



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

# Cost Estimate of Election Campaign Proposal

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Short Title: Wage subsidy for new hires

Description: Introducing a wage subsidy payable to businesses based on the salaries and wages paid to net new hires since April-June 2021. The base subsidy rate will be 25% of salaries and wages for net new hires, plus a top-up for those previously unemployed for 6 months or longer. The top-up will be:

- 5% for new hires previously unemployed for 6 months;
- 10% for new hires previously unemployed for 7 months;
- 15% for new hires previously unemployed for 8 months;
- 20% for new hires previously unemployed for 9 months; or
- 25% for new hires previously unemployed for 10 months or longer.

The employee remuneration eligible for subsidies is capped at \$1,129 per week. This proposal will be effective from October 24, 2021 to April 24, 2022.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		6,511	1,100	-	-	-	7,611

Notes:

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).
- "-" = PBO does not expect a financial cost.

Estimation and projection method: Wages and salaries paid to net new hires at the industry level were based on the EPC baseline. Net new hires from the growth and decline of firms within each industry were simulated using the distribution from the PBO CEWS model. The share of net new eligible hires whose wages would give rise to top-up subsidies was based on the distribution of unemployment duration. Cost savings from corporate income taxes were subtracted from the projected cost.

Source of Uncertainty: The main sources of uncertainty relate to the magnitude and distribution of salaries and wages across businesses, as well as the duration of unemployment for net new hires.

Data Sources:	Variable	Source
	Salaries and wages by industry	PBO EPC baseline
	Unemployment duration	Labour Force Survey
	CIT recovery tax rate	PBO EPC baseline