

Legislative Costing Note

Announcement date:	2020-03-25 (C-13)
Publication date:	2020-10-08
Short title:	Canada Emergency Response Benefit (CERB) – Four Week Extension
Description:	<p>On August 20, 2020 the Government announced a transition plan from the Canada Emergency Response Benefit (CERB) to new benefits and a modified Employment Insurance program. This plan includes extending eligibility of CERB benefits an additional 4 weeks to the end of September 2020, bringing the maximum period of benefits to 28 weeks.</p> <p>The CERB is a taxable benefit that provides \$500 a week 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 who earn less than \$1,000 in a 4-week period are eligible for the CERB. Individuals who have exhausted their Employment Insurance regular benefits between December 29, 2019 and October 3, 2020 are also eligible for the CERB.</p>

Data sources:	<u>Variable</u>	<u>Source</u>
	COVID-19 cases	GoC COVID-19: Outbreak update
	Demographic data	Statistics Canada's Labour Force Survey
	Labour force statistics	Statistics Canada's Labour Force Survey
	Labour force projections	PBO September 2020 EFO projections
	EI regular benefit recipients	Statistics Canada's Employment Insurance Statistics

¹ Government of Canada. *Canada Emergency Response Benefit*. Retrieved September 21, 2020, from <https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

Estimation and projection method:	PBO estimated the cost of extending the current CERB program by building on the model used in the June 18, 2020 and June 23, 2020 PBO CERB program cost estimates. ² In addition, PBO updated the average federal tax rate used in its calculation based on assumed income paths and information found in the Labour Force Survey.
Aggregate Results:	PBO estimates the cost to extend the maximum duration of benefits from 24 to 28 weeks under the CERB program to be \$5.36 billion. This would bring the total estimated program cost to \$76.7 billion.
Source of Uncertainty:	The estimate is highly sensitive to the assumed economic outlook and the probability of contracting COVID-19. Due to the unavailability of comprehensive microdata regarding CERB recipients, any estimates of the behavioural response to the CERB program are highly uncertain and rely on strong assumptions. Further uncertainty stems from how the proposed measure will be administered (more specifically the extent and intensity of compliance activities) and the actual take up of the CEWS.
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Cost of proposed measure (includes behavioural responses and PIT recovery)

\$ millions	2019-2020	2020-2021
Incremental Cost of Expansion (A)	-	5,366
Net Cost of Pre-existing Program (B)	10,508	60,813
<i>Gross Cost of Pre-existing Program</i>	<i>11,079</i>	<i>64,121</i>
<i>PIT recovery</i>	<i>-571</i>	<i>-3,308</i>
Net Total Cost of Program (A)+(B)	10,508	66,179
<i>Gross Cost of Program</i>	<i>11,079</i>	<i>69,779</i>
<i>PIT recovery</i>	<i>-571</i>	<i>-3,600</i>

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

² See Previous Legislative Costing Notes: Canadian Emergency Response Benefit and Canadian Emergency Response Benefit – Eight Week Extension. https://www.pbo-dpb.gc.ca/web/default/files/Documents/LEG/LEG-2021-030-S/LEG-2021-030-S_en.pdf and https://www.pbo-dpb.gc.ca/web/default/files/Documents/LEG/LEG-2021-032-S/LEG-2021-032-S_en.pdf.