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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: Maintaining flexible and uniform access to regular, fishing, and special EI benefits across all regions

Description: Maintaining uniform access to EI regular and special benefits across all regions, through a 420-hour entrance requirement, with a 14-week minimum entitlement for regular benefits, and a new common earnings threshold for fishing benefits. This measure is assumed to come into force on September 26, 2021 and last for one year.

Data Sources:	Variable	Source
	Number of EI regular beneficiaries	PBO's EI forecasting model and PBO labour Market Projections
	Proportion of people who will accumulate between 420 and 700 hours of insurable employment and would not otherwise qualify without this reform	Employment Insurance Coverage Survey (EICS), Statistics Canada
	Average weekly benefit of new EI regular beneficiaries	EICS, Statistics Canada
	Average duration of benefits of new EI regular beneficiaries	Employment and Social Development Canada (ESDC)
	Number of EI special benefits (SB) claims	EI Monitoring and Assessment Reports (MAR), ESDC
	The ratio of people who will accumulate between 420 and 600 hours of insurable employment to those who will cumulate more than 600 hours of insurable employment	EICS, Statistics Canada
	Average weekly benefit of new SB claims	CANSIM tables, Statistics Canada and EICS
	Average duration of benefits of new SB claims	CANSIM tables, Statistics Canada and EI MAR, ESDC
	Number of new EI fishing claims	EI MAR, ESDC
	Proportion of fishers who will earn between \$2,500 and \$4,200 and would not otherwise qualify without this reform	SPSD/M 28.0, Statistics Canada
	Average weekly benefit of new fishing claims	ESDC
	Average duration of benefits of new fishing claims	CANSIM tables, Statistics Canada and EI MAR, ESDC



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Estimation and
Projection Method:

This measure is assumed to come into force on September 26, 2021 and last for one year. The cost of the policy for the EI regular benefit program was calculated by multiplying the estimated number of new regular beneficiaries by the assumed average weekly benefit and the average duration of benefits of new regular beneficiaries. The number of new regular beneficiaries was calculated by multiplying the number of regular beneficiaries, predicted by the PBO's EI forecasting model, by the proportion of eligible beneficiaries who will accumulate between 420 and 700 hours of insurable employment and would not otherwise qualify without this reform. This proportion and the average weekly benefit of new beneficiaries were estimated using the EICS. The average duration of benefits of new beneficiaries was estimated using ESDC administrative data.

The cost for the EI special benefits program was calculated by multiplying the estimated number of new special benefits claims by the average weekly benefit and the average duration of benefits of new special benefits claims. The total number of new special benefits claims was obtained by multiplying the estimated number of special benefits claims by the proportion of beneficiaries who will accumulate between 420 and 600 hours of insurable employment and would not otherwise qualify without the reform. This proportion and the average weekly benefit for new special benefits claims were estimated using the EICS and Statistics Canada's CANSIM tables. The average duration of new special benefits claims was estimated using Statistics Canada's CANSIM tables and the EI MAR.

The cost for the EI fishing benefit program was calculated by multiplying the number of new EI fishing claims by the average weekly benefit and the average duration of benefits of new fishing claims. The total number of new fishing claims was obtained by multiplying the total number of fishing claims by the proportion of fishers who will earn between \$2,500 and \$4,200 and would not otherwise qualify without the reform. The average weekly benefit for new fishing claims was estimated using ESDC data. The average duration of benefits was estimated using Statistics Canada CANSIM tables and the EI MAR. The number of special benefits and the number of fishing benefits claims were both projected using the ESDC historical data and the 5-year average growth rate of the number of claims.

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 \$574 million in 2021-2022, \$930 million in 2022-2023 and \$31 million in 2023-2024.

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 between 2021-22 and 2023-24.

Sources of Uncertainty: A source of uncertainty is the number of beneficiaries and their past earnings. These variables were estimated using, in part, surveys data and assumptions, not administrative data, because the persons targeted by the policy are not generally covered under regular EI rules. The volatility of the labour market due to the pandemic also adds another source of uncertainty. No behavioural response is considered in this cost estimate.

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Cost of proposed measure

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Total cost	574	930	31	-	-

Supplementary information

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Cost	527	853	28	-	-
Administrative Costs	47	77	3	-	-
Total cost	574	930	31	-	-

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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