger payments concentrated on the lowest-income working-age households	25% increase; old GST/HST credit structure retained
Payment timing	Monthly	Quarterly (began July 2026)

Remaining gaps: benefit amounts that fall short of household needs, especially at the lowest incomes; permanence of the increase; and monthly delivery.

Eligibility should translate into support received

Reach people

Simpler filing and active outreach to people missing benefits.

Remove barriers

Help with identification, digital access, banking and complex applications.

Respond in time

Predictable payments and support when income or circumstances change.



Automatic Tax Filing
Gillian Petit, IRPP Commentary, Nov 2025

Policy progress

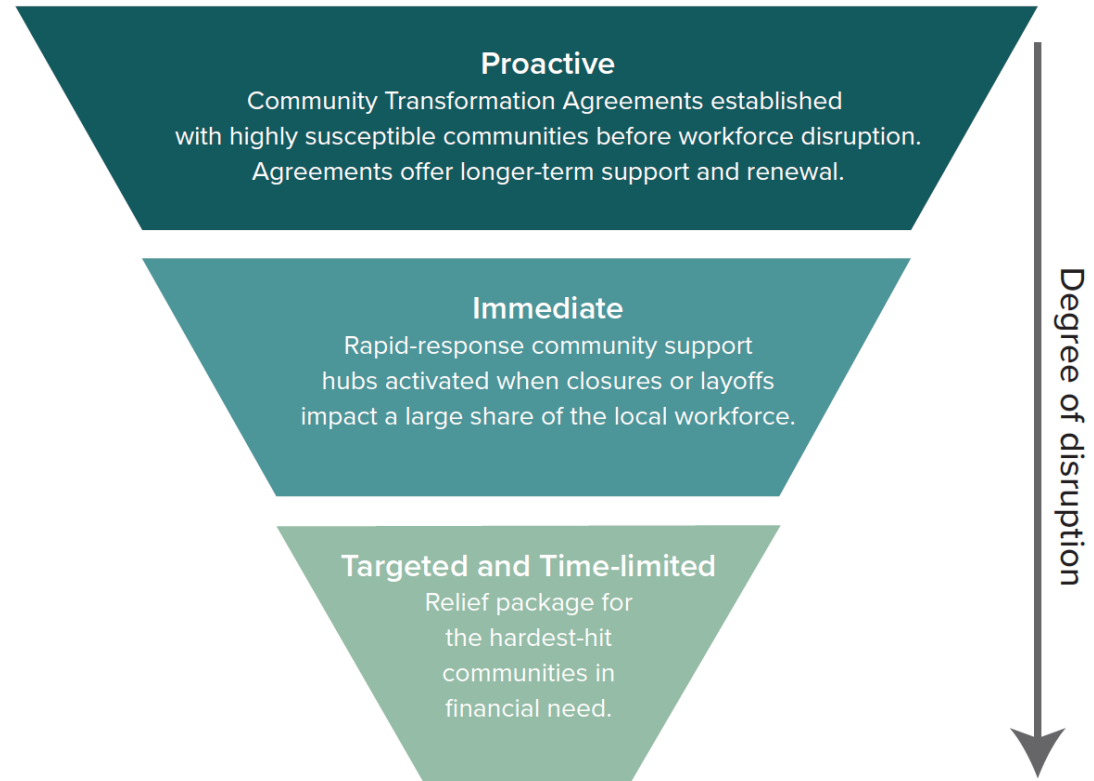
SimpleFile is operating. CRA plans pre-filled returns for March 2027. Persistent non-filing and timely access remain concerns.

Support households while communities adjust



Yassin et al. (2026),
IRPP CTP policy brief.

A three-tiered framework of social supports



Community housing, deep affordability and new models

Affordable Housing Reboot (AAC, 2023)



Acquire land near rapid transit, retain federal ownership and offer low-cost leases.

Scale non-profit and co-op housing with grants, fixed low-rate loans and combined funding.

Homeward Bound (Whitzman, 2024)



Use consistent income-based affordability definitions and combine government tools: Federal land leases, long-term low-rate finance and startup grants.

Co-living housing models (Whitzman, forthcoming)

Forthcoming IRPP study

Broaden choices through shared space and facilities, supported by suitable financing and zoning, with affordability and resident protections.

Policy progress

Build Canada Homes, public-land development and long-term leasing, new community and co-op housing investment, and the Rental Protection Fund. **Timing, implementation and scale** remain necessary to effectively deliver deep and lasting affordability, particularly for very-low- and low-income households.

Make affordable transportation a practical choice



Urban mobility

Provide reliable public transport

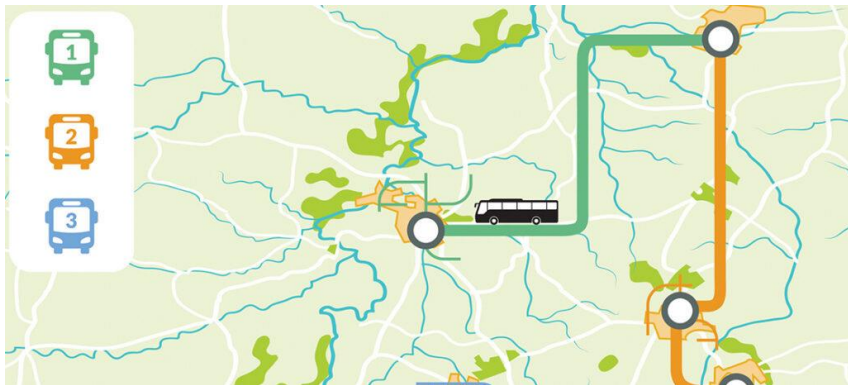
Sustained operating support so infrastructure translates into usable service.

Connect rural and remote communities

Affordable shared transport and links between communities.

Target affordable alternatives

Support lower-income households and lower-cost options, including used EVs and e-bikes.



Rural connections

Policy progress

Federal transit funding and a new EV program are in place. Rural funding recognizes regional connectivity. Operating support and targeting remain priorities.

Support households today. Invest in lasting affordability.



From Cost to Investment

Reframing Social Spending
in an Affordability Era

Gillian Petit and Selvia Arshad
IRPP Commentary, March 2026

Marginal value of public funds (MVPF)

$$\text{MVPF} = \frac{\text{Value of benefits to recipients}}{\text{Net fiscal cost to government}}$$

Including future spending and revenue effects

Evaluate what public spending achieves for households, alongside what it costs.

Canada's Affordability Challenges:

Findings and policy lessons from IRPP research

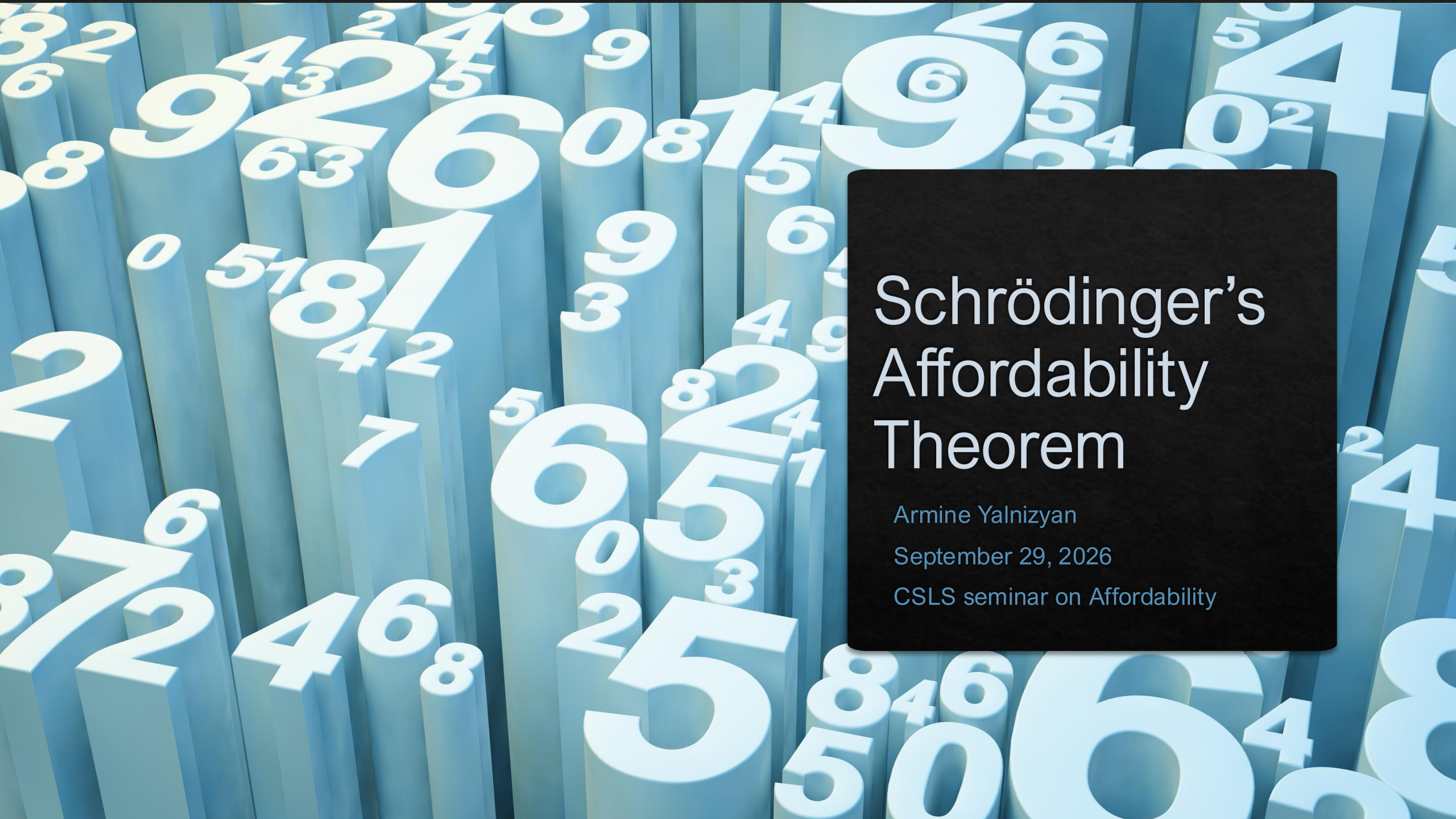
Shaimaa Yassin
Institute for Research on Public Policy
September 2026



[Toward a More Equitable Canada](#)



[Affordability Action Council](#)

The background of the slide is a dense field of 3D-rendered numbers in various shades of blue and white. The numbers are of different sizes and are scattered across the frame, creating a sense of depth and complexity. Some numbers are in the foreground, while others are in the background, and they are oriented in various directions.

Schrödinger's Affordability Theorem

Armine Yalnizyan

September 29, 2026

CSLS seminar on Affordability

Overview:

Anticipation, Reality and Perspective



Economic Growth

What we all want.
Are we actually getting it?



Household Pressures

How growth, or lack of it,
is distributed

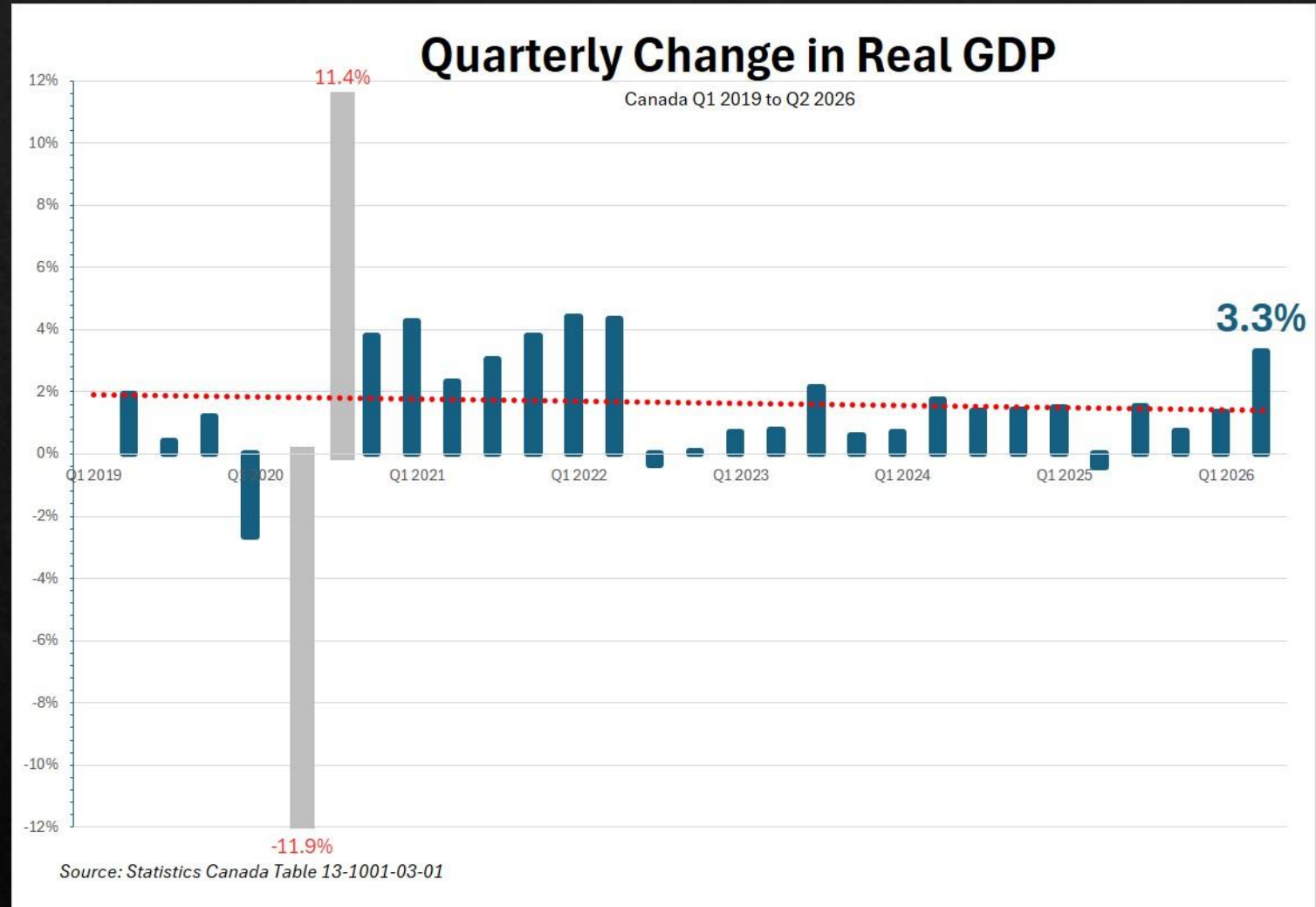


The Fix[es]

Who can make it better?

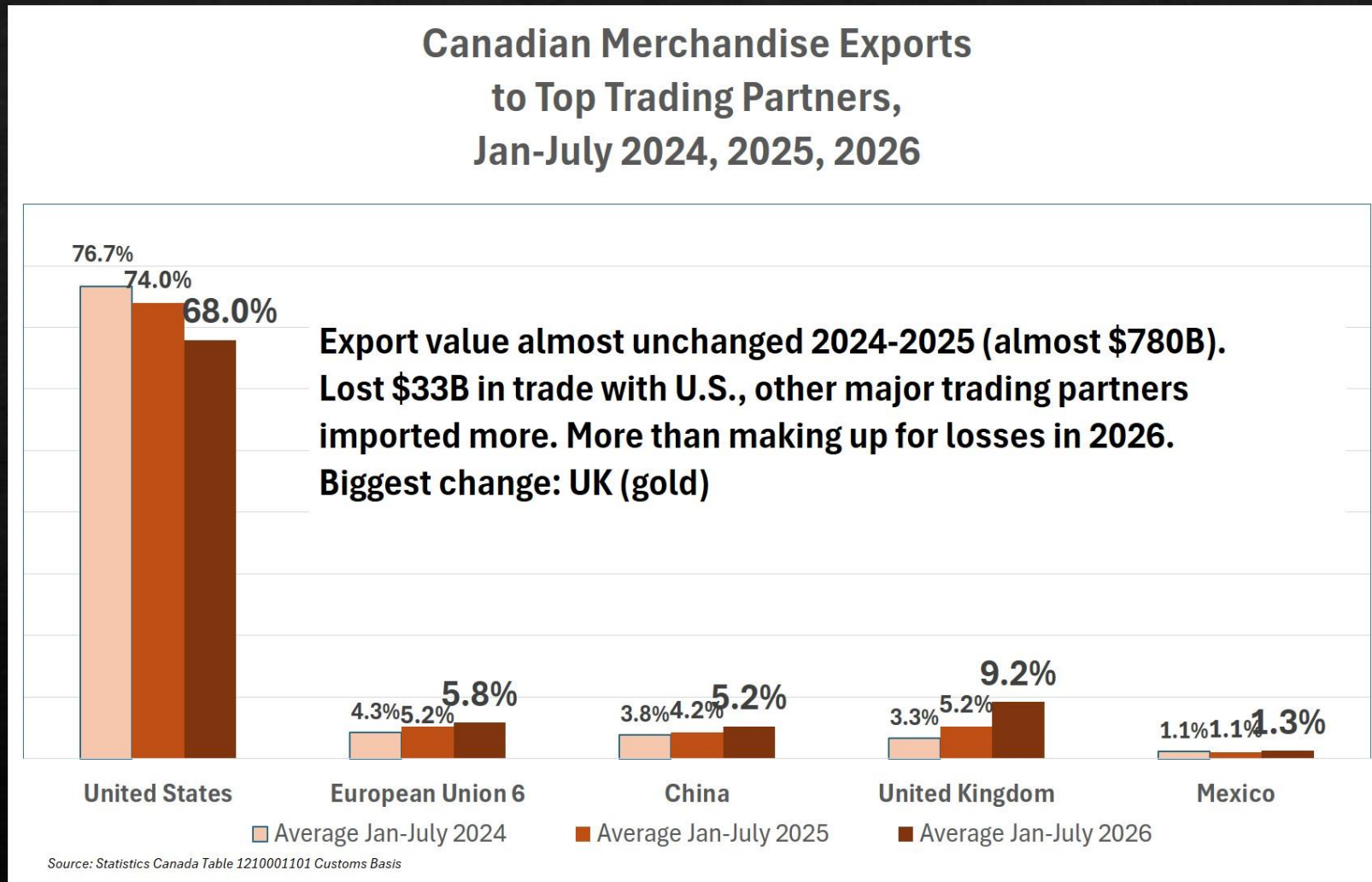
Schrödinger's GDP

- ◆ Trade war but no recession
- ◆ Slowth or growth?
(1.2% in half?)
- ◆ Mining, O&G: 5.3%
- ◆ Transp./Warehousing: 4.6%



Schrödinger's Trade War

- ◆ More trade!
- ◆ Driven by oil and gold, prices not volumes (U.S. would be even lower %)



Gold & Oil Prices: the Secret Sauce

Gold Spot \$/Oz + Follow

XAU:CUR
(XAU)

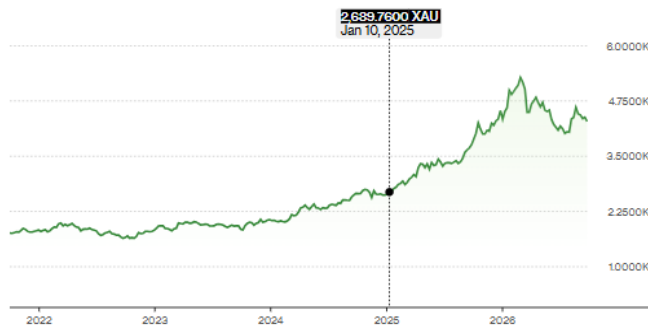
4,284.8100 ▲9.78 +0.23%

As of 4:59 PM EDT 09/25/26.

Summary Related News

1D 1M 6M YTD 1Y 5Y

Q Add a comparison



Overview

PREV. CLOSE
4,275.0300

52 WEEK RANGE
3,760.9200 – 5,595.4700

YTD RETURN
-0.80%

Generic 1st 'CL' Future + Follow

CL1:COM
(USD/bbl.)

96.13 ▲3.72 +4.03%

As of 8:01 AM EDT 09/28/26.

Summary Related News

1D 1M 6M YTD 1Y 5Y News ☒

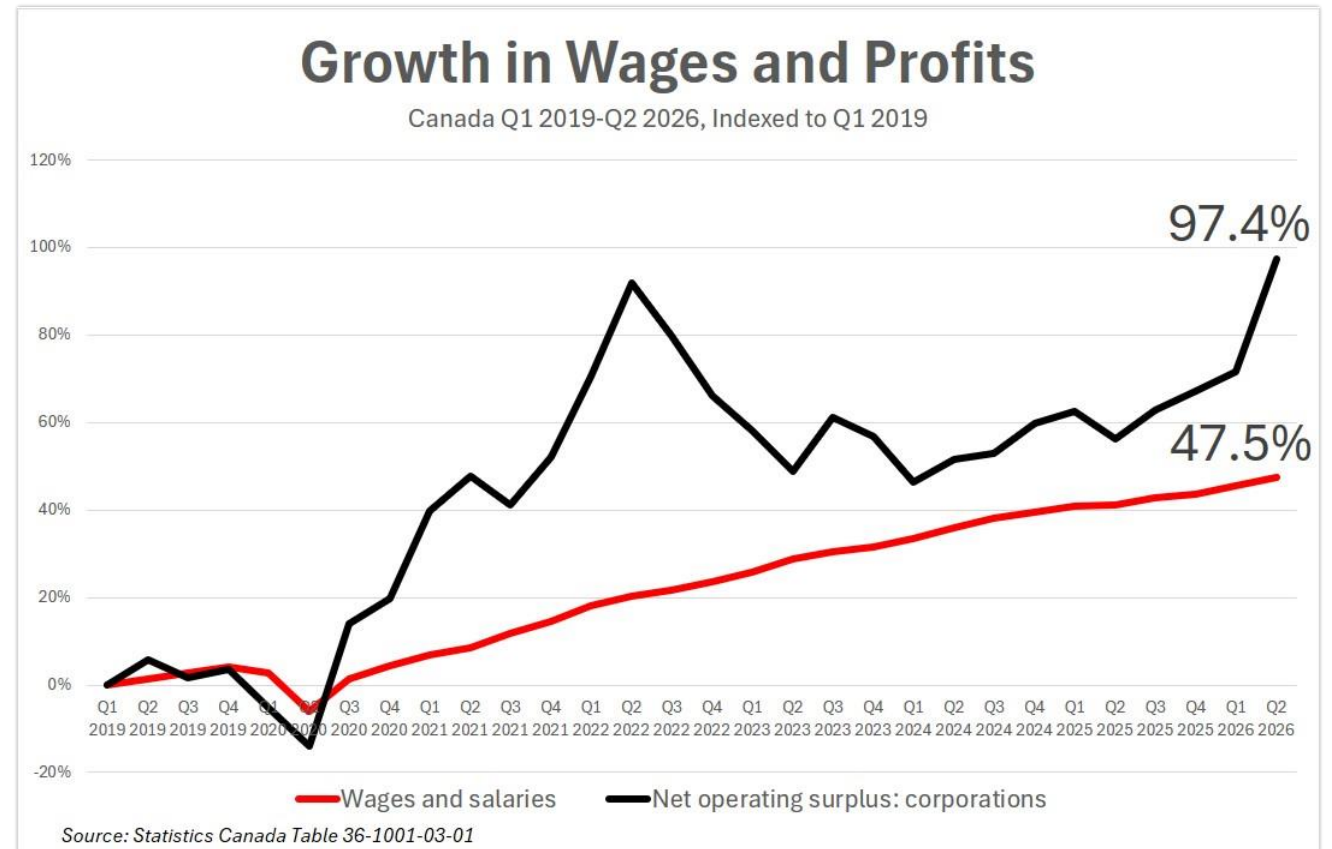
Q Add a comparison



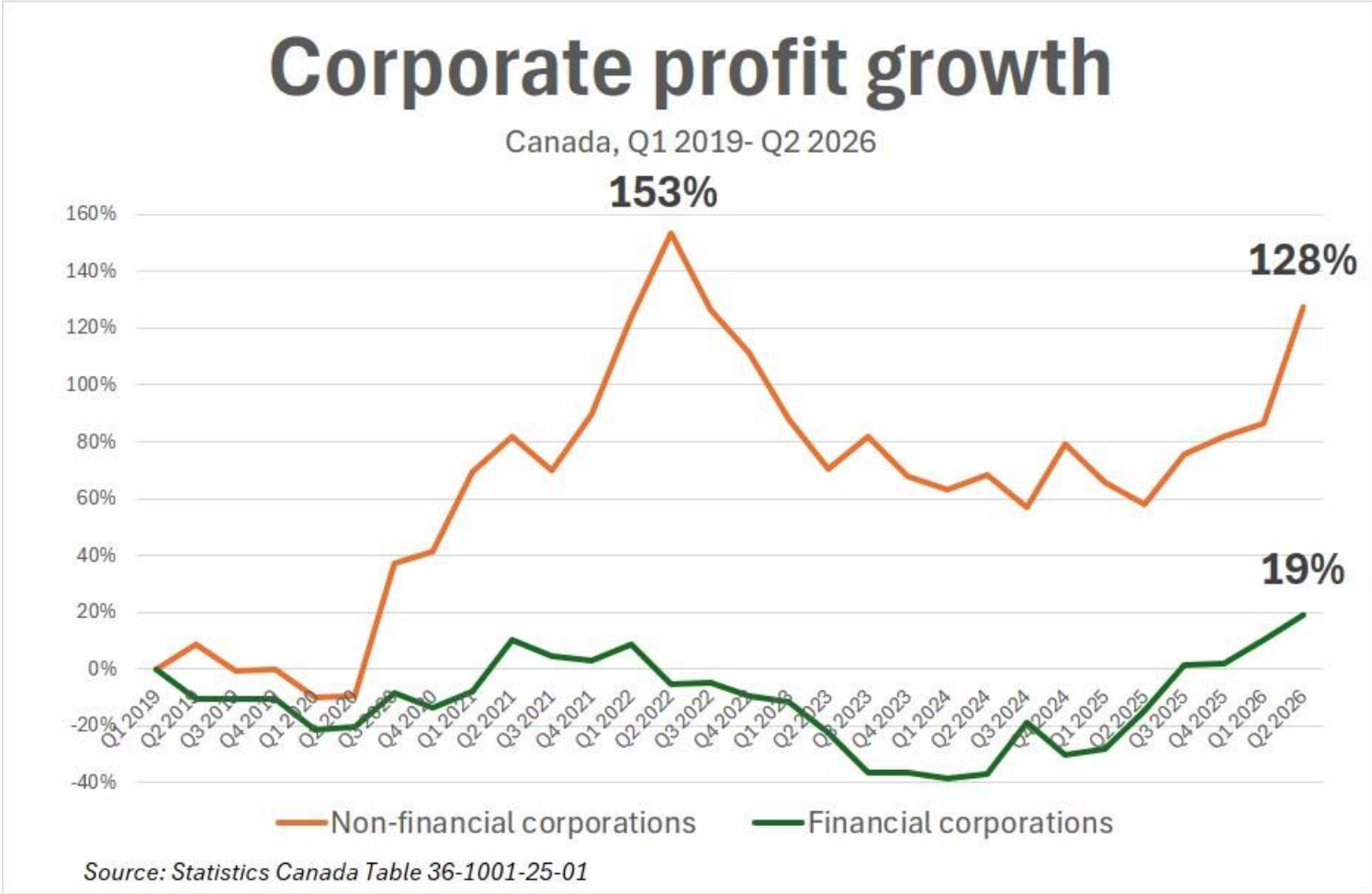
Overview

OPEN 93.58	VOLUME 103,692.00	52 WEEK RANGE 54.98 – 119.48
PREV. CLOSE 92.41	DAY RANGE 92.68 – 96.54	

Schrödinger's Wins: Wages vs Profits



Corporate Wins:
Financial vs
Non-Financial
(note banking
losses as interest
rates increased)

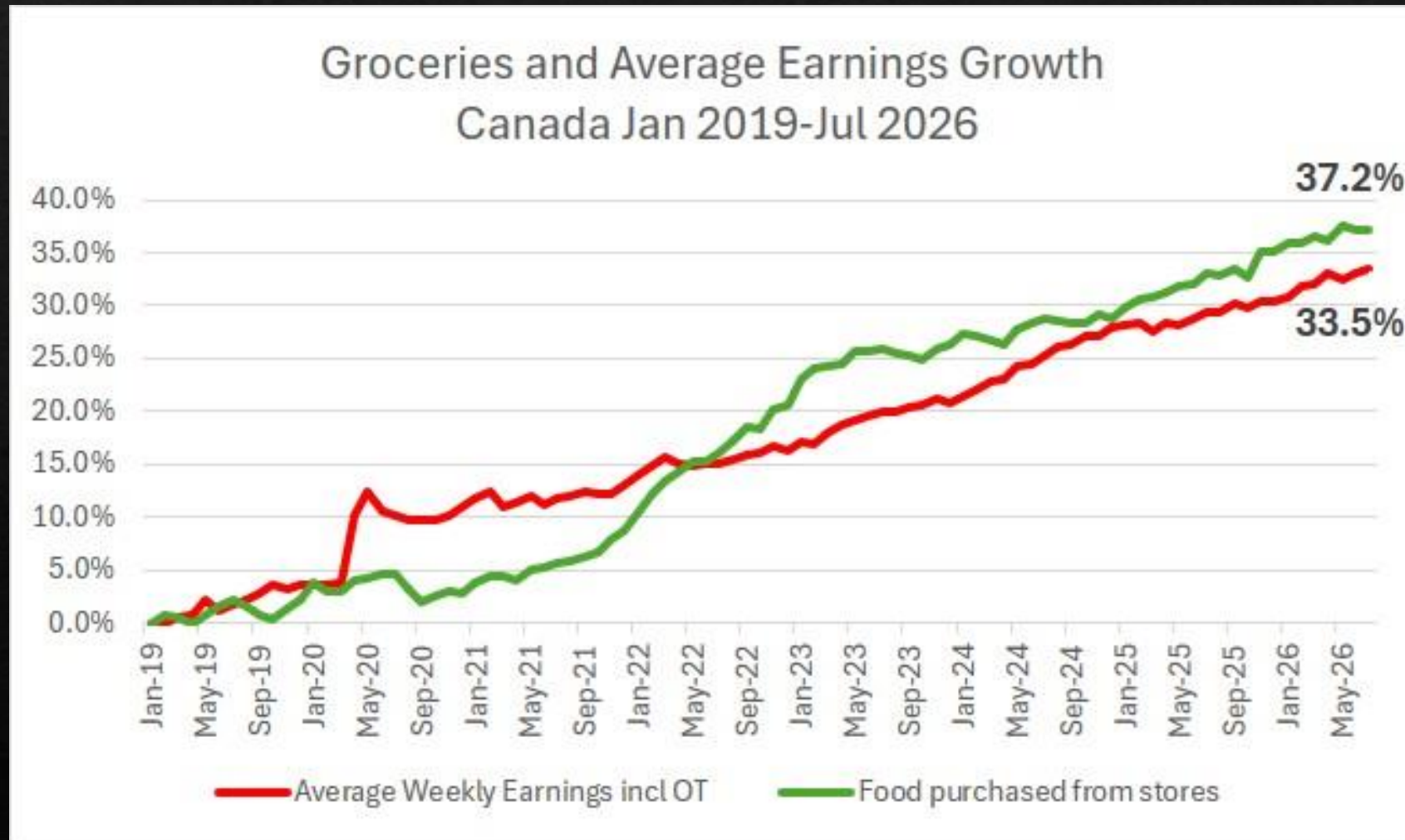


Schrödinger's Recovery: K-shaped

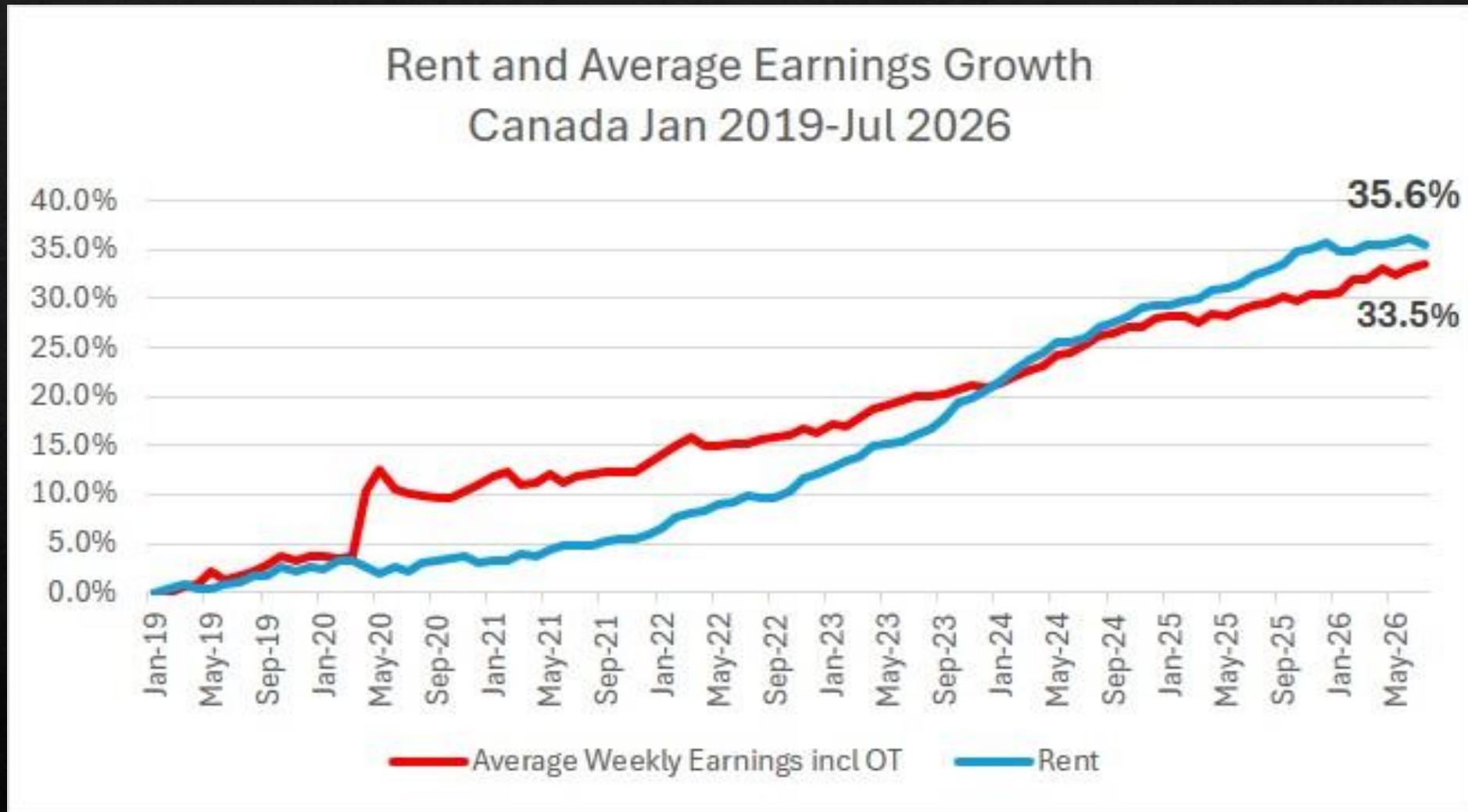
**The
K-Shaped
Recovery**



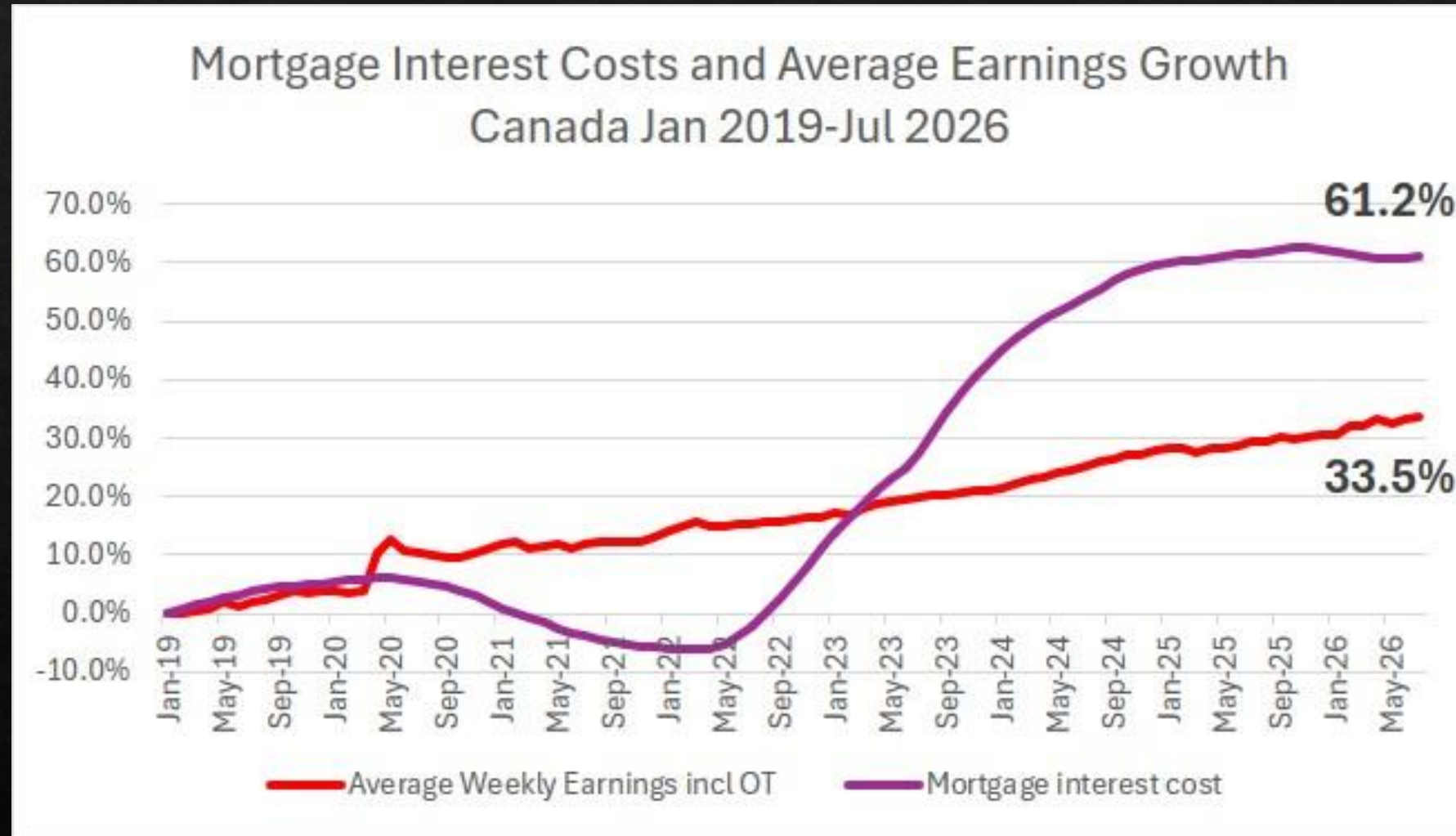
Earnings Keeping up with Costs?



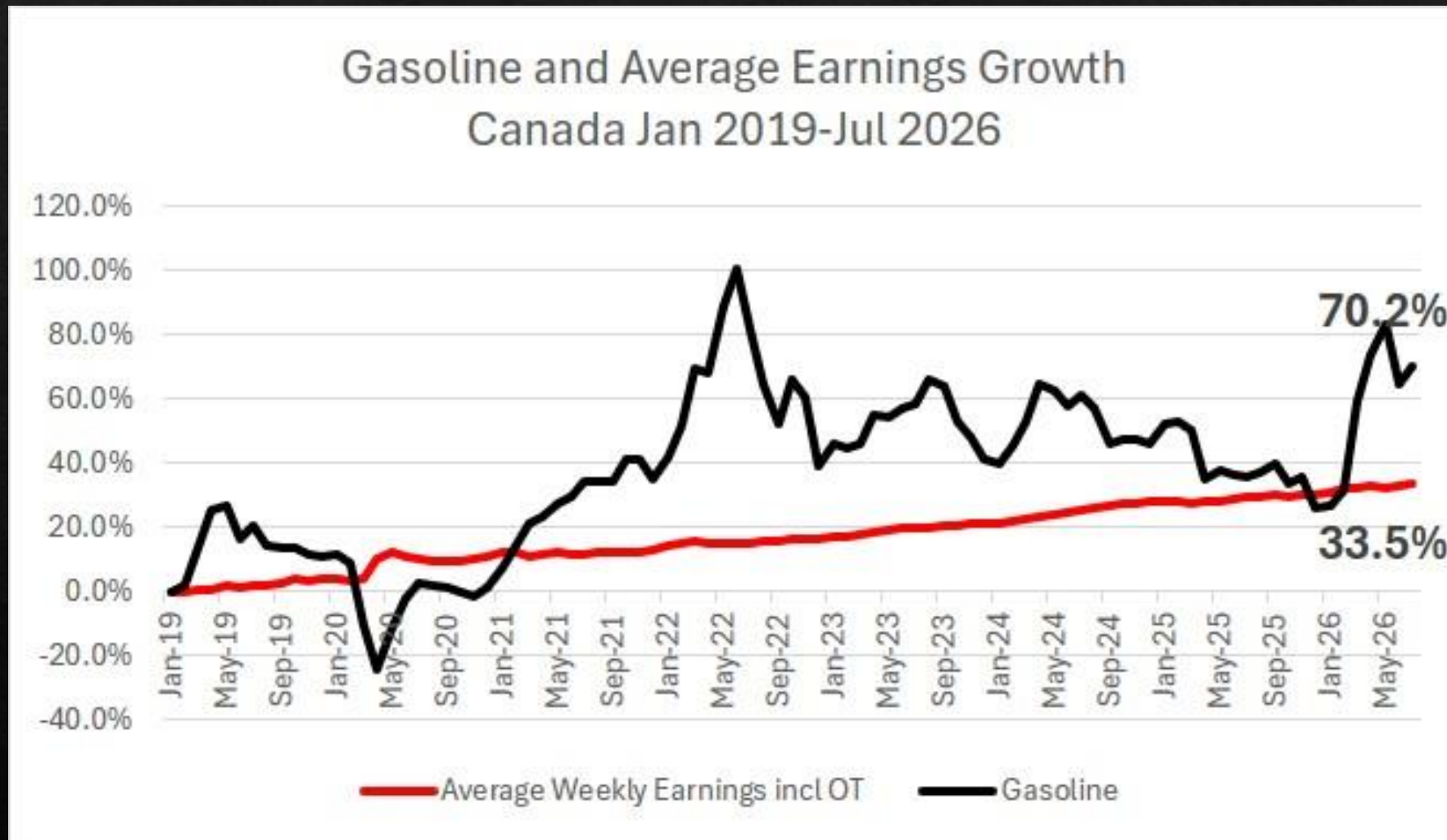
Earnings Keeping up with Costs?



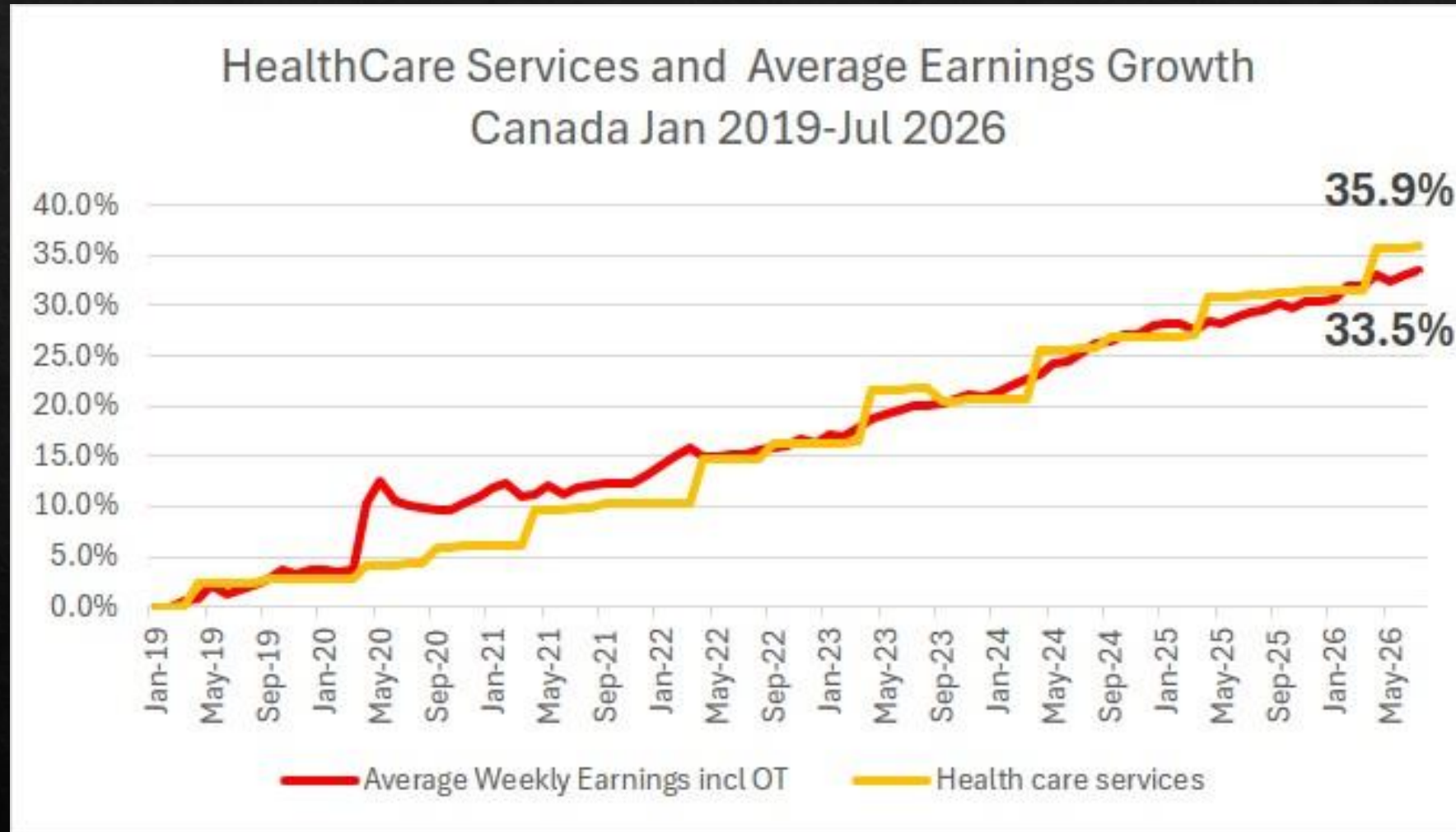
Earnings Keeping up with Costs?



Earnings Keeping up with Costs?



Earnings Keeping up with Costs?



Average Trends
in 2025,
per BoC.
There is no
average

			Income-spending gap	
	Additional income (\$)	Additional spending (\$)	Value (\$)	As a percentage of 2025 income (%)
Average household	11,347	11,073	274	0

There is no average.
Young people did
worse in 2025.
Prime age earners
(decision-makers)
did better.

	Additional income (\$)	Additional spending (\$)	Value (\$)	Income-spending gap
				As a percentage of 2025 income (%)
Under 35	5,369	9,618	-4,249	-4
35 to 44	13,194	11,859	1,335	1
45 to 54	16,535	14,754	1,781	2
55 to 64	13,174	13,005	169	0
65 and older	9,259	8,641	618	1

There is no average.
60% of households
lost ground in 2025

			Income-spending gap	
	Additional income (\$)	Additional spending (\$)	Value (\$)	As a percentage of 2025 income (%)
By quintile of disposable income per household				
1 st quintile	3,554	7,790	-4,236	-4
2 nd quintile	2,202	9,007	-6,805	-7
3 rd quintile	5,724	10,535	-4,811	-5
4 th quintile	14,616	11,569	3,047	3
5 th quintile	30,471	16,465	14,006	13

- ◆ Younger people feeling the pinch more in 2026 (71%)
- ◆ Older people less (40%)

© NANOS RESEARCH

10

Situation with regards to cost of living – by demographics

Q – What best describes your situation as far as the rising cost of living goes? [SINGLE SELECT]

	Canada 2026-09 (n=1037)	Atlantic (n=100)	Quebec (n=217)	Ontario (n=348)	Prairies (n=221)	British Columbia (n=151)	Men (n=536)	Women (n=501)	18 to 34 (n=209)	35 to 54 (n=348)	55 plus (n=480)
I've had to cancel a major purchase because of increasing prices	15.2%	17.7%	13.9%	17.8%	12.5%	11.8%	14.4%	15.9%	18.4%	19.5%	9.7%
It's become difficult to afford basic necessities.	14.1%	19.3%	9.9%	16.1%	12.2%	15.6%	11.8%	16.4%	17.5%	12.3%	13.4%
Both of the above	20.0%	25.9%	12.3%	21.2%	25.1%	19.9%	19.3%	20.6%	30.9%	21.1%	12.0%
Inflation hasn't been a major problem	45.5%	32.0%	57.9%	40.6%	43.7%	47.8%	48.0%	43.2%	29.1%	41.3%	59.6%
Unsure	5.2%	5.1%	6.1%	4.3%	6.4%	4.8%	6.4%	4.0%	4.2%	5.9%	5.4%

Two in three Canadians aged 18 to 34 report that they've had to cancel a major purchase because of increasing prices, that it's become difficult to afford basic necessities, or both. Conversely, 60 per cent of Canadians aged 55 and over report that inflation hasn't been a major problem for them, about double the share of 18-to-34-year-olds who report this to be the case (29%).

Residents of Quebec (58%) are more likely than Atlantic Canadians (32%) to report that inflation hasn't been a major problem. The share of Atlantic Canadians who report some level of difficulty with respect to the cost of living is greater than in any other province or region in Canada.

Source: Nanos Research, RDD dual frame hybrid telephone and online random survey, August 30 to September 2, 2026, n=1,037, accurate 3.1 percentage points plus or minus, 19 times out of 20.



The Fix[es]

- ◆ Households: “Tighten your belt! Eat less! Live somewhere cheaper! Don’t travel by car!”
- ◆ Markets: more competition, more productivity, lower pass-through of supply shocks, more regulation? None of the above likely in the short term
- ◆ Governments: more tax cuts, more subsidies, double down on adding supply of housing and care. Spending more just to stay in place is unattractive. But at least don’t make things worse (Investment Summit? Bill C-39?)

Shrödinger's Fix[es]



In the eye of the beholder



[And the person
proposing the fix]



Are we on the right track? The wrong track?
We won't know until we look inside the
affordability issues box in six months.

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Canada



BANK OF CANADA
BANQUE DU CANADA



Business Council *of*
British Columbia



CPP Investments



Canadian
Heritage

Patrimoine
canadien

Canada



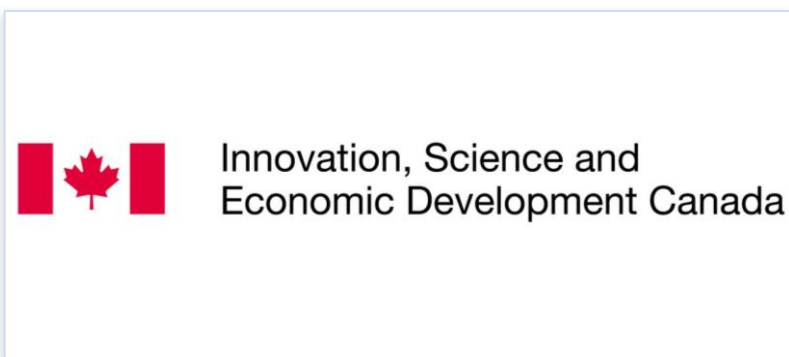
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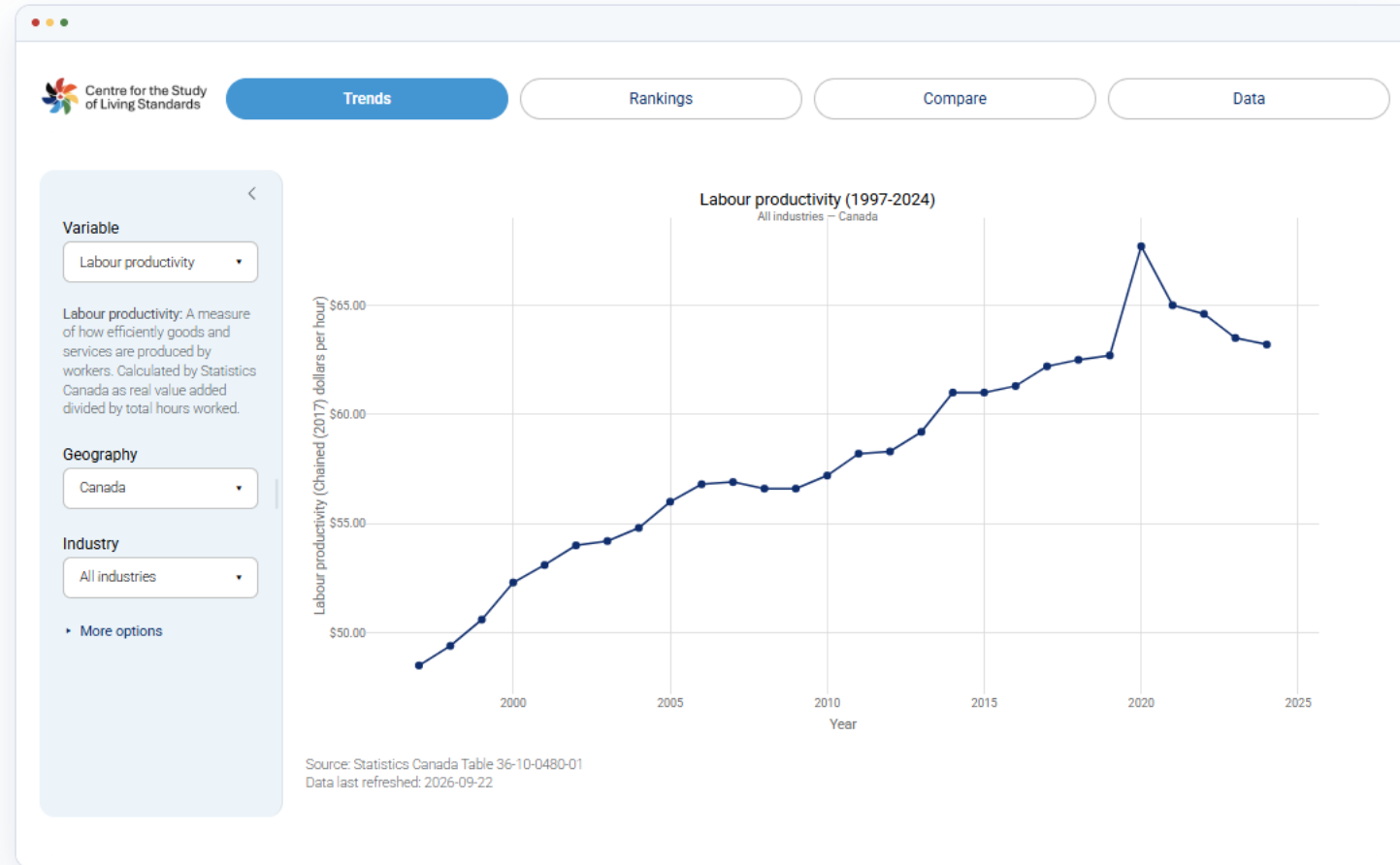
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