

# Legislative Costing Note

Publication Date:	2021-03-18													
Short Title:	Canada Recovery Benefit (CRB) – update and increase in the maximum number of weeks available													
Description:	<p>The CRB, introduced on September 27, 2020, provides \$500 per week to workers who do not qualify for EI, who earned at least \$5,000 in 2019 or 2020 and who are unable to return to work or had their income reduced by at least 50% due to COVID-19. The program will last for one year.<sup>1</sup></p> <p>Claimants will need to repay \$0.50 of the benefit for each dollar of their annual income above \$38,000 in the calendar year, up to a maximum of the amount of benefit they received. The \$38,000 threshold will not include amounts received under the benefit. The benefit will be taxable.</p> <p>In February, the program was amended to increase the maximum number of weeks for which the CRB can be claimed from 26 to 38 weeks.<sup>2</sup></p>													
Data Sources:	<table><tr><th>Variable</th><th>Source</th></tr><tr><td>Labour force statistics</td><td>Statistics Canada’s Labour Force Survey (LFS)</td></tr><tr><td>Preliminary data on the cost of the program</td><td>Government of Canada</td></tr><tr><td>Projected labour market conditions</td><td>PBO</td></tr><tr><td>Federal tax rate</td><td>Canada Revenue Agency (IR0563), PBO</td></tr><tr><td>Behavioural response</td><td>Card et al. 2015;<sup>3</sup> Kyrrä and Pesola, 2017;<sup>4</sup> PBO</td></tr></table>	Variable	Source	Labour force statistics	Statistics Canada’s Labour Force Survey (LFS)	Preliminary data on the cost of the program	Government of Canada	Projected labour market conditions	PBO	Federal tax rate	Canada Revenue Agency (IR0563), PBO	Behavioural response	Card et al. 2015; <sup>3</sup> Kyrrä and Pesola, 2017; <sup>4</sup> PBO	
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Estimation and Projection Method:	<p>To estimate the cost of increasing the maximum number of weeks available for the CRB, PBO used the same projection method that was published with the CRB legislative costing note on October 7, 2020.<sup>5</sup></p> <p>However, in light of the data published by the Canada Revenue Agency, PBO has made some methodological adjustments to account for the cost of the program to date. It has also accounted for changes in the labour market since the costing note of October 7.</p>													

<sup>1</sup> Parliament of Canada, *Bill C-4*, accessed 1 October 2020, <https://parl.ca/DocumentViewer/en/43-2/bill/C-4/third-reading>.

<sup>2</sup> See <https://www.canada.ca/en/employment-social-development/news/2021/02/crb-extension.html>.

<sup>3</sup> American Economic Review, *The Effect of Unemployment Benefits on the Duration of Unemployment Insurance Receipt: New Evidence from a Regression Kink Design in Missouri, 2003–2013*, David Card et al., 2015.

<sup>4</sup> Institute of Labor Economics, *Estimating the Effects of Potential Benefit Duration without Variation in the Maximum Duration of Unemployment Benefits*, Tomi Kyrrä and Hanna Pesola, 2017.

<sup>5</sup> See <https://www.pbo-dpb.gc.ca/en/blog/legislative-costing-notes--notes-evaluation-cout-mesure-legislative/LEG-2021-045-S--canada-recovery-benefit--prestation-canadienne-relance-economique>.

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Lastly, based on data that the CRA has shared with PBO, the tax rate and the magnitude of the repayment have been revised downward in relation to the costing note of October 7.

Sources of Uncertainty: This estimate is highly sensitive to future labour market conditions and Canada's economy, as well as the progression of the COVID-19 pandemic. In addition, since the LFS is a survey, the reliability of some of the data on specific labour groups varies. There is also significant uncertainty regarding the behavioural response of workers.

There is additional uncertainty surrounding how the proposed measure will be administered (specifically, the extent and intensity of compliance monitoring activities).

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## Cost of proposed measure

\$ millions	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
<b>Additional net costs as a result of the increase in the maximum number of weeks available (A)</b>	<b>668</b>	<b>4,530</b>	-	-	-	-
Net cost of pre-existing program (B)	<b>13,953</b>	<b>3,788</b>	-	-	-	-
<i>Gross cost of pre-existing program</i>	<i>14,936</i>	<i>4,050</i>	-	-	-	-
<i>Cost recovery</i>	<i>-983</i>	<i>-261</i>	-	-	-	-
Net total cost of program (A)+(B)	<b>14,620</b>	<b>8,318</b>	-	-	-	-
<i>Gross cost of program</i>	<i>15,649</i>	<i>8,892</i>	-	-	-	-
<i>Cost recovery</i>	<i>-1,029</i>	<i>-574</i>	-	-	-	-

## Supplementary information: Reconciliation with PBO's costing note of October 7, 2020

\$ millions	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Net cost – Estimate from 7 October (C)	12,853	5,087	-	-	-	-
<i>Methodological adjustments and data updates (D)</i>	<i>1,100</i>	<i>-1,299</i>	-	-	-	-
<i>Increase in the maximum number of weeks available (E)</i>	<i>668</i>	<i>4,530</i>	-	-	-	-
Total net cost (C) + (D) + (E)	14,620	8,318	-	-	-	-

## 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.