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Crisis Working Group Report: Household Income and Credit Support

Communiqué #9: Ottawa should Rethink Bill C-17, and Use CERB Extension Time Wisely

To help Canadian governments confront the public health and economic crisis resulting from the spread of COVID-19, the C.D. Howe Institute has established several working groups to rapidly distill expert policy advice. The Working Group on Household Income and Credit Support is co-chaired by Michael Horgan (Senior Advisor at Bennett Jones LLP and Former Deputy Minister of Finance, Government of Canada) and Kathleen Taylor (Chair of the Board at Royal Bank of Canada) and supported by a group of Canadian business leaders and economists. The group's most recent meeting was held on Tuesday, June 16, 2020.

In the meeting, working group members assessed the amendments to the *Canada Emergency Response Benefit (CERB) Act* in Bill C-17 entitled “an Act respecting additional COVID-19 measures,” and reached two conclusions: First, the group generally agreed that proposing imprisonment as a penalty for those who have committed CERB fraud is neither justifiable nor constructive in the current circumstances. Second, the group observed that making it a requirement that workers “go back to work when it is reasonable to do so” in order to maintain eligibility for CERB is far too vague. In order to be workable, the requirement needs significant clarification on what reasonable means and how it will be verified and implemented.

The working group also identified the need for: (i) introducing training support benefits to assist CERB recipients transitioning to work during a staggered re-opening across the country, (ii) measuring and managing uncertainties to improve decision-making by households, and (iii) increasing coordination with provincial governments to ease the transition back to work and in safe premises.

Bill C-17: Amendments to the *Canada Emergency Response Benefit Act*

Amendments to the *Canada Emergency Response Benefit Act* include, among others:

- enhancing the administration and enforcement of the *Act* by considering penalties including imprisonment as punishment for a CERB recipient who was ineligible and deliberately takes advantage of the system; and



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- requiring a worker to return to work when it is reasonable to do so and to accept a reasonable job offer.

In regards to the enforcement of the *Act*, the working group noted that the government had decided not to provide strong and clear messages from the beginning of the CERB to prevent fraud, instead opting for broad and speedy adoption by as many Canadians as possible. Given that stance, the group, which welcomed more disciplined management of the program, argued that including imprisonment as a penalty retroactively is neither justifiable nor constructive for a number of reasons.

First, when the government announced the CERB, there was no clarification on the consequences of misusing the system, other than requiring ineligible recipients to repay CERB benefits after verification. Although it is necessary to consider penalties to address issues with fraud, the working group agreed that imprisonment is excessive and that if considered necessary, should be considered only for new applications and serious abuse. Second, the group agreed that the consequences of committing CERB fraud in terms of severity should be in line with those the Canada Revenue Agency applies for tax fraud. Third, the group noted that applying severe penalties to programs such as CERB can have unintended consequences, such as a chilling effect on the decision of an eligible worker to apply for the program for fear of making mistakes.

Although the working group approved the need for requiring the CERB recipients to return to work or accept a job offer, it identified that the use of the term “reasonable” in both cases is too vague and requires a clearer definition. The government needs to define what reasonable means and make clarifications on which parameters a worker needs to consider in reapplying for CERB versus returning to work. The group also discussed what type of infrastructure is going to be required to support the effective management of the CERB. The group concluded that the answer to these questions largely depends on the duration of CERB program.

The Need for Training Benefits

The government has announced the CERB program will be extended for another eight weeks. Although more details are yet to come, it is very unlikely that the program will include any training benefits to support CERB recipients transitioning back to work through retraining, reskilling and upskilling. The working group highlighted the need for rolling out such a training benefit program to provide opportunities for CERB recipients and tackle the issues of long-term displacements and structural unemployment.

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The working group highlighted that the [Canada Training Benefit](#) (CTB) announced in the 2019 budget may be a good fit to adapt quickly to the current situation with some modifications. The CTB is designed to serve eligible workers (ages 25-64) at a rate of \$250 per year, up to a lifetime limit of \$5,000. The working group suggested considering the roll out of such a program at a realistic rate to address long-term displacements and structural unemployment during the current crisis. Working group members also noted that some of the most successful models for retraining have involved partnerships between business and government.

Managing Uncertainties to Improve Decision-Making

Although the working group recognized that the federal and provincial governments face many uncertainties that can affect their decisions and approaches to reopening of the economy, members highlighted the need for managing those uncertainties to improve decision-making among Canadian households. This means that governments need to identify potential scenarios and specify with more lead-time their plans on how to resume economic activities and schools and support Canadians under various circumstances.

For example, provincial governments, such as Ontario, need to clearly state their criteria for, and approaches to, re-opening schools in September, and openly communicate the details of their plans under potential situations with families and educators well in advance of a relaunch. Planning, however, requires gathering more data and identifying best practices based on other jurisdictions' experiences with the re-opening of schools in the past couple of months.

Roles of Provincial Governments and Ottawa in Supporting Re-opening

Working group members noted that the extension of CERB is useful for parents who are unable to go back to work for reasons related to child-care responsibilities, particularly due to lack of child-care options such as summer camps. However, the working group called for support from provincial governments to ease re-opening of the economy and supporting parents as they go back to work. Similarly, the extension of the CERB for initial applicants through to September gives Ottawa time to update its administrative architecture for Employment Insurance to ensure it can handle a surge in applicants at that time.

Unlike restricting economic activities, re-opening businesses takes more time due to extensive planning and investments. It also requires a high degree of coordination between provincial governments and

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business owners to ensure that appropriate infrastructures, particularly in regards to child care, is in place to support reopening.

For example, the government of Ontario recently announced allowing the re-opening of child-care centers. While this was a welcome move, industry participants have commented that the announcement came before broad engagement with operators and without giving them access to appropriate financial and infrastructure support to allow them to open in accordance with new guidelines. Moreover, given strict rules designed to ensure the safety of children and staff, existing child-care infrastructure will be insufficient to support the full range of families in need of child care, requiring additional government support and involvement to address the gaps.

Members of the Household Income and Credit Support Working Group Include:

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