Crisis Working Group Report: Household Income and Credit Support

Communique #6: Extending CEWS Smart Move, More to be Done

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, May 05, 2020.

In that meeting, the working group heard from a number of industry experts and identified some of the factors that may be contributing to the substantial difference between the utilization of the Canada Emergency Benefit (CERB) and the Canada Emergency Wage Subsidy (CEWS). These discussions included the need to address potential issues related to submitting an application for the CEWS and switching employees from the CERB to the CEWS. Working group members also identified the need to extend the duration of the CEWS as outlined below (subsequent to the meeting, the federal government announced it will be extending CEWS eligibility past June).

Furthermore, the working group highlighted the importance of timely and reliable data to make informed policy decisions and called for making the CERB statistics available by province, gender and age. Working group members also suggested exploring ways to address the financial needs of Canadians who will not qualify for Employment Insurance (EI) after exhausting the CERB if they remain unemployed due to COVID-19.

Income Support Programs Utilization

As of May 06, 2020, about 7.6 million Canadians had applied for the CERB. In contrast, only 1.7 million workers were benefiting from the CEWS through applications submitted by their employers (96,000 businesses for an average of 17.7 workers per company). Although the CEWS is available to
all eligible businesses regardless of their size, it appears that mostly small businesses applied for wage subsidies. Several working group members worry that some eligible large businesses may prefer not to apply for the CEWS and to let their laid off employees apply for the CERB instead.

Working group members identified several contributing factors for the large utilization gap between the CERB and the CEWS, and recommended ways that may help to better balance the use of these programs.

First, some businesses may have already shut down by the time the CEWS became operational on April 27, 2020, and may require encouragement to shift course and fully subscribe to the CEWS. The remaining affected businesses may simply not be operating at full capacity, depending on their ability to have employees work from home, their industry and other characteristics.

Second, the CEWS provides support for up to three months, while many business shutdowns will likely last longer, since re-openings are expected to be gradual. In addition, during the transition period to full recovery many businesses will likely continue to experience revenue shortfalls, even after restrictions are lifted. They may not be able to return quickly to normal operations or even be allowed to operate at full capacity (e.g., restaurants enforcing social distancing). Given the low take-up for the CEWS program compared to initial government estimates, it makes sense to extend the CEWS beyond its scheduled termination on June 6, 2020.

Lastly, the design and application process between the CERB and the CEWS differ. Some businesses may face technical issues submitting their application or may find it onerous to switch their employees from the CERB to the CEWS. Technical and design issues that may prevent businesses from applying for the CEWS need to be identified and addressed to ensure a greater number of employees remain attached to their employers. Maintaining an active attachment between employers and their employees will facilitate their return to work once restrictions are lifted, which is a major objective for the CEWS.

**Need for More and Better Use of Data**

Working group members praised Statistics Canada's efforts to take unique labour market impacts of COVID-19 into consideration when it reported the March Labour Force Survey (LFS) results, as well as for providing technical briefing sessions. For the April LFS results (available on Friday May 9th), the working group suggested that Statistics Canada pay more attention to hours worked than to other labour market indicators (e.g., employment) and to focus on cumulative changes since February for evaluating the impact of the crisis on the labour market. Members also suggested that the LFS make
the ‘absence of available child care’ a more explicit component of the constraints that are now defined as “personal reasons” in the data.

Working group members also recognized the need for more data on CERB applications by province, gender and age. These statistics are important to identify and plan the next steps. The pace and timing of the economic reopening will vary across provinces, while the impact of COVID-19 differs by population characteristics such as gender and age.

**CERB Exhausted but No EI Benefits: What’s Next?**

Workers who were laid off first may be the last to get back to work, while their CERB is currently scheduled to end in July. If the crisis and its related economic slowdown is not over by July, many Canadians will remain unemployed. While some will be able to collect EI, there will be many who do not qualify for EI because they have not accumulated enough hours of insurable employment. Others will be ineligible because of the type of work they had or because they may not be able to search for employment (for example, because they may still be at home caring for their children). These issues need to be addressed. Otherwise, such individuals will be left without benefits and job opportunities.

At its next meeting, the working group will consider options to address looming coverage gaps when the CERB runs out.

**Members of the Household Income and Credit Support Working Group include:**

- **Michael Horgan (Working Group Co-Chair),** Senior Advisor, Bennett Jones LLP and former Deputy Minister of Finance, Government of Canada.
- **Kathleen Taylor (Working Group Co-Chair),** Chair of the Board, Royal Bank of Canada.
- **Don Drummond,** Stauffer-Dunning Fellow and Adjunct Professor, Queen's University.
- **Luc Godbout,** Professor and Director of the Chair in Taxation and Public Finance, Université de Sherbrooke.
- **Alexandre Laurin,** Director of Research, C.D. Howe Institute.
- **Parisa Mahboubi,** Senior Policy Analyst, C.D. Howe Institute.
Janice McKinnon, Professor, University of Saskatchewan.

Kevin Milligan, Professor, University of British Columbia.

Mike Pedersen, Chair of the Board, Business Development Canada.

Bill Robson, President and Chief Executive Officer, C.D. Howe Institute.

Tammy Schirle, Professor, Wilfrid Laurier University.

Lara Speirs, Executive Vice President & Public Affairs General Counsel, Randstad Canada.

Guest:

Lynn Barr-Telford, Assistant Chief Statistician, Social, Health and Labour Statistics at Statistics Canada