

# Intelligence MEMOS



From: Kevin Milligan  
To: Bill Morneau, Minister of Finance  
Date: March 31, 2020  
Re: **FORTIFYING THE CERB**

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The Canada Emergency Response Benefit (CERB) will deliver economic support to Canadians thrown out of work by the COVID-19 crisis.

Its overall structure provides a solid platform for supporting Canadian families, but more policy work is needed to fortify the CERB so that it reaches its potential to help Canadian families and bridge our economy across the crisis.

Among the current features:

- A ‘trust but verify’ application that allows a ‘self attestation’ on eligibility subject to future verification.
- Broad coverage not dependent on qualifying for regular Employment Insurance.
- A low and transparent \$5,000 earned income test for eligibility.
- A flat and simple benefit structure: \$500 per week for every qualifying person.
- Delivery through the CRA, which has the proven surge capacity to handle millions of applications.
- Eligibility for furloughed workers (not formally laid off) to preserve employment relationships.

The resolution of emerging and remaining issues with CERB should make heavy use of the “trust but verify” self-attestation feature of the CERB.

That is, qualification rules should be clear and set in advance but without need for up-front verification. Canadians can simply say they are eligible and unlock the benefit payments, but must also keep in mind that they may later be subject to CRA audits and verification. This delivers the twin benefits of shortening the time between application and payment delivery and also shrinking any incentive to exaggerate eligibility attestations.

For “trust but verify” to work well, however, the rules must be clear in advance. Some important details remain up in the air. Three of these important details are how to define eligibility for those whose earnings have declined, how to assess those (like students) who may have jobs with future starting dates, and ‘top-up’ payments by firms that may want to supplement CERB for furloughed workers.

The legislation in [section 6\(1\)\(b\)\(i\)](#) restricts eligibility to those who have “ceased working” and “do not receive, subject to the regulations, income from employment or self-employment.” This leaves some ambiguity about the common circumstance of workers who have experienced a severe drop in earnings, but not a complete cessation of work.

The government must first decide to what extent it wishes to cover those with partial earnings decline. With that decision in hand, the government must then provide a clear rule about earnings decline (for example this could be a drop of 75 percent or more). Whether this can be set by regulation or requires a technical fix to the legislation, some threshold is required swiftly.

A second issue affects students and others whose jobs had not yet started. They may or may not qualify based on the \$5,000 earnings threshold, but will see employment opportunities this summer curtailed by COVID-19. Again, a ‘trust but verify’ approach could help, but clear rules are needed soon about the many reasonable and feasible eligibility options. (Meanwhile, students will need to know how CERB income will be treated by the various student aid systems.)

The final issue to resolve is how to facilitate ‘top ups’ for some employees. Some employers may wish to supplement the CERB with a top-up payment in order to keep valued employees attached to the firm, and the prime minister was promoting the concept yesterday. Such top-ups are desirable to preserve employer-employee matches that will enhance our ability to ramp up economic activity when public health allows.

Care needs to be taken to ensure that top-up payments do not interfere with CERB eligibility criteria. A model for the technical definition of top-up payments could be drawn from EI parental leave benefits, which some employers now top-up with supplemental payments that do not disturb the core EI benefits.

The fortified CERB will provide a solid bridge for Canadian families over the COVID crisis. The Canadian government will need to consider further regulatory or legislative initiatives for CERB in the days that come. Attention to eligibility for those with severe earnings declines, students and future job-holders, and the treatment of top-up payments will ensure the CERB reaches its potential to provide our economy with an effective bridge and a launching point to resume economic activity when the public health crisis abates.

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