

Intelligence MEMOS



From: Ken Boessenkool

To: Bill Morneau, Minister of Finance

Date: May 15, 2020

Re: **OTTAWA HAS THE TOOLS TO REPLACE THE CERB**

A separate [Intelligence Memo](#) summarized the impact on fictional families of the combination of the Canada Emergency Response Benefit (CERB) and the boosts to the Goods and Services Tax Credit and Canada Child Benefit from February to July.

It showed that the CERB is a very blunt instrument that was appropriate for the first phase of the crisis where income replacement, speed of delivery, and a uniform payment were both operationally required and suitable to the situation. While not perfect, the federal government is to be commended for meeting all three goals.

But [even with](#) modifications, CERB could be unnecessary and unhelpful for the next phase because Ottawa has better tools at hand. To address a slow recovery will almost certainly require continued supports. Those tools are much more targeted in terms of who receives support and how much they receive.

Two groups of Canadians face particular difficulties – [low-income Canadians](#) and [families with children](#).

[Low-income Canadians](#) have been hit hardest, as they make up the largest proportion of a [service-sector led shutdown](#). And that sector is unlikely to see a rapid return to pre-COVID levels as phased physical distancing relaxation and anxiety about a second wave hold back a full recovery.

The government's initial response to the crisis reflected this concern – it pledged [\\$5.5 billion](#) for a one-time addition of the [Goods and Services Tax Credit](#) (GSTC) equal to whatever your current total annual benefit was. This provided a one-time income supplement in May of \$443 for singles and \$580 for couples and \$153 per child for those with the lowest incomes based on their 2018 income tax filing.

Instead of extending the CERB, GSTC boosts should be repeated during the next phase of the crisis. And we should allow Canadians to update what they receive based on filing their 2019 tax returns. All Canadians currently receiving CERB payments should be encouraged to file updated returns.

Families with children will be facing the challenges of primary caregivers having school-aged children at home and facing the prospect of cancelled summer camps. This will make it much more difficult for primary caregivers – primarily women – to return to work in the coming months. Further, even if their jobs came back immediately, many of these parents simply wouldn't be able to return to work. This challenge will be particularly acute due to a reduction in available childcare spaces due to physical distancing rules and the likely bankruptcy of existing childcare providers.

This points to two kinds of required supports – one to assist with childcare expenses and another for families who are not both working full time and are coping with additional children at home.

I consider in another Intelligence Memo the significant challenges facing families who require [childcare](#). In [particular](#), I have proposed a very generous refundable tax credit for up to 75 percent of childcare expenses as a way forward on this issue.

The government's initial response to the COVID crisis reflected the concern for families by providing a [\\$2 billion](#) one-time boost to the Canada Child Benefit (CCB) of \$300 per child in May. And again, these payments could be repeated and Canadians – particularly those on CERB – should be encouraged to update and/or file their returns to receive appropriate benefits.

A low-income family with two adults working would receive all three benefits – a boost to GSTC (\$580 plus \$153x2), a boosted CCB (\$300x2) plus a large annual refundable tax credit (up to \$12,000). A single income family – whether by choice, because they cannot find work or childcare or because they are caring for school-aged children – would receive the GSTC boost and the CCB Boost. For many families, these benefits plus their earned income would far exceed what they would get with an extension of the CERB, but in a series of appropriately targeted programs rather than a broad-based one.

The level of economic activity and the pace of the recovery can determine the appropriate level of additional payments to coincide with GSTC payments this November, February 2021, May 2021 etc. Each additional payment of the GSTC and CCB would cost [\\$7.5 billion](#). So a commitment to continue the full CCB and GSTC amounts to the end of 2021 would cost \$15 billion more this year and \$30 billion next year.

Extending the CCB and GSTC boosts will allow low-income Canadians and families with children face the post-CERB knowing that they would have the income security they need to face the likelihood of a slow and uncertain recovery.

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