

Intelligence MEMOS



From: Parisa Mahboubi
To: Canadian Labour Force Observers
Date: October 4, 2021
Re: **COVID BENEFITS ARE ENDING. WILL WORKERS RETURN?**

Canada's Covid-related economic recovery measures are set to end soon. What are the likely outcomes and what are the potential steps the federal government can take to soften the blow?

In the early days of the pandemic, the federal government introduced the Canada Emergency Response Benefit ([CERB](#)) to ensure a broad range of Canadians affected by the pandemic stayed afloat. Such supports and the Canada Emergency Wage Subsidy (scheduled to expire on October 23) sustained many people and businesses.

But the economy is in a different place now. The August number of unemployed was 1.4 million, down by 418,200 from September 2020. During the same period, Canada added 858,600 jobs, getting closer to its pre-pandemic employment level.

Even so, job vacancies increased to 731,905 in the second quarter of 2021, up from 560,215 in the last quarter of 2020. For example, the still-recovering accommodation and food services industry ranked near the top in terms of vacant positions. Many of the remaining unemployed simply aren't going back to work. Why?

Several factors can discourage unemployed people from returning to work: Health and safety concerns, overall economic uncertainty and the possibility of renewed lockdowns. And many workers are looking to retrain in another field.

Another potential factor could be design of income support programs and access to financial supports that may discourage people from seeking a job or opting for self-employment.

When the CERB ended a year ago, Ottawa temporarily changed the Employment Insurance (EI) program to expand access. It also launched the [Canada Recovery Benefit](#) (CRB) for those directly affected by the pandemic, but who did not qualify for EI (e.g., self-employed people.) The CERB, EI and CRB all contained disincentives for people to return to work.

A temporary change in EI introduced a benefit floor of \$400 per week and the CRB initially included a fixed-benefit amount similar to CERB that was relatively generous for low-income earners. Earlier C.D. Howe Institute [publications](#) have highlighted and warned about the potential impact of a high benefit floor in recent temporary measures on work incentives.

The government reduced the CRB benefit [\\$300 per week](#) for new applicants in July, to tackle work disincentives. The current temporary EI changes end on September 25 and there will be a new minimum benefit of \$300 per week only until November 2021.

The end of these programs doesn't mean that we should go back to EI the way it was.

The federal government can improve the [working-while-on-claim](#) rules through increasing earning limits and reducing income clawbacks. That will balance government supports for families with increasing the returns to them for going back to work. Our small businesses will see a return of many to the workforce.

We also need better supports for the long-term unemployed. Historically, the [longer](#) individuals are out of the labour market the harder it is to re-enter and find a high-paying job.

The number of unemployed people who have been out of work for at least six months or more in August 2021 was more than twice (120 percent) its pre-pandemic level. More than 62 percent of them (245,800 people) were unemployed for at least a year. Many long-term unemployed Canadians will not successfully find a job after COVID-related recovery measures end.

Although participation in education and training can help increase the chances of [re-employment](#), the long-term unemployed are less likely to participate in [employment programs](#) due to either loss of skills, low educational attainment or the high costs of reskilling. This suggests a need for government interventions to improve the motivation, skills and employability of the long-term unemployed. Any such support also needs to include mental health support, since long-term unemployment can also be associated with [poor mental health](#).

Programs to get Canadians back into the workforce and provide income supports until they do should be designed with two goals in mind: (i) making the programs more flexible, inclusive and easier to *access*, and (ii) improving work incentives and ensuring a smooth transition to permanent work by the end of the benefit period. To match job seekers with job opportunities, governments should also provide targeted training support, career counselling and mental health programs.

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