

Cost Estimate of Election Campaign Proposal

Publication date: 2019-09-29

Short title: Extending Employment Insurance Sickness Benefits

Description: This policy extends Employment Insurance (EI) sickness benefits from 15 weeks to 26 weeks. 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. The increase in the duration of EI sickness benefits is expected to raise the employee premium rate by approximately of 3-cents from the baseline.

Operating line(s): Employment Insurance

Data sources:	<u>Variable</u>	<u>Source</u>
	Working Lapse and EI Sickness Benefit Claims	Employment and Social Development Canada (ESDC)
	EI Premiums and cost recovery	PBO Fiscal Model
	Average Wage Growth, EI Regular Pay Growth, Labour Force	PBO Electoral Proposal Costing (EPC) Baseline

Estimation and projection method: The program was assumed to become effective on July 1st, 2020. The cost was estimated by multiplying the average weekly benefit with the total number of claims and the average benefit duration, capped at 11 additional weeks of benefits.

The weekly benefit was projected forward using PBO's baseline for Electoral Proposal Costing (EPC). To estimate the future number of claimants, the population was grown in relation to the labour force projection.

The working lapse following 15 weeks of benefits was based on survey data provided by ESDC. According to the data, approximately 23% of claimants return to work immediately following the 15 weeks of benefits. Of the claimants that did not return to work immediately, approximately 82% of claimants would take an additional 16 weeks off or more before returning to work.

EI is financed by premiums paid by employees and employers. The change in the premium rate was estimated using the PBO's Fiscal Model. Premiums were calculated based on a 7-year forecast break-even rate such that at the end of the period, the EI Operating Account would be balanced.

EI benefits are taxable income. The increased benefits resulted in an increase in tax revenue. However, the increased premium generated an increase in the tax credit for employees and employers, partially offsetting the additional tax revenues.

Uncertainty
assessment:

The estimate has moderate uncertainty. The estimate is based on historical data on working lapses which may not be representative of future working lapse durations. The total number of eligible claimants were grown in relation to the labour force which may not be representative of future claimants. No newly eligible recipients were considered.

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	–	306	471	488	507	526	547	568	590	612

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	–	331	455	472	489	508	528	549	570	591
	Administration costs	Operating expenses	–	31	42	43	46	48	50	52	55	57
Cost recovery	Revenues	Personal and Corporate Income Tax	–	-56	-26	-27	-29	-30	-32	-33	-35	-36
	Revenues	El revenues	–	-131	-535	-554	-575	-595	-616	-638	-661	-684

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts

Positive numbers contribute to the budget balance, negative numbers subtract from the budgetary 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.