

Intelligence MEMOS



From: Janice MacKinnon
To: Policymakers in Ottawa
Date: June 12, 2020
Re: **THE CERB DECISION: REFORM OR REPLACE?**

The Canada Emergency Response Benefit (CERB) begins to wind down next month, and the government must decide what happens to its most popular, and expensive, income support measure.

There are two possible paths: either the CERB – reformed to meet its shortcomings – continues, or existing programs – expanded and made more flexible – address the needs for the hundreds of thousands of dislocated workers who will still need its \$2,000 a month.

CERB was an emergency program designed to get money quickly to recipients, which created many structural problems.

And the lack of screening for the program opened the door to fraud; the government has established a mechanism for complaints about fraud and is proposing steep fines and even jail time for offenders.

Also, the inequities created by the fact that the wages of some essential workers are lower than the CERB benefit caused governments to top up the wages of lower-income essential workers and remains an issue for employers.

And still unaddressed is the unpleasant surprise awaiting some CERB recipients who applied without understanding that it will be considered income, which will reduce other income tested benefits.

The federal government proposes to address the disincentive to work resulting from the size of the benefit by requiring recipients to return to work when requested, to re-open businesses when reasonable and to accept a reasonable job offer.

But there is no incentive for workers to return to work. In fact, it can be argued that the proposal to reduce the monthly amount of other income that can be earned by CERB recipients from \$1,000 to \$500 lessens the incentive to work.

As well as its many shortcomings, the CERB is expensive, costing more than \$42 billion in 12 weeks.

A phase-out for CERB therefore seems the sensible course. Other programs can provide more targeted assistance, encourage a return to work, reward those in low-wage jobs and provide funding to retrain unemployed or underemployed people.

Canada has a robust social safety net that includes many targeted programs that can easily be increased when additional support is needed. Seniors are covered by the Canada Pension Plan, Old Age Security, and the Guaranteed Income Supplement, which can be expanded to provide additional support for low-income seniors, as has been done in the past.

Low-income families are supported through the Canada Child Benefit, which can also be easily increased, as has occurred previously. Also, the Childcare Expenses Deduction can be increased and expanded to cover additional forms of childcare to provide support for families and facilitate returns to work.

Also, the criteria for accessing Employment Insurance (EI) and the level and duration of benefits could be expanded so that more unemployed could use the program. Changes of this kind could be made temporary with a commitment to end them as the economy improves to avoid a permanent increase in premiums.

To help workers transition from struggling sectors of the economy to growing ones, the federal government should expand training programs like the Canada Training Program, which provides financial assistance to workers to upgrade their skills. Since training offered by governments or educational institutions can be slow to respond to changing labour markets, the government should develop business-government partnerships whereby both help fund job training for growing sectors.

An important program to encourage a return to work is the Canada Workers Benefit (CWB), a refundable tax credit that tops up employment income for low-income earners and increases as workers earn more.

The program provides a financial incentive for unemployed low-income individuals to enter and remain in the workforce and it can incentivize moving from part-time to full-time employment since the value of the benefit increases with income. It would be especially useful to those who worked in sectors that are not recovering, and who need to find jobs elsewhere. The CWB could also be ramped up to dovetail with the scaling back and phasing out of the CERB.

Using these programs in an emergency highlights Ottawa's lack of adequate up-to-date data. For instance, the CWB benefit is based on the previous year's net income, and there are also data problems with EI. Accessing real-time data is essential for the government to strengthen programs like EI and CWB.

Emergency programs like CERB were put together quickly in response to the economic shutdown. Now is the time to tune up our existing programs for COVID-19 use and for future emergencies.

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