

Legislative Costing Note

Publication Date: 2022-01-31

Short Title: Canada Recovery Hiring Program (CRHP) as extended by Bill C-2

Description: Providing eligible employers with a subsidy on the incremental remuneration paid to eligible employees between 6 June 2021 and 7 May 2022.

Bill C-2 extended this program beyond its original end date of 20 November 2021 to instead end on 7 May 2022. Bill C-2 also increased the subsidy rate for October 24 to November 20th to 50%.

Version	End date	Period 22 Subsidy Rate
Budget 2021	20 November 2021	20%
As Extended by Bill C-2	7 May 2022	50%

Employers must choose between the Canada Emergency Wage Subsidy (CEWS) and this program.

The Canada Recovery Hiring Program is available starting with Period 17 of the CEWS (starting 6 June 2021). For CEWS Period 17, applicants require a revenue drop greater than 0% to qualify. For all subsequent periods, businesses require a revenue drop greater than 10% to qualify.

The subsidy is only available for certain types of businesses.ⁱ

The subsidy rate is fixed at 50 per cent, except in period 20 (starting 29 August 2021), when the rate is 40 per cent, and period 21 (starting 26 September 2021), when the rate is 30 per cent.

Eligible remuneration for each period is equal to the difference in remuneration between the qualifying period and the baseline period (March 14 to April 10, 2021), subject to a cap of \$1,129/week per employee.

As enacted, the government would have the authority to further extend the CRHP through regulation as far as 2 July 2022, without further Parliamentary approval. Such an extension would entail further costs beyond those identified in this cost estimate.

Starting with CEWS period 22 (starting 24 October 2021), CEWS is renamed as the Tourism and Hospitality Recovery Program and Hardest-Hit Business Recovery Program. Businesses eligible for both the CRHP and these CEWS successor programs must still choose between those options.

Data Sources:	Variable	Source
	Employment gains by revenue loss bracket, by period	Canada Revenue Agency, Custom tabulations based on CEWS and CRHP applications
Estimation and Projection Method:	The basis of the model is a period-by-period profile of employment gains relative to the baseline, by revenue loss bracket and industry grouping, compiled from operational data. Changes in employment gains were explained as a function of the number of employees at businesses with revenue losses, as well as seasonal and time trends; employment gains were then projected using this model. Subsidy rates were applied to simulate the choice between CEWS and CRHP benefits and the subsidies which would be paid to CRHP claimants, for each future period.	
Aggregate Results:	As extended by Bill C-2, we expect the gross subsidies paid under the Canada Recovery Hiring Program to total \$814 million. This represents a net cost of \$704 million to the federal government after accounting for incremental corporate income tax revenues. Of the estimated \$814 million subsidies that will be paid under this program, \$466 million is due to the changes implemented by Bill C-2.	
	Expected subsidies increase notably for period 22 onwards because the greater revenue losses required by the CEWS successor programs means that businesses with revenue reductions less than 50 per cent (or less than 40 per cent in the tourism and hospitality sector) will only be eligible for the CRHP. Businesses not meeting these minimum revenue loss thresholds to apply for CEWS account for more than 90% of expected CRHP claims in period 22 onwards.	
Sources of Uncertainty:	This cost estimate relies on the GDP projection in the PBO's economic model and is affected by the sources of uncertainty inherent in that model, including the assumptions regarding the impacts of COVID-19. Other sources of uncertainty include: the extent to which eligible businesses use the program and the extent to which the distribution of revenue losses may become more or less associated with revenue declines over time. This estimate assumes all incremental corporate tax revenues are realized in the year the subsidy is paid, while the actual revenues arising from mitigating current corporate losses may be realized in subsequent tax years.	
Prepared by:	Ben Segel-Brown <ben.segel-brown@parl.gc.ca>	

Cost of proposed measure

\$ millions	2020-2021	2021-2022	2022-2023	Total	Incremental
As approved in Budget 2021 (Updated Estimate)	-	302	-	302	-
As Extended by Bill C-2	-	587	118	704	403
<i>Incremental cost of extension and subsidy rate increase</i>	-	285	118	403	-

Supplementary information

As approved in Budget 2021 (Updated Estimate)

		2020-2021	2021-2022	2022-2023	Total
Cost	Gross Subsidies	-	349	-	349
Cost recovery	Corporate Income Tax	-	47	-	47
Total cost after recovery		-	302	-	302

As Extended by Bill C-2

		2020-2021	2021-2022	2022-2023	Total
Cost	Gross Subsidies	-	678	136	814
Cost recovery	Corporate Income Tax	-	91	18	110
Total cost after recovery		-	587	118	704

Incremental cost of extension and subsidy rate increase

		2020-2021	2021-2022	2022-2023	Total
Cost	Gross Subsidies	-	330	136	466
Cost recovery	Corporate Income Tax	-	44	18	63
Total cost after recovery		-	285	118	403

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.

© Office of the Parliamentary Budget Officer, Ottawa, Canada, 2022

ⁱ Like for CEWS, claimants must also have had a CRA payroll account on 15 March 2020 and must be an eligible employer

For the purposes of the wage subsidy, an eligible employer means:

- a corporation or a trust, other than a corporation or a trust that is exempt from tax under Part I of the Income Tax Act (the Act) or is a public institution (see Q3-01);
- an individual other than a trust;
- a registered charity (other than a public institution);
- a person that is exempt from tax under Part I of the Act (other than a public institution), that is:
 - an agricultural organization;
 - a board of trade or a chamber of commerce;
 - a non-profit corporation for scientific research and experimental development;

-
- a labour organization or society;
 - a benevolent or fraternal benefit society or order; and
 - a non-profit organization;
 - a partnership, each member of which is a person or partnership described in this list;
 - a [prescribed organization](#), including certain Indigenous businesses.

Unlike for CEWS, the business must also be a Canadian-controlled private corporation, a cooperative corporation eligible for the small business deduction, or a partnership where at least 50% of the partnership's interests are held (directly or indirectly) by employers eligible for the CRHP.