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Canada Emergency Wage Subsidy (CEWS) Factsheet

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The Canada Emergency Wage Subsidy (CEWS) was introduced by the federal government in April as a means of providing financial support to employers that had been significantly impacted by the COVID-19 crisis. When the program was originally announced, eligible employers received up to 75% of eligible employees' earnings, amounting to a maximum benefit of $847 a week over the first four qualifying periods.

Starting in Period 5, the CEWS program rules were changed to so that the maximum benefit would decline gradually over time while allowing employers with any amount of revenue decline to apply for the subsidy. Moreover, employers hardest hit by the COVID-19 crisis and whose revenues have declined by more than 50% are now eligible to receive a top-up subsidy of up to 25%.

On October 14, the government revealed that the maximum subsidy amount (base + top-up) will remain at Period 8 levels – i.e. 65% of eligible employees' earnings – until December 19. It was also announced that the CEWS program would be extended until June 2021, with details about the remaining periods forthcoming.

While workers on paid leave were previously treated the same as active employees, starting October 25, furloughed workers will only be eligible to receive a subsidy equal to what they would otherwise receive through Employment Insurance (EI), i.e. between $500 and $573 a week.

All employers are eligible to apply for the CEWS **except for public institutions**, i.e. municipal authorities, non-taxable corporations (not including Indigenous government-owned businesses), public schools, school boards, health authorities, and public universities and colleges.

This factsheet provides relevant information that Unifor local union representatives as well as national staff may find useful in determining whether employers are eligible for the CEWS and in advocating against unnecessary lay-offs and wage cuts.

Questions or comments about the CEWS program can be directed to the Research Department at research@unifor.org

Revosed CEWS Rules: July 5 - December 19 (Periods 5-10)

On July 27, Bill C-20 was passed which brought into force important changes to the CEWS program. Following a consultation with stakeholders, the federal government announced in July that it would be making significant modifications to the revenue threshold requirements and the structure of the CEWS benefit.

Under the old CEWS rules, applicants had to meet a 30% revenue decline threshold for Periods 2 to 4. This was a strict threshold, meaning that any applicant who cannot show a 30% revenue decline is automatically disqualified.

Under the new rules, the revenue threshold has been turned into a **sliding scale** so that **any amount of revenue decline** will now qualify an entity for the CEWS.

However, the maximum amount of the base subsidy was **reduced to 60%** of an employee's wages (instead of 75% under the older rules) and the level of revenue decline required to receive this maximum subsidy **increased to 50%** (from 30%).

This maximum subsidy amount also declined incrementally, from 60% in Periods 5 and 6, to 50% in Period 7, and 40% in Period 8. While it was originally set to decline further (to 20% in Period 9), the government recently announced that the base subsidy amount would remain at the Period 8 level until at least Period 10, which ends on December 19.

The new CEWS maximum subsidy is structured as follows (note that the maximum weekly benefit now applies to a revenue decline of 50% – not 30% – and over):

Timing	Period 5*: July 5-August 1	Period 6*: August 2-August 29	Period 7: August 30-September 26	Periods 8 – 10: September 27-December 19
Maximum weekly benefit per employee	Up to $677	Up to $677	Up to $565	Up to $452
Revenue drop:				
50% and over	60%	60%	50%	40%
0% to 49%	1.2 x revenue drop (e.g., 1.2 x 20% revenue drop = 24% base CEWS rate)	1.2 x revenue drop (e.g., 1.2 x 20% revenue drop = 24% base CEWS rate)	1.0 x revenue drop (e.g., 1.0 x 20% revenue drop = 20% base CEWS rate)	0.8 x revenue drop (e.g., 0.8 x 20% revenue drop = 16% base CEWS rate)

* In Periods 5 and 6, employers who would have been better off in the CEWS design in Periods 1 to 4 would be eligible for a 75% wage subsidy if they have a revenue decline of 30% or more.

Under the new rules, organizations that experience a revenue decline of over 50% will be eligible for a top-up of up to 25%. From Periods 5 to 7, the **top-up** calculation was based on an averaging of the previous three months of revenue decline. In response to concerns that this would disadvantage entities which had experienced a partial recovery during the summer months, the government recently proposed to revert back to a monthly year-over-year calculation of revenue decline, starting in Period 8. However, eligible applicants that would have received a higher top-up using the 3-month averaging method will benefit from safe harbour rules and receive the higher amount until Period 10.

The top-up is structured as follows and remains the same from Periods 5 onwards (i.e. it does not decrease incrementally over time):

REVENUE DROP	TOP-UP CEWS RATE	TOP-UP CALCULATIO = 1.25 X (REVENUE DROP - 50%)
70% AND OVER	25%	1.25 x (70% - 50%) = 25%
65%	18.75%	1.25 x (65% - 50%) = 18.75%
60%	12.5%	1.25 x (60% - 50%) = 12.5%
55%	6.25%	1.25 x (55% - 50%) = 6.25%
50% AND UNDER	0.0%	1.25 x (50% - 50%) = 0%

Combining the top-up and the base maximum subsidy, an organization with a 3-month average revenue decline of more than 70% would be eligible to receive a maximum wage subsidy of **85%** (up to $960/wk per employee) in Periods 5 and 6, i.e. a base subsidy of 60% plus a top-up of 25%. This is 10% or $113/wk greater than under the current rules.

However, in Period 7, this amount will fall to **75%** or $847/wk (50% base + 25% top-up), which is identical to what the organization would receive under the current rules. From Periods 8 to 10, the maximum subsidy received per employee would fall further to **65%** ($734/wk).

Timing	Period 5*: July 5-August 1	Period 6*: August 2-August 29	Period 7: August 30-September 26	Periods 8 – 10: September 27-December 19
MAXIMUM WEEKLY BENEFIT PER EMPLOYEE	Up to $960	Up to $960	Up to $847	Up to $734

*Safe harbour periods

It is important to note that the top-up and new rules are **not retroactively applied**. This means that any organization that has experienced a revenue decline greater than 70% during Periods 1 through 4 will not be able to retroactively claim the 25% top-up.

Other considerations

Employees **do not need to be actively working** in order to be eligible for the benefit. As long as they are employed and on payroll, they will be eligible for the CEWS. However, the maximum benefit they are eligible to receive will change under the new rules.

Furloughed employees who are on paid leave will benefit from the safe harbour from Periods until 8, meaning that they will continue to receive the old 75% maximum subsidy (or up to $847/week). Starting in Period 9 (October 25), however, the CEWS benefit will be adjusted to align with what the employee would otherwise receive through the revamped Employment Insurance (EI) benefit. This means that employees on paid leave will receive a subsidy between $500 and 55% of their pre-crisis earnings, up to a maximum of $573 per week, in line with the recently announced changes to EI.

Employees who were in receipt of the **Canada Emergency Response Benefit (CERB)** and were subsequently rehired (whether retroactively or on a go-forward basis) will have to pay some or all of their CERB benefits back. This applies in situations where the employer's CEWS claim period overlaps with an employee's CERB benefit period, retroactive to March 15. The Canada Revenue Agency has stated that it will be using employers' payroll records to determine whether overpayment has occurred and contact CERB claimants if any amounts are owing.

If CEWS-eligible employees are not actively working – i.e. they are on **paid leave** – the employer's contributions to Employment Insurance (EI), Canada Pension Plan (CPP), Quebec Pension Plan (QPP) and Quebec Parental Insurance Plan (QPIP) will continue to be refunded.

Interaction with other benefits

EI benefits received under the Work-Sharing program and benefits received under the 10% Temporary Wage Subsidy for small businesses will reduce the benefit that employers are entitled to receive under the CEWS for a particular qualifying period.

As stated above, CEWS-eligible employees who have been rehired and are currently receiving the CERB through EI or the Canada Revenue Agency (CRA) may have to pay back some of their CERB claim.

Application process

Employers can apply for the CEWS through the CRA's My Business Account (https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/business-account.html) pApplications for each claim period can only be submitted once the claim period is over.

The government has developed an online CEWS calculator (https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-calculate-subsidy-amount.html) that allows employers to determine the amount of subsidy they will receive for each claim period. This calculation must be included with their CEWS application.

Employers will also need to sign an attestation (https://www.canada.ca/content/dam/cra-arc/serv-info/tax/business/topics/cews/rc661-fill-20e.pdf) form that confirms their eligibility for the CEWS, including the fact that their qualifying revenue has declined by the required amount(s). The form also requires the employer to maintain records demonstrating revenue reduction, employee remuneration and any other information required to verify the amount of the CEWS claim are kept. These must be made available to the CRA upon request.

Employers will need to make sure that their business details and direct deposit information for their payroll accounts are up to date in My Business Account (https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/business-account.html). Those expecting to receive payments of $25 million or more will need to register for the large value transfer system (LVTS) (https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-payments/managing-your-corporation-account/making-adjustments-account-balances/refunds-over-25-million.html).

Frequently Asked Questions (FAQ)

Q: Does the employer have to top wages up to 100%?

A: While employers are not legally required to top up wages as part of the CEWS, they must continue to abide by collective agreement clauses, including wage provisions. Unless workers enter into an agreement to temporarily reduce their wages, employers must pay full wages as stipulated by the collective agreement and/or employment contract.

Q: Can the employer force employees to take vacation while on paid leave?

A: This depends on the collective agreement. If the CA requires vacation time to be mutually agreed upon, the employer must negotiate with the employee to take vacation time while they are on paid leave. However, if the collective agreement is silent on vacation scheduling or it allows the employer to determine vacation scheduling according to operational requirements, the employer may be able to force vacation time. In most jurisdictions, this would require two weeks' notice.

Q: If an employer is receiving the CEWS, are they allowed to stop paying pension contributions, health insurance premiums, or other benefit obligations defined in the collective agreement?

A: No. The CEWS does not permit the employer to suspend any part of the collective agreement, including benefit and pensions provisions. However, there may be circumstances where union members are willing to suspend such benefits temporarily. Such agreements must be negotiated between the local and the employer.