



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

Legislative Costing Note

Announcement date:	2020-03-25 (C-13)																
Publication date:	2020-04-30																
Short title:	10% Temporary Wage Subsidy for Employers																
Description:	<p>Providing eligible employers with a temporary wage subsidy for a period of three months from March 18, 2020 to June 19, 2020.</p> <p>The subsidy will be equal to 10% of remuneration paid during that period up to \$1,375 per eligible employee to a maximum total of \$25,000 per employer. Employers benefiting from this measure will include corporations eligible for the small business deduction, as well as non-profit organizations and charities.</p> <p>For employers that are eligible for both the Canada Emergency Wage Subsidy and the 10% wage subsidy for a period, any benefit from the 10% wage subsidy for remuneration paid in a specific period would generally reduce the amount available to be claimed under the Canada Emergency Wage Subsidy in that same period.</p>																
Data sources:	<table><thead><tr><th><u>Variable</u></th><th><u>Source</u></th></tr></thead><tbody><tr><td>Gross domestic product (GDP) at basic prices, by industry</td><td>Statistics Canada</td></tr><tr><td>The number of Canadian-controlled private corporations, by industry, who are eligible for the small business deduction.</td><td>Statistics Canada</td></tr><tr><td>Number of corporations taxed at a preferential tax rate and the sectoral distribution.</td><td>Federal Tax expenditure reports provided by Finance Canada (2013-2020)</td></tr><tr><td>Employees and business counts by enterprise size and by sector</td><td>Statistics Canada</td></tr><tr><td>Average weekly earnings by enterprise size and by sector</td><td>Statistics Canada</td></tr><tr><td>Total private sector employment by industrial sector and business Size</td><td>Innovation, Science and Economic Development Canada</td></tr><tr><td>COVID19 impact on labor force and GDP</td><td>PBO economic model</td></tr></tbody></table>	<u>Variable</u>	<u>Source</u>	Gross domestic product (GDP) at basic prices, by industry	Statistics Canada	The number of Canadian-controlled private corporations, by industry, who are eligible for the small business deduction.	Statistics Canada	Number of corporations taxed at a preferential tax rate and the sectoral distribution.	Federal Tax expenditure reports provided by Finance Canada (2013-2020)	Employees and business counts by enterprise size and by sector	Statistics Canada	Average weekly earnings by enterprise size and by sector	Statistics Canada	Total private sector employment by industrial sector and business Size	Innovation, Science and Economic Development Canada	COVID19 impact on labor force and GDP	PBO economic model
<u>Variable</u>	<u>Source</u>																
Gross domestic product (GDP) at basic prices, by industry	Statistics Canada																
The number of Canadian-controlled private corporations, by industry, who are eligible for the small business deduction.	Statistics Canada																
Number of corporations taxed at a preferential tax rate and the sectoral distribution.	Federal Tax expenditure reports provided by Finance Canada (2013-2020)																
Employees and business counts by enterprise size and by sector	Statistics Canada																
Average weekly earnings by enterprise size and by sector	Statistics Canada																
Total private sector employment by industrial sector and business Size	Innovation, Science and Economic Development Canada																
COVID19 impact on labor force and GDP	PBO economic model																

Estimation and projection method:

The number of employers eligible to claim the 10% wage subsidy was determined based on the number of corporations claiming the small business deduction (SBD).

The number of corporations claiming SBD was projected using the average annual growth rate of the number of claimants between 2013 and 2017 provided by CRA. The sectoral distribution of the corporations eligible for the SBD was interpolated according to the 2019 sectoral distribution of small and medium-sized businesses. These data were based on the survey of Statistics Canada.

The number of employers eligible for the SBD by firm size was estimated based on the distribution of the small business counts by enterprise size. The number of employees in corporations by sector and by firm size was interpolated according to the number of the 2017 private sector employment by industrial sector and business size provided by the Innovation, Science and Economic Development Canada.

The three-month earnings of the employees in these businesses were calculated by multiplying the average earnings by the number of employees by sector and by corporation size.

The total subsidy for the small businesses was calculated by multiplying 10% of the total earnings by the reduction rate of the employee's compensation in the private sector in response to the COVID-19. The reduction rate was estimated based on the PBO economic model. The calculation takes into consideration the maximum subsidy per employee and per employer.

Aggregate Results:

PBO estimates the cost of this measure to be \$844 million for the first quarter of 2020-21.

The time horizon for this costing is aligned to PBO's current Economic and Fiscal Scenario, although there may be potential fiscal impacts for subsequent years.

Source of Uncertainty:

The uncertainty is inherent in the projected number of employees who will lose their jobs in these businesses. Also, the interaction effect of this policy with other COVID-19 measures is difficult to anticipate because of the complex nature of the programs. The distribution of businesses based on their size and nature could be different from what was estimated.

Prepared by:

Nasreddine Ammar and Salma Mohamed Ahmed

Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	844

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