

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Budget 2021. A list of the PBO's cost estimates of components of the Budget can be viewed on [its website](#).

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Short Title: Temporarily Waiving the One-week Waiting Period for Employment Insurance Claims

Description: Waiving the waiting period for EI beneficiaries who establish a new claim between January 31, 2021, and September 25, 2021. This includes claims for regular, fishing, and special benefits and will allow people who apply during that period and return to work before exhausting all their weeks of entitlement to benefit from an additional week of income support. The maximum number of weeks of benefits will not change.

Data Sources:	Variable	Source
	Number of EI regular beneficiaries	PBO's EI forecasting model
	Average weekly benefit of EI regular beneficiaries	SPSD/M 28.0, Statistics Canada
	Number of EI fishing claims	EI Monitoring and Assessment Reports (MAR), Employment and Social Development Canada (ESDC)
	Average weekly benefit of EI fishing claims	EI MAR, ESDC
	Number of EI special benefits claims	EI MAR, ESDC
	Average weekly benefit of EI special benefits claims	SPSD/M 28.0, Statistics Canada and ESDC
	Proportion of EI Beneficiaries who will not exhaust their weeks of benefits	EI MAR, ESDC
	Proportion of EI beneficiaries who will not transition from any other type of benefit	EI MAR, ESDC

Estimation and Projection Method: This measure came into force on January 31, 2021 and will last until September 25, 2021. The cost of the policy for the regular, fishing, and special benefits programs was calculated by multiplying the estimated number of beneficiaries by the assumed average weekly rate of benefit. The cost will not include EI sickness benefits since EI sickness beneficiaries have benefited from the temporary waiving of the one-week waiting period since September 27, 2020¹.

The number of regular beneficiaries was estimated by multiplying the total number of regular beneficiaries predicted by the PBO's EI forecasting model by the proportion of beneficiaries

¹ For more details, see: <https://www.canada.ca/en/employment-social-development/news/2020/09/flexible-more-accessible-ei-system-to-help-support-canadians-through-the-next-phase-of-the-recovery.html>

who will not exhaust their weeks of benefits and the proportion of beneficiaries who will not transition from any other type of benefit.

The number of fishing benefits and the number of special benefits claims were both projected using the ESDC historical data and the 5-year average growth rate of the number of claims. Estimated beneficiaries who will exhaust their weeks of benefits or transition from any other type of benefit were excluded for both types of benefits.

The average weekly benefit of regular benefit claims was estimated using SPSPD/M. The average weekly benefit of special benefits claims was estimated using SPSPD/M and the EI Monitoring and Assessment Report (MAR). The average weekly benefit of fishing benefit claims was projected using the ESDC historical data and the 5-year average growth rate of benefits.

The proportion of beneficiaries who will not exhaust their weeks of benefits and the proportion of beneficiaries who will not transition from any other type of benefit to regular, fishing, or special benefits were estimated using historical data of the EI MAR.

The total cost of the measure is equal to the sum of the costs of the regular, fishing, and special benefits programs. PBO estimates the cost to be \$110 million in 2021-2022 and \$246 million in 2022-2023.

EI benefits are taxable income. Hence, an increase in the total benefits paid out results in an increase in income tax revenue. However, an increase in the associated EI premium generates a tax credit for employees and employers, partially offsetting the additional income tax revenues.

Under current EI legislation, EI contribution rates must be set to ensure that the EI Operating Account would balance 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. At this time, premiums have reached their legislated limit and, therefore, the impact of this measure will not be recognized until 2025.

PBO assumes administrative costs add, on average, approximately \$10 for each \$100 of additional program spending in 2021-22 and 2022-23.

Sources of Uncertainty: The number of beneficiaries who will not exhaust their weeks of benefits, the number of those who will transition from one type of benefit to another and the total number of beneficiaries, in general, are all uncertain because of the increased volatility of the labour market due to the pandemic. No behavioural response is considered in this cost estimate.

Prepared by: Eskandar Elmarzougui <Eskandar.Elmarzougui@parl.gc.ca>

Cost of proposed measure

\$ millions	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Total cost	110	246	-	-	-

Supplementary information

\$ millions	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Cost	101	225	-	-	-
Administrative Cost	9	21	-	-	-
Total cost	110	246	-	-	-

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.
- "-" = PBO does not expect a financial cost.
- For each \$100 million in new expenditures, EI premiums will need to be raised by less than one cent over the 7-year breakeven period. Given the annual five cent increase prescribed by the Employment Insurance Act, such an increase may not be necessarily implemented over the medium-term horizon.

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