



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:	Canada Emergency Response Benefit (CERB)
Description:	<p>Canada Emergency Response Benefit (CERB) is a taxable benefit that would provide \$500 a week for up to 16 weeks for workers who lose their income due to reasons related to COVID-19.¹ This includes Canadians who have lost their job, are sick, quarantined, taking care of someone who is sick with COVID-19 as well as working parents who must stay home without pay to care for children who are at home because of school and daycare closures.</p> <p>Workers are defined as anyone who received at least \$5,000 in the previous 12 months in employment income, self-employment income, Employment Insurance benefits, or other provincial benefits as outlined in Bill C-13.</p> <p>Workers who earn less than \$1,000 in a 4-week period are eligible for the CERB. Individuals who have exhausted their Employment Insurance regular benefits between December 29, 2019 and October 3, 2020 are also eligible for the CERB.</p>

Data sources:	<table><thead><tr><th><u>Variable</u></th><th><u>Source</u></th></tr></thead><tbody><tr><td>Epidemiologic characteristics and model of COVID-19</td><td>Tuite, Ashleigh R., Fisman, D. N, Greer, A. L. (April 09, 2020)²</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 (April 30, 2020)</td></tr><tr><td>Average effective federal tax rate</td><td>SPSD/M 28.0³</td></tr><tr><td>El regular benefit recipients</td><td>Statistics Canada's Employment Insurance Statistics</td></tr></tbody></table>	<u>Variable</u>	<u>Source</u>	Epidemiologic characteristics and model of COVID-19	Tuite, Ashleigh R., Fisman, D. N, Greer, A. L. (April 09, 2020) ²	Demographic data	Statistics Canada's Labour Force Survey	Labour force statistics	Statistics Canada's Labour Force Survey	Labour force projections	PBO Economic Scenario Analysis (April 30, 2020)	Average effective federal tax rate	SPSD/M 28.0 ³	El regular benefit recipients	Statistics Canada's Employment Insurance Statistics
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¹ Government of Canada. *Canada Emergency Response Benefit*. Retrieved April 23rd, 2020, from <https://www.canada.ca/en/services/benefits/ei/cerb-application.html>

² Tuite, Ashleigh R., Fisman, D. N, Greer, A. L. (April 09, 2020), Mathematical modelling of COVID-19 transmission and mitigation strategies in the population of Ontario, Canada, CMAJ. cmaj.200476; DOI: <https://doi.org/10.1503/cmaj.200476>

³ This analysis is based 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.

Behavioural response to Canada PBO CEWS Model
Emergency Wage Subsidy (CEWS)

Estimation and projection method:

PBO developed a model that accounts for factors that would cause workers to become eligible for the CERB, including sickness, caregiving for a relative who is sick, taking care of children due to school closures, layoffs, reduced working hours, and those who have exhausted their EI regular benefits.

PBO combines demographic and labour force projections from the PBO's scenario analysis, with the expected spread of COVID-19 in Canada to estimate the monthly pool of applicants to the CERB. The number of weeks of CERB payments that each applicant is eligible for depends on the reason they are unable to earn income and the severity of illness if they are sick.

Since the program is a taxable benefit, the average effective federal tax rate of recipients was applied to the total amount of payments to calculate the tax revenue the government would receive from the program.

Aggregate Results:

After taking into account the interaction between the CERB and CEWS, PBO estimates there will be 8.5 million unique recipients the CERB and the program will have a total cost of \$35.5 billion in 2020-2021.

Source of Uncertainty:

The estimate is highly sensitive to the assumed economic outlook and the probability of contracting COVID-19. PBO will update the model's assumptions as more data on the economic outlook and spread of the virus in Canada becomes available. Further uncertainty stems from how the proposed measure will be administered.

Prepared by:

Louis Perrault and Aidan Worswick

Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	35,471
Gross cost	-	40,586
Cost recovery (Personal Income Tax Paid on Measure)	-	-5,115

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