

Legislative Costing Note

Announcement date:	2020-08-20
Publication date:	2020-10-19
Short title:	Employment Insurance Temporary Benefit Enhancements
Description:	<p>The Canada Emergency Response Benefit (CERB) eligibility period expired on September 26, 2020. To support those who remain unable to work, the Government has made several modifications to Employment Insurance (EI) regular, maternity and parental programs:</p> <ol style="list-style-type: none"> 1. Reduce, to 120 hours through a credit, the minimum number of hours of insurable employment required for a regular, maternity and parental claim; 2. Set a minimum EI regular, maternity and parental benefit rate of \$500 per week (\$300 for extended parental benefits); 3. Provide a minimum entitlement of 26 weeks for regular EI beneficiaries. <p>The weekly benefit rate is calculated based on the 14 best weeks of earnings.</p> <p>In general, these changes are effective on September 27, 2020 for one year. There are a few exceptions: the hours credit is retroactive to March 15, 2020 and the 26-week minimum entitlement is effective on August 9, 2020.</p>

Data sources:	<u>Variable</u>	<u>Source</u>
	The number of EI claimants who have accumulated between 120 and 420 hours (120 and 600 hours) of insurable employment	Employment Insurance Coverage Survey (EICS), Statistics Canada and PBO labour market projections
	EI average weekly benefit	SPSD/M 28.0, Statistics Canada and PBO's EI forecasting model
	Average number of weeks: EI benefits	SPSD/M 28.0, Statistics Canada and PBO's EI forecasting model
	The number of potential beneficiaries	Employment and Social Development Canada (ESDC) and PBO estimates
	Take-up rate	ESDC

Estimation and projection method:

Modification 1: 120 hours of work required to qualify

This modification extends EI coverage to individuals that had otherwise accumulated too few hours of eligible work (120-420 hours for EI regular benefits, 120-600 hours for maternity and parental claimants, depending on region of employment). PBO estimated the number of potential beneficiaries using data from the Employment Insurance Coverage Survey (EICS) and PBO labour market projections. The EI average weekly benefit and the EI average number of weeks of benefit were estimated using SPSPD/M and PBO's EI forecasting model. The cost of this modification for the new claimants was equal to the estimated number of new beneficiaries multiplied by the estimated EI average weekly benefit and the projected EI average number of weeks of benefit.

Modification 2: Minimum benefit rate of \$500 per week

This modification increases the weekly benefit to \$500 for EI regular, maternity and parental beneficiaries. PBO estimated the increase using SPSPD/M, fixing the number of the best weeks of earnings at 14 weeks.¹ For segments of beneficiaries not covered within SPSPD/M, PBO assumed the proportional increase in average weekly benefits was consistent with SPSPD/M results.

Modification 3: At least 26 weeks of regular benefits

This modification provides a minimum entitlement of 26 weeks for regular EI beneficiaries. PBO estimated the number of potential beneficiaries, the average number of additional weeks of benefits per beneficiary and the increase rate of the average number of weeks of benefits using EI administrative data. PBO assumes that the take-up rate will be at its historical average, based on EI administrative data. PBO accounted for differences in the number of hours of insurable employment and regional differences in unemployment. The EI average weekly benefit was estimated using SPSPD/M and PBO's EI forecasting model.

PBO's total cost estimate equals the sum of the costs of all three modifications, considering the cost effects of interactions between each program change.

Aggregate Results:

PBO estimates the total net cost of the EI program modifications to be \$7.7 billion in 2020-21 and \$5.8 billion in 2021-22. Data is consistent with PBO's September 29, 2020 Economic and Fiscal Scenario.

Sources of Uncertainty:

Due to COVID-19, PBO's labour market outlook is highly uncertain. Furthermore, these EI modifications are targeted, in part, to persons that are not currently covered under EI, so estimates of their numbers and past earnings are based on surveys and assumptions, not administrative data. The interaction between each discrete modification also adds uncertainty to our estimate.

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¹ This estimation is based on Statistics Canada's Social Policy Simulation Database and Model (SPSPD/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.

Cost of proposed measure

\$ millions	2020-2021	2021-2022
Total cost	8,632	6,508
Personal income tax	-927	-701
Total net cost	7,704	5,807

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