



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

# Legislative Costing Note

Announcement date:	2020-03-25 (C-13)
Publication date:	2020-06-23
Short title:	Canada Emergency Response Benefit (CERB) – Eight Week Extension
Description:	<p>On June 16, 2020 the Government announced that eligibility for benefits under the Canada Emergency Response Benefit (CERB) will be extended by an additional 8 weeks, bringing the maximum to 24 weeks total.</p> <p>The CERB is a taxable benefit that provides \$500 a week for workers who lose their income due to reasons related to COVID-19.<sup>1</sup> 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>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 28.0<sup>2</sup></td></tr><tr><td>EI regular benefit recipients</td><td>Statistics Canada's Employment Insurance Statistics</td></tr></tbody></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 <sup>2</sup>	EI regular benefit recipients	Statistics Canada's Employment Insurance Statistics
<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 <sup>2</sup>														
EI regular benefit recipients	Statistics Canada's Employment Insurance Statistics														

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

<sup>2</sup> This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSPD/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.

Estimation and projection method: PBO estimated the cost of extending the current CERB program by building on the model used in the June 18, 2020 PBO CERB program cost estimate.<sup>3</sup>

Aggregate Results: PBO estimates the cost to extend the maximum duration of benefits from 16 to 24 weeks under the CERB program to be \$17.9 billion. This would bring the total estimated program cost to \$71.3 billion.

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.

Prepared by: Louis Perrault and Aidan Worswick

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

\$ millions	2020-2021
<b>Incremental Cost of Expansion (A)</b>	<b>17,914</b>
Net Cost of Pre-existing Program (B)	53,414
Net Total Cost of Program (A)+(B)	71,328

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

<sup>3</sup> See Previous 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](https://www.pbo-dpb.gc.ca/web/default/files/Documents/LEG/LEG-2021-030-S/LEG-2021-030-S_en.pdf).