

Increasing the maximum number of weeks of employment insurance sickness benefits to 52 weeks from 15 weeks



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Bill C-215 proposes to increase the maximum number of weeks for employment insurance sickness benefits due to a prescribed illness, injury, or quarantine to 52 weeks from 15 weeks. The extension is assumed to come into effect in summer 2022.

5-Year Cost

\$ millions	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	Total
Total cost	1,092	1,551	1,665	1,793	1,932	8,033

Detailed 5-Year Cost

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	Total
Cost	1,373	1,951	2,095	2,256	2,430	10,105
Cost recovery	-281	-400	-430	-463	-498	-2,072
Total cost after recovery	1,092	1,551	1,665	1,793	1,932	8,033

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

The total number of claimants that used the maximum 15 weeks of sickness benefit represented roughly 35% of all EI sickness benefit claimants. To project forward the eligible subset, only the claimants that used the maximum 15 weeks of benefits were considered for the 37-week extension.

ESDC does not keep administrative data on claimants' working lapse, that is, the interval of time between sickness, injury or quarantine and return to work; nor is information regularly collected regarding time before claimants return to work after receiving EI sickness benefits. To estimate working lapse rates, PBO applied results from an unpublished 2007 ESDC survey on sickness leave in Canada.

According to the survey data, approximately 23% of claimants return to work immediately following the 15 weeks of benefits. However, the study also indicated that approximately 55% of individuals return to work under a modified schedule. Taking this into consideration, PBO estimated that 151,526 claimants could benefit from the extension in 2022. The eligible number of claimants was projected forward using the 5-year average growth

rate from 2015 to 2019. For these claimants who do not immediately return to work, PBO estimated that they would, on average, take an additional 23 weeks of extended leave before returning to work.

The average weekly benefit rate was estimated using PBO's fiscal model in the medium and long-term. PBO applied the average 5-year growth rate of the benefit rates between 2015-2019 to exclude the impact of COVID-19 relief measures.

PBO estimated the cost of extending EI sickness benefits by multiplying the average weekly benefit rate by the total number of claims and the average benefit duration, capped at an additional 37 weeks of benefits.

EI benefits are taxable income. As such, 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 revenue. This was considered in the estimate.

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. At this time, premiums have reached their legislated limit and, therefore, the impact of the benefit extension will not be recognized until 2028. The proposed bill, if enacted, will require EI premiums to increase beyond the horizon of this note until it reaches a level where the EI Account is in balance.

PBO assumed that administrative costs would add, on average, approximately \$8.15 for each \$100 of additional program spending between 2022-23 and 2025-26.

The proposed legislation was assumed to come into force as of July 1, 2022. The estimated net cost of the proposed extension would be an additional \$1,092 million in 2022-2023 which grows to \$1,932 million in 2026-2027.

Sources of Uncertainty

The main sources of uncertainty relate to the additional number of weeks that would be taken by claimants and the underlying labour market projection. Given that ESDC does not collect administrative data on claimants' working lapse, our assumptions are underpinned by a 2007 survey. As such, it may not be representative of Canada's current labour market and could potentially underestimate the working lapse.

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Data Sources

Variable	Source
Total EI sickness benefit claims, average weekly benefit rate	Employment and Social Development Canada (ESDC)
Percentage of claimants that have a working lapse and distribution of work lapse duration	2007 COMPASS Survey administered by Employment and Social Development Canada
Average weekly benefit rate	PBO Fiscal Model
EI Premiums	PBO Fiscal Model