



Position Paper

Employment Insurance

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International Brotherhood of Boilermakers

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Employment Insurance

Employment Insurance (EI) is an important part of the Canadian economy. EI has modestly cushioned the impacts of the recent recession on the many workers who lost their jobs due to the recent global economic crisis is one example of its' importance. EI also funds special benefits maternity/parental/adoption leave, and compassionate care and sick leave. It also provides a range of Employment Benefits and Support Measures which provide training and other adjustment programs to qualified unemployed workers.

In our view, workers should gain access to regular benefits based on a uniform national entrance requirement of 360 hours of work; benefit duration should be extended, especially in times of high unemployment; and benefits should be based on 60% of insured earnings based on the average of the previous 12 weeks of work. Access to training benefits should also be expanded. Such changes would not be costly in a low unemployment economy.

We reject the often heard argument that a relatively "generous" EI system would increase unemployment and create disincentives to work. That has not been the case in the many European countries which provide much higher benefits to unemployed workers, together with much higher levels of expenditure on active labour market and training programs which help workers find new jobs.

The IBB supports the current division of premiums between workers and employers, and opposes the proposal of some employer groups to equalize worker and employer premiums. Most economists agree that a large share of the employer premium is actually paid for by workers since it is part of the total wage bill. If the employer share of the total EI premium were to be reduced, it would generate a windfall increase in profits, which would be only gradually offset by a gradual rise in wages. Over the transition period, worker premiums would have to rise. In short, changing the division of the premium would transfer income from wages to profits.

In our view, it is appropriate to pay for most EI benefits through premiums rather than through general tax revenues. This reflects the fact that EI is a social insurance program. As such, benefits are available only to individuals who have paid premiums for a prescribed period, not to all citizens. And both premiums and benefits are set relative to insured earnings, up to a maximum of average earnings.

A new system of financing should stop premiums from increasing significantly, until there has been a meaningful economic recovery and should take into account the fact that a large EI surplus was accumulated before the current recession. The employer and worker role in EI financial governance should be increased.

The Canada Employment Insurance Financing Board (CEIFB) should oversee the EI Operating Account and independently manage any reserve or surplus funds exclusively for the use of the EI program. The EI Operating Account should be separated from the accounts of the Government of Canada. Representatives of employer and labour organizations should be appointed to the CEIFB to provide input.

The federal government should pay into the segregated EI Operating Account an amount equal to deficits in the Account incurred from 2009 until such time as the Account is segregated and should cover any future deficits incurred in the Account until such time as the national unemployment rate falls below 6.5%.



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6.5% was the average national unemployment rate in the five years — 2004 through 2008, before the recession — and can be considered a “normal” unemployment rate. The forecast in the 2011 Budget is that the national unemployment rate will fall to 6.5% in 2015. Longer term forecasts are that the national unemployment rate will fall even lower in the future as the growth of the labour force slows.

Based on the advice of the EI Chief Actuary, the annual premium rate should be set annually by the CEIFB at a level sufficient to cover the anticipated costs of the program in the coming year at a national unemployment rate of 6.5%. This would be approximately equal to the current premium; though the precise amount would vary a bit moving forward due to the anticipated costs of special benefits, employment benefits and special measures, administrative costs, pilot projects, and any legislated changes to benefits.

When the national unemployment rate falls below 6.5%, the CEIFB should begin to build a segregated reserve account of sufficient size to prevent premium increases if the national unemployment rate were to again rise above 6.5%. Such a reserve should be held in short-term government bonds which could be quickly liquidated if there were to be another recession.