

Cost Estimate of Election Campaign Proposal

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Short title: Career Insurance Benefit

Description: Introducing a Career Insurance Benefit (CIB). The CIB program will provide additional Employment Insurance (EI) benefits to employees who have worked continuously for 5 years or more for an employer and are laid off as a result of a business closure or full workplace shutdown (CIB claimants, hereafter). The CIB program will provide an additional 20% of insured earnings to employees during the first year after lay-off and 10% during the second year, once the regular EI benefits are exhausted.

EI program is self-financing; any new EI benefits must be fully funded by the premiums employees and employers pay. Over the period of projection, the introduction of the CIB program will increase the premium rate paid by employees and employers by less than 1 cent from the baseline.

Operating line(s): Employment insurance

Data sources:	<u>Variable</u>	<u>Source</u>
	Potential CIB claimants	Statistics Canada
	Average number of weeks per regular EI claimant	Statistics Canada (SPSD/M 27.1)
	Average weekly benefits per regular EI claimant	Statistics Canada (SPSD/M 27.1)
	Population growth	PBO's economic model
	EI premium revenue	PBO's fiscal model

Estimation and projection method: The proportion of total regular EI claimants that could be eligible CIB claimants was estimated using the data and estimates in research papers by Bonikowska, A. and René Morissette, A., (2012), *Earnings Losses of Displaced Workers with Stable Labour Market Attachment: Recent Evidence from Canada* and Ci, W. Morissette, R. and Schellenberg, G., (2016), *Hires and Layoffs in Canada's Economic Regions: Experimental Estimates, 2003 to 2013*, Statistics Canada. The number of CIB claimants was established by applying the estimates in the papers to the number of regular EI claimants simulated using SPSPD/M¹.

Average weekly benefits per regular EI claimant was simulated using SPSPD/M. The cost of the first year was calculated as 20% of the average weekly benefits per regular EI claimant multiplied by the number of CIB claimants and by the

¹ This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

number of weeks not covered by the EI program during the first year after lay-off. The cost of the second year was calculated as 10% of the average weekly benefits per regular EI claimant multiplied by the number of CIB claimants and by 52 weeks. The total cost was the sum of the costs for both years multiplied by an adjustment factor to take into account the fact that CIB benefits would not be clawed back if workers receive other income or return to work or school. The adjustment factor was simulated using SPSPD/M.

The administrative costs and the required premium revenue to fund the cost of the policy were estimated using PBO's fiscal model.

EI benefits paid out are taxable income. Therefore, a portion of benefits is paid back to the government as tax revenues. However, the increase in premiums will generate tax credits for both employees and employers and thus partially offset the additional tax revenues.

The estimated cost did not incorporate behavioural impacts and was projected beyond 2025 using PBO's population growth rate.

Uncertainty
assessment:

The estimate has low uncertainty. The uncertainty is attributable to the exclusion of a behavioural response. The average weekly regular EI benefits and the average number of weeks per regular EI claimant were determined using SPSPD/M which has inherent uncertainty.

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Gross cost	-	22	48	50	53	54	56	57	59	60

Supplementary information

	Description	Operating line	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Cost	Cost of measure	El benefits	-	23	46	48	50	51	53	54	56	57
	Administration costs	Operating expenses	-	2	4	4	5	5	5	5	5	5
Cost recovery	Revenues	Personal and Corporate Income Tax	-	-3	-2	-2	-2	-2	-2	-2	-2	-2
	Revenues	El revenues	-	-13	-52	-54	-56	-58	-60	-62	-65	-67

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.

Under EI legislation, EI contribution rates would have to be increased to finance the increased benefits and admin costs such that the EI Account would be balanced over a seven-year horizon.