

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Selina Robinson
Minister of Finance

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TITLE: B.C.'s Position on Temporary Changes to Employment Insurance (EI), EI Reform, and the Renegotiation of Labour Market Transfer Agreements (LMTA)

PURPOSE:
(X) DECISION REQUIRED

COMMENTS: Following the end of the Canadian Emergency Response Benefit in September 2020, the federal government made temporary changes to EI in order to continue providing income support to workers in need. These changes are set to expire in Fall 2021. The LMTA will also expire in 2022/23. s.13

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This note was developed by the Ministry of Finance, and with input from the Ministry of Advanced Education and Skills Training, the Ministry of Social Development and Poverty Reduction and the Ministry of Labour.

DATE PREPARED: February 25, 2021

TITLE: B.C.'s Position on Temporary Changes to Employment Insurance (EI), EI Reform, and the Renegotiation of Labour Market Transfer Agreements (LMTA)

ISSUE: Recommended B.C. position on EI reform and the renegotiation of the LMTA

BACKGROUND:

Temporary EI Changes and EI Reform

The EI program is a federal program that provides temporary income support to workers in need for various reasons. EI includes regular benefits which provide income support for unemployed workers while they look for employment or to upgrade their skills, and special benefits including sickness benefits (income support for workers who are unable to work due to illness, injury or quarantine) and other benefits such as maternity and parental benefits.

On August 20, 2020, the federal government announced that it would make temporary changes to the Employment Insurance (EI) program and introduce three new income support benefits to replace the Canada Emergency Response Benefit (CERB), effective September 27, 2020. The temporary changes to EI and new benefit programs are intended to help workers access support more easily during the pandemic. These measures are effective for one year and are set to expire in Fall 2021. On February 19, 2021, the federal government announced the extension of the new benefit programs as well as the increase of the EI benefit length.

The temporary changes to EI included changing the EI eligibility from variable to universal entrance requirements, introducing a minimum for the benefit amount and extending the length of entitlement. (For a summary of key changes to EI, please see Appendix A.) The change in eligibility has significantly improved the fairness of the system and provided better support to B.C. workers. The implementation of the minimum benefits also greatly improved the benefit adequacy for workers with lower-wage jobs. The federal government has committed to freezing the EI premium rates for employees and employers at the 2020 level for two years.

In the new federal government mandate letter to Federal Minister of Employment, Workforce Development and Disability Inclusion (ESDC) Quatrough, dated January 15, 2021, there is a commitment to:

“Bring forward and implement a plan to modernize the Employment Insurance (EI) system for the 21st Century. This should include a plan to make EI the primary delivery mechanism for employment benefits, including for the self-employed and those in the gig economy.”

As the temporary EI changes and new programs are set to expire in Fall 2021, it is anticipated that the discussions on EI reform will start soon.

Three New Temporary Income Support Programs

Three new income support benefits provide support to workers who are normally not eligible for EI.

1. **Canada Recovery Benefit (CRB)**
The benefit originally provided \$500/week for up to 26 weeks to workers who are not eligible for EI. With the latest announcement, the benefit is extended by an additional 12 weeks so workers can receive up to 38 weeks. These workers are typically self-employed or work in the gig economy. To be eligible, workers will need to attest they are available and actively looking for work or are working but have had a reduced income. Appendix B below provides a summary of the key differences between the CERB and the CRB.
2. **Canada Recovery Sickness Benefit (CRSB)**
The benefit originally provided \$500/week for up to two weeks to workers who are unable to work because they are sick or must self-isolate due to COVID-19. The benefit is improved with the latest announcement, to cover up to 4 weeks.
3. **Canada Recovery Caregiving Benefit (CRCB)**
The benefit originally provided \$500/week per household for up to 26 weeks to workers who are not able to work because they need to provide care to children or support to other dependents who need to stay home. The benefit is also extended by another 12 weeks to 38 weeks.

These benefits are taxable. The federal government recently announced the changes to the eligibility criteria of these three programs so claims of individuals who travelled internationally may be denied.

Labour Market Transfer Agreements (LMTA)

Through the Labour Market Transfer Agreements (LMTAs), signed individually with provinces and territories (PTs), the federal government provides funding to help people prepare for/return to work under two agreements. The LMTAs fund employment services and skills training programming for EI-eligible and non-EI-eligible workers and are essential to B.C.'s economic recovery. Both agreements expire in 2022/23.

- *Labour Market Development Agreement (LMDA* – Ministry of Social Development and Poverty Reduction) (approximately \$330 million/year) is funded through the EI account to provide skills training, employment supports, and work experience to EI-eligible British Columbians, primarily through WorkBC Centres.

- *Workforce Development Agreement* (WDA – Ministry of Advanced Education and Skills Training) (approximately \$124 million/year) is funded through federal revenue to provide reskilling, upskilling, and skills training supports for all British Columbians. There was an additional \$212¹ million one-time WDA funding lift in 2020/21, as part of the COVID-19 economic recovery support.

Canada also directly funds the Indigenous Skills and Employment Training (ISET) Program in B.C. (approx. \$50 million/year), which is a parallel funding program designed to help Indigenous people improve their skills and find employment.

In the same federal mandate letter to Minister Qualtrough, there is a commitment to:

“Working with the provinces and territories, make the largest investment in Canadian history in training for workers, including by:

- *Supporting Canadians as they improve their foundational and transferable skills and build new skills in growing sectors;*
- *Helping workers access training and accreditation; and*
- *Working with the provinces and territories to strengthen workers’ futures by connecting them to employers and good jobs, in order to grow and strengthen the middle class.”*

DISCUSSION:

EI Reform

The pandemic has exposed the weaknesses and gaps of the EI system. EI has long been criticized by many researchers for becoming less relevant as it fails to respond to the changing economy and labour market. The need for EI reform is reinforced by the necessity to introduce the CERB, temporary changes to EI and new temporary benefit programs in response to COVID-19.

These changes to EI and the new programs are set to expire in Fall 2021. Although the federal government has not committed to making the temporary changes to EI or the new programs permanent, a commitment to modernizing EI is a key component of Minister Qualtrough’s mandate. Given the upcoming expiration of the temporary EI changes and new programs, it is anticipated that discussions on the future of EI may start soon.

This presents an opportunity for B.C. to engage with the federal government early regarding B.C. priorities and considerations.

The following are recommended as B.C.’s priorities for EI reform:

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¹ \$145M in 2020/21 and \$67M in 2021/22.

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The share of unemployed workers who receive EI has decreased from 87 per cent in 1976 to just above 40 per cent in recent years.

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B.C. has 18

per cent workers who are self-employed, one of the highest in Canada.

○ The CRB provides temporary income support for workers who are currently not covered by EI s.13

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2. s.13

○ On average, over 21 per cent of B.C. workers work part-time in recent years, the highest in Canada. The higher requirement on hours in B.C. makes it more difficult for part-time workers to accumulate enough hours to be qualified.

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○

3. s.13

○ Prior to the temporary changes, EI insured 55 per cent of average insurable earnings, to a maximum amount (The maximum weekly benefit is

\$595 in 2021).^{s.13}
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- The temporary changes to EI has introduced minimum benefit amounts (\$2,000 / 4-week period, which has particularly helped low income workers with adequate support), and minimum length of benefit entitlement to make sure the benefit is largely adequate.^{s.13}
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It is acknowledged that expanding the EI program and making these temporary changes permanent will have cost implications for the federal government. Usually EI is funded through premiums paid for by employers and employees, however the temporary enhancements to EI and the CRB program is currently being paid for from federal revenue (i.e. from borrowing to finance deficit spending). This current arrangement is a fiscal stimulus on the economy and if premiums were to rise before the recovery has occurred, they would slow down job creation by increasing the cost of labour at the same time as reducing the take-home pay of employees.

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OPTIONS:

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RECOMMENDATION:

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APPROVED / NOT APPROVED

Selina Robinson
Minister of Finance

Date

Nicholas Simons
Minister of Social Development and Poverty Reduction

Date

Appendix A: Summary of Key Changes to EI

	Existing	One-Year Temporary Changes
Entrance Requirements	<ul style="list-style-type: none"> Workers need to accumulate a minimum of 420 to 700 hours to qualify, depending on the unemployment rate in their region Generally, unemployed workers in regions with a lower unemployment rate will need more hours to qualify. 	<ul style="list-style-type: none"> A minimum unemployment rate of 13.1 per cent will be used to determine EI entry requirement. Regions with lower than 13.1 per cent unemployment rates will use 13.1 per cent. Regions with higher unemployment rates will use their actual rates. Lowering the required hours to 120 hours by providing a 300 hours credit for regular EI claims, for one year. For special benefits (sickness, maternity/parental, compassionate care or family care), a 480 hours credit is provided for one year so the required qualifying hours will be 120 hours. For the sickness benefits, the waiting period may be waived, and a medical certificate is not required.
Length of Benefit	<ul style="list-style-type: none"> Ranges from 14 to 45 weeks, tied to hours accumulated and regional unemployment rates. Workers in regions with a lower unemployment rate are entitled to receive the benefit for a shorter time. 	<ul style="list-style-type: none"> A minimum entitlement of 26 weeks. A maximum entitlement of 50 weeks.
Earnings used to Establish Benefit Amount	<ul style="list-style-type: none"> 14 to 22 best weeks of earnings are used to calculate benefit amount, depending on regional unemployment rates. The number of best weeks of earnings used for calculation is lower for workers regions with a higher unemployment rate. 	<ul style="list-style-type: none"> 14 best weeks of earnings will be applied consistently across all regions.
Benefit Amount	<ul style="list-style-type: none"> 55 per cent of insurable earnings, up to \$573/week, for regular EI. 	<ul style="list-style-type: none"> A minimum weekly regular EI and sickness benefits of \$500 A minimum of \$240/week for extended parental benefits

	<ul style="list-style-type: none"> • 33 per cent of insurable earnings, up to \$344/week for extended parental benefits. 	
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Appendix B: Summary of Key Differences Between CERB and CRB

	CERB	CRB
Entrance Requirements	<ul style="list-style-type: none"> • Minimum earning of \$5,000 in the last 12 months or in 2019 • Did not quit job voluntarily • Stopped working or work hours reduced due to COVID 19 • Do not earn over \$1,000 during an eligibility period 	<ul style="list-style-type: none"> • Minimum earning of \$5,000 in the last 12 months or in 2019 or 2020 • Did not quit job voluntarily • Stopped working or work hours reduced due to COVID 19 • 50% reduction in income during an eligibility period • Not eligible for EI • Not receiving other income support benefits (e.g. CRSB, CRCB)
Benefit Amount and Length	<ul style="list-style-type: none"> • \$500 per week • Up to 28 weeks 	<ul style="list-style-type: none"> • \$500 per week • Up to 38 weeks