

# An Act to amend the Employment Insurance Act and the Employment Insurance Regulations (Prince Edward Island)



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The Employment Insurance (EI) program divides the province of Prince Edward Island into two economic regions: the Census Agglomeration (CA) of Charlottetown, and the region of PEI excluding the CA of Charlottetown.

Bill S-236 proposes the elimination of economic regions in PEI for the EI program. If adopted, a single unemployment rate will be used to assess the claims of PEI residents, instead of the two distinct unemployment rates currently used for each of the economic regions.

## 5-Year Cost

\$ millions	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total cost	-20.7	-9.2	-15.7	-15.5	-15.5	-76.6

## Detailed 5-Year Cost

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Cost for regular benefits	-20.1	-9.6	-14.9	-14.7	-14.7	-74.0
Cost for fishing benefits	-0.6	0.4	-0.8	-0.8	-0.8	-2.6
Total cost	-20.7	-9.2	-15.7	-15.5	-15.5	-76.6

## Notes

- Estimates are presented on an accruals basis as would appear in the budget and public accounts.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

## Estimation and Projection Method

Administration data from the EI program was used to extract historical data for regular and fishing benefits. Historical data was then projected using PBO's labour market forecasts.

The unemployment rate for each economic region was replaced by a single unemployment rate for the province of PEI to estimate average weekly benefits and average benefits duration<sup>1</sup>. The total amount of benefits paid was then calculated for regular and fishing benefits. Total cost was calculated as the difference

<sup>1</sup> Benefits duration is tied to the unemployment rate and the number of insurable hours applicable in the region of interest, as per Schedule 1 of the Employment Insurance Act.

between total amount of benefits paid under the proposed measure and the status quo which uses distinct unemployment rates for the claimants based on their economic regions. Because the unemployment rate for the province as a whole is lower than the current rate used for the EI region of PEI excluding the CA of Charlottetown (where a majority of the population of the province resides), the measure would result in a reduction in EI benefits paid.

Under the EI legislation, EI contribution rates must be set to ensure that the EI Operating Account would be balanced over a seven-year horizon. Annual changes are subject to a legislated limit of 5 cents and premiums are set such that the EI Operating account balances over each 7-year cycle.

## Sources of Uncertainty

The cost estimate produced is highly sensitive to the PBO's labour market outlook. A behavioural response is not expected.

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## Data Sources

Variable	Source
Regional unemployment rates (12-month average), weekly benefit amount, new claims, average actual duration	EI Monitoring and Assessment Reports (2019-20 and 2020-21)
Wage growth, unemployment rate forecast	PBO

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