

The Canada Emergency Wage Subsidy: Dividend Payments and Share Repurchases by Public Companies – Report to Parliament

The Government of Canada is pleased to table this report, which responds to reporting requirements under subsections 24 (32.1) and 24 (32.2) of the *Budget Implementation Act, No. 1, 2021* (Bill C-30). Specifically, the Minister of Finance is required to table a report on the Canada Emergency Wage Subsidy (CEWS) in the context of publicly traded companies paying out dividends or repurchasing their own shares.

(32.1) The Minister of Finance must prepare a report on proposed measures to

- (a) prevent publicly traded companies and their subsidiaries from paying dividends or repurchasing their own shares while receiving the Canada Emergency Wage Subsidy, for the period that is after the tabling of the report under subsection (32.2); and*
- (b) recover wage subsidy amounts from publicly traded companies and their subsidiaries that paid dividends or repurchased their own shares while receiving the Canada Emergency Wage Subsidy, for the period that is before the tabling of the report under subsection (32.2).*

(32.2) The Minister of Finance must cause the report to be tabled in each House of Parliament no later than 30 days after the day on which this Act receives royal assent or, if either House is not then sitting, on any of the first 15 days on which that House is sitting.

Acting Quickly to Protect Jobs

In the face of the COVID-19 pandemic, the government acted swiftly to protect Canadians and support people and businesses, adapting as the pandemic evolved.

The government's broad suite of support measures has helped families, protected jobs, and supported businesses across Canada. The CEWS was a key component of the government's COVID Economic Response Plan. The CEWS was announced at the beginning of the pandemic, and was designed to provide critical support to encourage employers to keep employees on the payroll and to enable them to rehire workers who were laid off as a result of the pandemic. The CEWS provided eligible employers whose revenues had decreased due to COVID-19 with a wage subsidy for eligible remuneration paid to employees.

At inception, the CEWS provided a 75-per-cent subsidy of the first \$58,700 normally earned pre-pandemic by employees – representing a benefit of up to \$847 per week for eligible employers. At various times throughout the pandemic, the government adapted and extended the program to respond to the evolving health and economic situation, and to address stakeholder concerns.

Results for Workers and Businesses

As of November 21, 2021, 456,900 employers have received support for their employees, representing \$97.8 billion paid out since the launch of the program. More than 5.3 million employees have been supported by the program.

Although Canada is on the road to economic recovery, Canadians continue to face challenges due to the COVID-19 pandemic, with some regions of the country being impacted more severely than others. Certain sectors of the economy have been, and continue to be, particularly hard hit. Pockets of weakness remain in certain parts of the economy and COVID-19 variants continue to pose risks.

Accordingly, on October 21, 2021, the government announced its intention to move away from the broad-based CEWS program to a more targeted approach. To this end, three new business subsidy programs were proposed to run from October 24, 2021 until May 7, 2022:

- **Tourism and Hospitality Recovery Program**, which would provide organizations such as hotels, tour operators, travel agencies, and restaurants with a subsidy of up to 75 per cent;
- **Hardest-Hit Business Recovery Program**, which would provide other organizations that have faced deep losses with a subsidy of up to 50 per cent; and,
- **Local Lockdown Program**, which would provide organizations that face local lockdowns with a subsidy of up to 75 per cent.

To ensure that support is targeted to organizations that have been deeply affected since the outset of the pandemic and continue to struggle, the first two programs would apply a new “two-key” eligibility test to qualify for support. To qualify, applicants must demonstrate: i) significant revenue losses over the course of the first 12 months of the pandemic; and ii) a current-month revenue loss over a certain threshold. The Local Lockdown Program would be available to eligible organizations that are subject to a local health order and that are experiencing a current-month revenue loss of at least 40 per cent, regardless of losses over the course of the pandemic.

Payment of Dividends and Share Repurchases

The objective of the CEWS was to preserve and protect Canadians’ jobs in a context of uncertainty regarding the duration of the pandemic and its longer-term economic impacts. To achieve this objective, employers required timely, predictable government support when making decisions to keep employees on the payroll and rehire laid-off employees during this period of uncertainty. To this end, simple and clear eligibility criteria were developed to ensure that the program could meet its stated objective in a timely manner. The main eligibility criteria for the CEWS, a current-month decrease in revenue, was chosen in order to make sure that the subsidy would be targeted to those employers at risk of laying off employees and that employers could easily determine their eligibility. This focus on current-month impacts also ensured that the CEWS would be responsive to the short-term, unpredictable economic environment in which employers were operating and recognized that some employers would recover more quickly than others.

Imposing additional conditions and restrictions to the wage subsidy would have impeded the timeliness and predictability of the program, potentially resulting in lower take-up and more lay-offs. In particular, having program eligibility conditional on the future performance and financial position of employers would have created significant uncertainty for employers negatively affected by the pandemic.

Public corporations represent in total a small fraction of employers that have received the CEWS and a relatively small share of total payouts under the program (Table 1).

Distribution of CEWS by Employer Type (as of September 27, 2021)

	Share of Employers	Share of Employees	Share of payout
Employers that are public corporations (including corporations controlled by public corporations)	0.4%	6.7%	9.6%
Employers that are not public corporations (including private corporations, charities and non-profit organizations, and other organizations)	99.6%	93.3%	90.4%
Total	100%	100%	100%

Targeting CEWS Support to Those in Need

The government has introduced various measures to limit the inappropriate use of CEWS funds and ensure that support remains targeted to those in need. These measures include:

- **A requirement to repay the equivalent wage subsidy amounts** for any publicly traded corporation receiving the wage subsidy and found to be paying its top executives more in 2021 than in 2019. This applies to any qualifying period after June 5, 2021 until the end of the program. This approach ensures that CEWS support remains targeted towards preserving and protecting jobs rather than increasing the compensation of top executives, without unduly affecting the timeliness and predictability of the program. A similar rule is being proposed in the context of the **Tourism and Hospitality Recovery Program**, the **Hardest-Hit Business Recovery Program**, and the **Local Lockdown Program**.
- **Anti-avoidance rules** to prevent applicants from inappropriately claiming the subsidies, for example by artificially manipulating their revenues.
- **Introduction of gradual subsidy rates.** Under the initial CEWS design, any employer eligible for the CEWS would receive the same 75-per-cent subsidy rate. Subsequently, a sliding scale was introduced so that the subsidy level would be proportional to the magnitude of revenue decline.
- **Targeting support to those still facing challenges on the road to recovery.** To qualify for the new Tourism and Hospitality Recovery Program and Hardest-hit Business Recovery Program, employers must experience a revenue decline (for both the current-period and initial 12-month period) of at least 40 per cent and 50 per cent, respectively, compared to 10 per cent under the final design of the CEWS.

Conclusion

Canada's COVID-19 economic response plan has preserved millions of Canadians' jobs and allowed millions of families to keep paying their rent and buying groceries. It has kept businesses, charities and not-for-profits across our country afloat, in an uncertain and very difficult business climate.

The CEWS has been crucial to the government's effort to preserve and protect Canadians' jobs. Simple and clear rules and eligibility criteria were needed to accommodate organizations of all sizes and sectors, while still maintaining the integrity of the program. Keeping conditions to a minimum was essential to minimize complexity and ensure that the program could be implemented quickly. The government remains committed to limiting the inappropriate use of CEWS funds and has implemented various measures in this regard, including restrictions for publicly traded corporations that have

increased executive compensation and anti-avoidance rules. Going forward and moving away from the broad-based CEWS program, the government will be able to continue to ensure that CEWS funds are used to support those who need it most.