

Intelligence MEMOS



From: Ken Boessenkool

To: Canada's Finance Ministers

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Re: **THREE WAYS TO TREAT THE CERB IN SOCIAL ASSISTANCE**

Canada's social safety net has evolved slowly and carefully in an overlapping federal system of transfers and benefits.

Ottawa has responsibility for the tax system and Employment Insurance (EI). The provinces have primary responsibility for most social assistance and disability programs. As these programs have developed and changed over the years, overlaps and conflicts have been carefully managed – federal tax benefits for children are accounted for and integrated into provincial social assistance (SA) programs, for example.

That entire system, like everything else, has been rocked by the COVID-19 health crisis.

The federal government has designed a new Canada Emergency Response Benefit (CERB) that delivers \$2,000 to most people who lost work. This new benefit will interact with provincial SA programs, the amount of which a recipient gets falls at certain thresholds.

In Ontario SA and disability programs, income above these thresholds is clawed back at [50 cents on the dollar](#). Alberta takes back [75 cents on the dollar](#). In a review of 2018 caseloads, the Auditor General found 12 percent of Ontario Works caseloads (there were 250,000) earn an average of [\\$815 a month](#). Many of these individuals would therefore qualify for the minimum CERB requirement of \$5,000 in earned income in the last year if they lost work due to COVID-19.

This does raise an issue, however. What about those SA recipients who lose their income due to COVID but do not qualify because they didn't earn \$5,000 last year? Should they not qualify for benefits? This is, of course, not just an issue for those on SA, but for anyone who loses work due to COVID but cannot meet the \$5,000 earnings threshold for last year.

Ottawa's recent announcement that Canadians could continue to earn up to \$1,000 per month while receiving CERB makes questions of SA clawback important.

There are three potential ways provinces could treat CERB in SA.

First, treat CERB like a gift as [BC has already announced](#) its intention to do. People on Ontario Works can keep up to [\\$10,000 in gifts](#) per year from friends or relatives without triggering asset or income rules that would reduce their benefits. In Alberta, the minister could [designate the CERB as a gift](#) if it exceeded the current [\\$900 per person annual gift limit](#).

With CERB treated as a gift, people on SA with earned income would be better off than working Canadians who didn't qualify for SA. This would be particularly true for people on SA who were earning small amounts and still qualified for the full \$2,000 in CERB.

In addition, if SA programs treated CERB as a gift, anyone receiving CERB could apply for provincial SA programs as their CERB payments would be exempt income. This would create an unanticipated strain on provincial budgets. Oddly, this is how [Ottawa is pushing the provinces](#), which seems to add additional burdens. Provinces shouldn't take this advice and BC has made a poor choice.

Second, treat CERB like EI benefits and claw it [back dollar for dollar](#). This makes sense if you view CERB as an extension of the EI program. As with EI, you need to lose your job to be eligible, and the government is already [pushing people who apply for EI onto CERB](#). EI-eligible workers will still qualify for their usual benefits after the four-month CERB period.

If CERB was treated as EI income, people receiving the largest SA benefits who also worked could be worse off than pre-COVID if their total SA plus earnings exceeded \$2,000. Those with net benefits and work below \$2,000 would be better off by the difference. For example, an Ontario Works recipient with three dependents would receive [basic needs](#) and [shelter](#) allowances alone nearing \$2,000. If they also lost \$1,000 in monthly restaurant shifts (from which they would keep a large portion), they could apply for CERB and receive \$2,000 per month. If that CERB reduced their Ontario Works benefit by \$2,000 and they no longer had their restaurant shifts to supplement that, they would be worse off (enhancements such as doubling the Canada Child Benefit and the GST Credit would more than offset this). The recipient could also potentially pick up shifts in another line of work and therefore fall under the new \$1,000 limit of allowable earnings while on CERB.

Third, treat CERB like employment income. If CERB is a temporary replacement for lost employment income during a crisis, then it makes sense to treat CERB benefits for SA recipients as if it was employment income. If we treat CERB as if it was earned income and then the province claws it back as earned income, those on provincial SA programs won't see their income drop during the crisis. This would also treat SA recipients the same as low earners not on SA. The above family would see its CERB benefit treated just like that restaurant income. It would be no worse off than before the crisis hit – in fact, it would be slightly better off (since it would get \$2,000 to replace \$1,000 in income), just as workers not on SA that lost \$1,000 per month job would be better off on CERB (they would also get \$2,000).

In summary, treating CERB as a gift would be unfair to low-income Canadians who are working relative to SA recipients. Treating CERB like EI would be unfair to SA recipients relative to working Canadians. Treating CERB as if it was earned income – which is what it is designed to replace – is the fairest option in the current crisis.

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