

Legislative Costing Note

Announcement date: 2020-03-11 (Canada's COVID-19 Economic Response Plan)

Publication date: 2020-04-24

Short title: Work-Sharing program for those affected by COVID-19

Description: Effective March 15, 2020 to March 14, 2021, and not limited to one specific sector or industry, the Government of Canada introduced temporary special measures to the Work-Sharing (WS) program to support employers and employees affected by COVID-19. These include extending the maximum duration of a WS agreement from 38 weeks to 76 weeks, waiving the mandatory cooling off period for those already using the WS program, easing recovery plan requirements, and expanding eligibility.

Data sources:	<u>Variable</u>	<u>Source</u>
	WS claims and benefits	Employment and Social Development Canada
	Industry WS agreements	Employment and Social Development Canada
	Industry earnings and employment	Statistics Canada
	Eligible population	PBO Canada Emergency Response Benefit (CERB) Model

Estimation and projection method: Historical WS data was used as a point of reference for the estimation. To isolate the impact of COVID-19 on the WS program, the expected WS claims under usual circumstances were removed from the estimate.

Total program cost due to COVID-19 was comprised of the total number of claims due to COVID-19, the average weekly benefit, and average duration of WS agreements. Total number of claims was calculated using the historical average of the number of WS agreements as a percent of total employment (excluding those self-employed) during relevant years of the 2008 financial crisis. This proportion was multiplied by the current eligible employment population for 2020, determined after taking into consideration the effect of Canada Emergency Response Benefit (CERB) program. The average duration of WS agreements was based on WS data during the financial crisis. The average weekly benefit was calculated by taking the average weekly earnings eligible for WS and multiplying it by the average weekly reduction in hours for WS agreements and the EI WS rate of 55 per cent. These parameters were found using historic data on WS agreements in Canada

Note that this estimate relates to the cost of new WS claims due to COVID-19.

Aggregate Results:

PBO estimates total net cost of this measure to be \$125 million in 2020-21. This includes an estimated program cost of \$144 million and an estimated saving of \$19 million from personal income taxes on the EI benefits.

The EI Account is financed by employee and employer contributions; under legislation, any additional costs have to be recouped by contributions over the next seven years.

The time horizon for this costing is aligned to the Economic and Fiscal Scenario PBO published on March 27, 2020, which only extends to 2020-21. There are likely fiscal impacts from this measure for subsequent years.

Source of Uncertainty:

Data used for the estimation is based on past applications and may not accurately reflect the applicant base in the current exceptional times. The data reflects the method that Employment and Social Development Canada used for the calculation of benefit duration prior to its change in 2018; thus, average durations may be different using the changed methodology. The cost estimate of the Work-Sharing program is also highly sensitive to individual cost components and assumptions made in the PBO CERB model.

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Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	125
Gross cost	-	144
Cost recovery (Personal Income Tax paid on benefits)	-	-19

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