

Costing Note

Publication date:	2020-06-23															
Short title:	Canada Emergency Response Benefit – Eight Week Extension and Phase-out Rate															
Description:	<p>A parliamentarian requested that the PBO cost a proposal modifying the Canada Emergency Response Benefit (CERB) to adopt a phase-out for the benefit of \$0.50 for each dollar of employment income above \$1,000 per month in addition to the eight week extension announced on June 16, 2020.¹</p> <p>The modifications to the CERB program are assumed to be implemented on July 5, 2020.</p>															
Data sources:	<table><tr><th><u>Variable</u></th><th><u>Source</u></th></tr><tr><td>Projections of COVID-19 illness</td><td>PBO CERB Model (June 18, 2020)</td></tr><tr><td>Demographic data</td><td>Statistics Canada’s Labour Force Survey</td></tr><tr><td>Labour force statistics</td><td>Statistics Canada’s Labour Force Survey</td></tr><tr><td>Labour force projections</td><td>PBO Economic Scenario Analysis (June 18, 2020)</td></tr><tr><td>Average effective federal tax rate</td><td>SPSD/M 28.0²</td></tr><tr><td>EI regular benefit recipients</td><td>Statistics Canada’s Employment Insurance Statistics</td></tr></table>	<u>Variable</u>	<u>Source</u>	Projections of COVID-19 illness	PBO CERB Model (June 18, 2020)	Demographic data	Statistics Canada’s Labour Force Survey	Labour force statistics	Statistics Canada’s Labour Force Survey	Labour force projections	PBO Economic Scenario Analysis (June 18, 2020)	Average effective federal tax rate	SPSD/M 28.0 ²	EI regular benefit recipients	Statistics Canada’s Employment Insurance Statistics	
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Estimation and projection method:	<p>PBO estimated the cost of modifying and extending the current CERB program by building on the model used in the June 18, 2020 PBO CERB program cost estimate.³</p> <p>Eligibility to the CERB program for workers earning between \$1,000 and \$5,000 in the payment period is limited to workers who have seen a reduction in their income through reduced working hours.</p>															
Aggregate Results:	PBO estimates the cost to modify the extended CERB program (phased reduction) starting July 5, 2020 to be an additional \$3.1 billion.															

¹ Government of Canada. *Canada Emergency Response Benefit*. Retrieved June 18, 2020, from <https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

² This analysis is based, in part, on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSP/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

³ See Legislative Costing Note: Canadian Emergency Response Benefit. https://www.pbo-dpb.gc.ca/web/default/files/Documents/LEG/LEG-2021-030-S/LEG-2021-030-S_en.pdf.

Source of Uncertainty: The estimate is highly sensitive to the assumed economic outlook and the probability of contracting COVID-19. Due to the unavailability of microdata regarding CERB recipients, any estimates of the behavioural response to the CERB program are highly uncertain and rely on strong assumptions.

Further uncertainty stems from how the proposed measure will be administered (more specifically the extent and intensity of compliance activities) and the actual take up of the CEWS.

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Cost of proposed measure (includes behavioural responses and PIT recovery)

\$ millions	2020-2021
Incremental cost of modification (phase-out rate) starting July 5, 2020 (B)-(A)	3,096
Net Cost of extended CERB program starting July 5, 2020 (A)	26,910
Net Cost of extended CERB program, with proposed modification (phase-out rate) starting July 5, 2020 (B)	30,006

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.

Numbers may not add up due to rounding.

"-" = PBO does not expect a financial cost