

Legislative Costing Note

Announcement date:	2020-03-25 (C-13)	
Publication date:	2020-04-09	
Short title:	Canada Emergency Response Benefit (CERB)	
Description:	<p>Canada Emergency Response Benefit (CERB) is a taxable benefit that would provide \$500 a week for up to 16 weeks for workers who lose their income due to reasons related to COVID-19.¹ This includes Canadians who have lost their job, are sick, quarantined, taking care of someone who is sick with COVID-19 as well as working parents who must stay home without pay to care for children who are at home because of school and daycare closures.</p> <p>Workers are defined as anyone who received at least \$5,000 in the previous 12 months in employment income, self-employment income, Employment Insurance benefits, or other provincial benefits as outlined in Bill C-13.</p> <p>Workers are eligible for four weeks of CERB for every two weeks they are unable to earn income.</p>	
Data sources:	<u>Variable</u>	<u>Source</u>
	Demographic and socioeconomic data	SPSD/M 28.0 ²
	Share of workers with paid leave and average length of paid leave	Statistics Canada
	Epidemiologic characteristics of COVID-19	Zhou et al. (March 11, 2020) ³ Wu Z, McGoogan JM (February 24, 2020) ⁴
	Job loss/unemployment projections	PBO Scenario Analysis
	Average effective federal tax rate	SPSD/M 28.0

¹ Government of Canada. *Canada Emergency Response Benefit*. Retrieved April 1st, 2020, from <https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

² This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSP/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

³ Zhou et al. (March 11, 2020) Clinical course and risk factors for mortality of adult inpatients with COVID-19 in Wuhan, China: a retrospective cohort study, *Lancet*.

⁴ Wu Z, McGoogan JM (February 24, 2020). Characteristics of and Important Lessons From the Coronavirus Disease 2019 (COVID-19) Outbreak in China: Summary of a Report of 72314 Cases From the Chinese Center for Disease Control and Prevention. *JAMA*.

Estimation and projection method:	<p>PBO developed a microsimulation model that accounts for factors that would cause workers to become eligible for the CERB, including sickness, caregiving for a relative who is sick, taking care of children due to school closures, and layoffs.</p> <p>Workers are broken down into three categories: self-employed, employees who are eligible for Employment Insurance, and employees who are ineligible for Employment Insurance.</p> <p>PBO combines demographic information from SPSPD/M with unemployment projections from the PBO's scenario analysis, and assumed probabilities of getting sick or becoming a caregiver due to COVID-19 to estimate the pool of eligible recipients of the CERB. The number of weeks of CERB that each recipient is eligible for depends on the reason they are unable to earn income and the severity of illness if they are sick.</p> <p>Since the program is a taxable benefit, the average effective federal tax rate of recipients was applied to the total amount of payments to calculate the tax revenue the government would receive from the program.</p>
Aggregate Results:	PBO estimates 5.4 million individuals will receive the CERB and the program will have a total cost of \$22.3 billion in 2020-2021.
Source of Uncertainty:	The estimate is highly sensitive to the assumed economic outlook and the probability of contracting COVID-19. PBO will update the model's assumptions as more data on the economic outlook and spread of the virus in Canada becomes available. Further uncertainty stems from how the proposed measure will be administered.
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Cost of proposed measure

\$ millions	2020-2021
Total cost	22,312
Gross cost	25,351
Cost recovery (Personal Income Tax Paid on Measure)	-3,039

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost