

## CERB on the way out, income support extended

The federal government detailed its [plan to wind down](#) the Canada Emergency Response Benefit (CERB) and transition affected individuals to a modified and more easily accessible Employment Insurance plan as the main income support program.

In a \$37 billion program announcement, the government extended the CERB program, which pays \$500 per week to individuals who lost their job, substantial hours, or are unable to work due to COVID-19, for four additional weeks to a maximum of 28 weeks. Effective September 27, 2020 a modified Employment Insurance program will be in place temporarily.

For the most part, affected individuals will continue to be supported by the **Employment Insurance** system. The government will provide a minimum benefit rate of \$400 per week and require only 120 hours of work (roughly three weeks of work) to qualify. Individuals are receiving a one-time insurable hours credit to lift insurable hours above the minimum 420 hour threshold for regular benefits to account for hours lost due to the pandemic. The benefit will last six months.

Adding to this is a new **Canada Recovery Benefit** which aims to add more blanket support for those who are affected but ineligible under EI. This benefit provides a \$400 per week benefit for 26 weeks and is aimed at gig workers and self-employed. These individuals must have shown self-employment/employment income of \$5,000 or more in 2019 or 2020 and that they have not quit their job voluntarily. Individuals are able to earn income under this benefit, with the benefit taxable above \$38,000 excluding the benefit at 50 cents on the dollar.

The **Canada Recovery Caregiver Benefit**, which like those noted above commences September 27, 2020 and provides \$500 per week in benefits. This supports those unable to work due to requirements to provide care for children or dependents.

Other announcements included temporary EI support for seasonal fish harvesting workers that rely on EI in the off season, and a freeze in EI rate premiums for employees and employers for two years.

## Takeaway

The latest policy announcement in the COVID-19 recovery phase provides a gentle exit from the CERB program but with continued income support for affected workers. The measures will by extension provide ongoing support for the economy via consumer spending, albeit at modestly lower levels of funding. The federal government also avoids a potential for a fiscal cliff from the end of CERB. The new programs will also maintain a link between individuals and the labour market. To maintain eligibility, they will be required to search for employment, which should limit incentives to remain on income support. Added to the Canada Emergency Wage Subsidy, which is supporting business operation through the end of the year, the CERB transition should allow for a relatively frictionless transition of workers back into the workforce as firms rehire.

Going forward, the duration of these measures will likely be flexible. In the event the economy does not recover quick enough or a second wave of the virus again hampers the economy, the 26-week period of support could be extended.

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