FTR Now

Federal Government Phasing Out COVID-19 Support Measures

Date: October 25, 2021

On October 21, 2021, the federal government announced that two key pandemic programs, the Canada Recovery Benefit (CRB) and the Canada Emergency Wage Subsidy (CEWS), would not be extended past October 23, 2021. It has proposed extending the Canada Recovery Hiring Program (CRHP)—with narrowed criteria—to May 7, 2022. It also plans to introduce two new programs—The Tourism and Hospitality Recovery Program and the Hardest-Hit Business Recovery Program—that would provide rent and wage subsidies, as well as lockdown support for a targeted set of businesses and organizations, until May 7, 2022, with the possibility of extension until July 2, 2022. The details of the two programs are set out in the Backgrounder, "Targeting COVID-19 Support Measures."

In addition, the government announced that it intends to introduce legislation to establish new income support for individuals called the Canada Worker Lockdown Benefit (CWLB). As set out in the related Backgrounder, this benefit would be available to individuals unable to work as a result of a government-imposed lockdown.

All pandemic relief extending beyond November 20, 2021 must be approved by Parliament.

In this *FTR Now*, we highlight the key details of these proposed COVID-19 support measures that will be of significant interest to employers.

Tourism and Hospitality Recovery Program

The new Tourism and Hospitality Recovery Program (THRP) would be targeted to organizations in selected sectors of the tourism and hospitality industry. While details on the definition of qualifying businesses has not yet been released, the government's examples include hotels, restaurants, bars, tour operators and convention centres.

In order to a qualify for this program, an organization would need to meet two conditions:

1. An average monthly revenue reduction of at least 40% over the first 13 qualifying periods for the CEWS (12-month revenue decline); and

2. A current-month revenue loss of at least 40%.

The 12-month revenue decline would be calculated as the average of all revenue decline percentages from March 2020 to February 2021 (claim periods 1–13, excluding claim period 10 or 11). Any periods in which an organization was not carrying on its ordinary operations for reasons unrelated to a public health restriction (e.g., because it is a seasonal business), would not be included in this calculation. Existing rules would apply with regards to calculating the current-month revenue decline. Please see our *FTR Now* of August 3, 2021 and earlier publications about the CEWS for detailed information on calculating qualifying revenue decline.

From October 24, 2021 to March 12, 2022 (claim periods 22–26), the maximum rate for the wage and rent subsidies would be 75%. This rate would be reduced by half from March 13 to May 7, 2022 (claim periods 27 and 28).

The related Backgrounder sets out the rate structure in a table, included below:

Current-month revenue decline	Periods 22–26 October 24, 2021 – March 12, 2022	Periods 27–28 March 13 – May 7, 2022
75% and over	75%	37.5%
40–74%	revenue decline e.g., 60% revenue decline = 60% subsidy rate	revenue decline ÷ 2 e.g., 60% revenue decline ÷ 2 = 30% subsidy rate
0–39%	0%	0%

As per the existing rules, lockdown support would be available at the current fixed rate of 25% and pro-rated on the number of days a particular location was affected by a lockdown.

Hardest-Hit Business Recovery Program

Organizations that do not qualify for the THRP but have been similarly affected by the pandemic may qualify for rent and wage support under the Hardest-Hit Business Recovery Program (HHBRP). In order to qualify for this program, an organization would need to meet two eligibility requirements:

1. An average monthly revenue reduction of at least 50% over the first 13 qualifying periods for the CEWS (12-month revenue decline); and

2. A current-month revenue loss of at least 50%.

The rules for calculating the 12-month revenue decline under this program are the same as those under the THRP, set out above. Existing rules apply with regards to calculating the current-month revenue decline. Please see our *FTR Now* of August 3, 2021 and earlier publications about the CEWS for detailed information on calculating qualifying revenue decline.

From October 24, 2021 to March 12, 2022 (claim periods 22–26), the maximum rate for the wage and rent subsidies would be 50%. This rate would be reduced by half from March 13 to May 7, 2022 (claim periods 27 and 28).

The related Backgrounder sets out the rate structure in a table, included below:

Current-month revenue decline	Periods 22–26 October 24, 2021 – March 12, 2022	Periods 27–28 March 13 – May 7, 2022
75% and over	50%	25%
50–74%	10% + (revenue decline – 50%) x 1.6 e.g., 10% + (60% revenue decline – 50%) x 1.6 = 26% subsidy rate	5% + (revenue decline – 50%) x 0.8 e.g., 5% + (60% revenue decline – 50%) x 0.8 = 13% subsidy rate
0–49%	0%	0%

As per the existing rules, lockdown support would be available at the current fixed rate of 25% and pro-rated on the number of days a particular location was affected by a lockdown. In order to qualify, an organization would need to have one or more of its locations subject to a public health restriction (lasting for at least seven days in the current claim period) that requires it to cease activities that accounted for at least approximately 25% of total revenues during the prior reference period. Applicants would not need to meet the 12-month revenue decline test in this circumstance.

While the Backgrounder states that lockdown support would be available to affected organizations regardless of sector, it remains to be seen whether any entities, including public entities previously excluded from support like the CEWS, will be excluded.

The Canada Emergency Rent Subsidy: Increasing the Monthly Cap on Eligible Expenses

The government proposes to increase the monthly cap on eligible expenses that can be claimed under the Canada Emergency Rent Subsidy (CERS) from $300,000 to $1,000,000. This cap would encompass expenses from all business locations including any amounts claimed by affiliated entities. Further, this would apply starting on October 24, 2021 and would be available to all organizations that meet the eligibility requirements for the rent subsidy under the THRP or the HHBRP.

The Canada Recovery Hiring Program

As we reported in our *FTR Now* of July 7, 2021, the government introduced the CRHP to offset a portion of the extra costs employers incurred as part of reopening and those they continue to take on, either by increasing wages or hours worked or by hiring more staff. While the CRHP is set to expire on November 20, 2021, the government has the authority to amend the program and is proposing to increase the subsidy rate for eligible employers to 50% from October 24 to November 20, 2021.

In addition, the government is proposing to extend the CRHP (at the 50% rate) until May 7, 2022, with authority to further extend the program by way of regulations until July 2, 2022. Under this proposed extension, the existing baseline period (March 14, 2021 to April 10, 2021) will be used to calculate incremental remuneration. Incremental remuneration is the difference between the amount paid to employees in respect of each week during the qualifying period and the total remuneration paid to them during each week in the baseline period. As noted in the related Backgrounder, the existing eligibility rules would continue to apply, including the required revenue decline of more than 10%.

The Canada Recovery Caregiving Benefit and the Canada Recovery Sickness Benefit

The federal government announced that it plans to extend the Canada Recovery Caregiving Benefit (CRCB) and the Canada Recovery Sickness Benefit (CRSB) until May 7, 2022. It also proposes to increase the maximum duration of both benefits by two weeks, such that the CRCB would be extended from 42 to 44 weeks and the CRSB from four to six weeks.

The Canada Worker Lockdown Benefit

The CRB, which provided income support to employed and self-employed individuals who were impacted by the pandemic and who were not entitled to Employment Insurance (EI) benefits, came to an end on October 23, 2021. In its place, the government proposes to introduce legislation for the new Canada Worker Lockdown Benefit (CWLB).

The CWLB would provide $300 per week to workers who are unable to work as a direct result of a government-imposed public health lockdown. Provided proposed legislation is passed, the benefit would be available until May 7, 2022, with retroactive application to October 24, 2021. Both workers who are not eligible for EI and those who are eligible (as long as they do not receive EI benefits for the same period) would be able to access the CWLB.

As noted in the Backgrounder, workers who experience a loss of income or employment due to their refusal to adhere to a vaccine mandate would not qualify for the CWLB.

The announcement did not indicate whether there would be extensions to any of the temporary amendments to EI that were also implemented in response to the pandemic.

Implementation

The government will extend the CRHP, the CERS, the CRCB and the CRSB until November 20, 2021, and establish the THRP and the HHBRP effective October 24, 2021 to November 20, 2021, under its existing legislated authority. It will introduce legislation that would give it the authority to continue them until May 7, 2022 (with authority for further extensions and amendments to the CRHP, THRP and HHBRP through regulations until July 2, 2022). The CWLB requires legislation to be passed in order for it to be implemented effective October 24, 2021.

We will continue to monitor developments related to the federal government's announcement, and will provide a further update when the proposed legislation becomes available. Should you have questions with respect to these new COVID-19 support measures or require further information, please contact any member of our Pension, Benefits and Executive Compensation Group.