Legislative Costing Note

Publication Date:	2021-12-09
Short Title:	Canada Emergency Wage Subsidy (CEWS) - as extended by Order in Council 2021-0882 & as further extended by Bill C-2
Description:	Providing a wage subsidy to employers with reduced revenues. Employers must choose between the Canada Recovery Hiring Program and this program.

Version	End date	Eligible Industries
Budget 2021	25 September 2021	All
Order in Council 2021-0882	23 October 2021	All
Bill C-2		
Hardest Hit Businesses (HH)	7 May 2022	All
Travel and Hospitality (T&H)	7 May 2022	Hotels, tour operators, travel agencies, convention centers, festivals, restaurants and bars (for extension).

The subsidy rate that an employer will receive depends on the extent of the employer's revenue losses in the corresponding calendar month as shown in Appendix A. The employee remuneration eligible for subsidies is capped at $1,129 per week.

Data Sources:	Variable	Source
	GDP projection	PBO Economic Model
	Employment by revenue loss bracket	Canada Revenue Agency, Custom tabulation
	Value of CEWS claims to date	Canada Revenue Agency, Claims to date

Estimation and Projection Method:

The basis of the model is a period-by-period profile of employment by revenue loss bracket, compiled from operational data. Current remuneration at businesses with revenue losses was projected by indexing to the trend in total employees supported. The trend was established based on the number of employees supported in periods for which the window to submit applications has closed. Employment by revenue loss range was then distributed across revenue loss ranges based on the average distribution. Subsidy rates were then applied to simulate the choice between CEWS and CRHP benefits and to calculate subsidies which would be paid to CEWS claimants, for each future period.

Aggregate Results:

We expect that the extension of the Canada Emergency Wage Subsidy by Bill C-2 will result in an additional $5,456 million in subsidies being paid beyond those already approved by Order in Council 2021-0882. Of these additional subsidies, we expect $666 million to be paid under the Tourism and Hospitality Recovery Program, and $4,790 million to be paid under the Hardest-Hit Business Recovery Program. With this extension, we expect the gross cost of the Canada Emergency Wage Subsidy to be $106,680 million. This represents a net cost to the federal government of $92,307 million after accounting for corporate income tax recoveries.

Sources of Uncertainty:	The main sources of uncertainty relate to the magnitude and distribution of revenue losses across businesses, as well as employment at those businesses.	
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Cost of proposed measure

$ millions	2020-2021	2021-2022	2022-2023	Total	Incremental
As approved in Budget 2021 (Updated Estimate)	70,162	16,119	-	86,282	
As extended by Order in Council 2021-0882	70,162	17,424	-	87,586	1,305
As further extended by Bill C-2	70,162	21,452	693	92,307	4,721
Incremental cost associated with Tourism and Hospitality Recovery Program	-	492	84	576	576
Incremental cost associated with Hardest-Hit Business Recovery Program	-	3,536	609	4,145	4,145

Supplementary information

As approved in Budget 2021 (Updated Estimate)

		2020-2021	2021-2022	2022-2023	Total
Cost	Gross Subsidies	81,087	18,629	-	99,716
Cost recovery	Corporate Income Tax	10,925	2,510	-	13,434
Total cost after recovery		70,162	16,119	-	86,282

As extended by Order in Council 2021-0882

		2020-2021	2021-2022	2022-2023	Total
Cost	Gross Subsidies	81,087	20,137	-	101,224
Cost recovery	Corporate Income Tax	10,925	2,713	-	13,638
Total cost after recovery		70,162	17,424	-	87,586

As further extended by Bill C-2

		2020-2021	2021-2022	2022-2023	Total
Cost	Gross Subsidies	81,087	24,792	801	106,680
Cost recovery	Corporate Income Tax	10,925	3,340	108	14,373
Total cost after recovery		70,162	21,452	693	92,307

Incremental cost associated with Tourism and Hospitality Recovery Program

		2020-2021	2021-2022	2022-2023	Total
Cost	Gross Subsidies	-	568	97	666
Cost recovery	Corporate Income Tax	-	77	13	90
Total cost after recovery		-	492	84	576

Incremental cost associated with Hardest-Hit Business Recovery Program

		2020-2021	2021-2022	2022-2023	Total
Cost	Gross Subsidies	-	4,086	704	4,790
Cost recovery	Corporate Income Tax	-	551	95	645
Total cost after recovery		-	3,536	609	4,145

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.

Appendix A: Subsidy Rate by Period

		Period												
		1	**2 to 4**	**5 to 6**	**7**	**8 to 10**	**11 to 17**	**18**	**19 to 20[1]**	**21**	**22 to 26**	**22 to 26**	**27 to 28**	**27 to 28**
Start Date		15 Mar 2020	12 Apr 2020	5 Jul 2020	30 Aug 2020	27 Sep 2020	20 Dec 2020	4 Jul 2021	1 Aug 2021	26 Sep 2021	24 Oct 2021	24 Oct 2021	13 Mar 2022	13 Mar 2022
End Date		11 Apr 2020	4 Jul 2020	29 Aug 2020	26 Sep, 2020	19 Dec 2020	3 Jul 2021	31 Jul 2021	25 Sep, 2021	23 Oct, 2021	12 Mar 2022	12 Mar 2022	7 May 2022	7 May 2022
	Industry	All	All	All	All	All	All	All	All	All	T&H	Others	T&H	Others
	5	0%	0%	6%	5%	4%	4%	0%	0%	0%	0%	0%	0%	0%
	15	38%	0%	18%	15%	12%	12%	4%	3%	1%	0%	0%	0%	0%
	25	75%	0%	30%	25%	20%	20%	13%	9%	4%	0%	0%	0%	0%
	35	75%	75%	75%	35%	28%	28%	22%	16%	6%	0%	0%	0%	0%
Revenue	45	75%	75%	75%	45%	36%	36%	31%	22%	9%	45%	0%	23%	0%
Decline (%)	55	75%	75%	75%	56%	46%	49%	41%	29%	13%	55%	18%	28%	9%
	65	75%	75%	79%	69%	59%	66%	54%	36%	18%	65%	34%	33%	17%
	75	75%	75%	85%	75%	65%	75%	60%	40%	20%	75%	50%	38%	25%
	85	75%	75%	85%	75%	65%	75%	60%	40%	20%	75%	50%	38%	25%
	95	75%	75%	85%	75%	65%	75%	60%	40%	20%	75%	50%	38%	25%

Note: For Periods 22 to 26, businesses must also demonstrate that they have a sufficient average year-over-year revenue loss across the first 13 CEWS periods. The required revenue loss is 40% for businesses in the travel and hospitality sector, and 50% for businesses in all other sectors.

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[1] Under Budget 2021, the rate for CEWS Period 20 was the rate indicated for Period 21. This rate was increased by Order in Council 2021-0882 and is reflected in Bill C-2.