



NEWS RELEASE
Monday, September 14, 2009
9:00 A.M.

**For Immediate Release*

**Canada's Employment Insurance Program Must
Be Both Fair and Affordable**

- by Paul Pharo, President, Lethbridge Chamber of Commerce

Over the summer, the Lethbridge Chamber of Commerce has been working with our counterparts across Canada to speak to policymakers about making the Employment Insurance program more fair and affordable.

It is important to recognize the EI program's critical role in cushioning the severity of the economic downturn. A fair and efficient Employment Insurance program is an important part of our country's social safety net.

The system we have today can be improved, however. Depending upon where a claimant lives, the qualification requirements can range from 420 to 700 hours of insured work in the previous 52 weeks, and the length of benefits can vary from 14 to 45 weeks.

While a national standard would eliminate regional inequities in the EI system, setting the threshold too low would encourage people to become dependent on EI and undermine Canada's labour market, discouraging work and making skills and labour shortages worse.

The Lethbridge Chamber of Commerce is working with the Canadian Chamber of Commerce in support of a 560-hour threshold standard eligibility requirement in economic regions where unemployment is ten percent or less. The length of benefits should also be standardized, based on the 560-hour criteria. For all other regions, terms would remain unchanged.

Some of the changes to the program being considered in Ottawa would increase costs when businesses are already facing unprecedented financial and competitive pressures.

EI premiums are a tax on jobs. Employers paid almost \$10 billion in premiums in 2008-09, and the price tag is projected to rise to over \$15 billion by fiscal 2013 even without changes to the program. These costs get passed on to customers as higher prices or to employees in the form of lower wages, taking a bite out of personal income. The large

wedge between the cost of hiring employees and workers' take-home pay stifles productivity and damages the economy's long-term economic performance.

Chambers of commerce across the country, representing businesses large and small, also propose balancing the EI Account over a business cycle of up to ten years, rather than on an annual basis. Smoothing premium increases over the business cycle would provide greater stability and make the ongoing costs more manageable for both employers and employees.

And we need to operate EI as a true insurance plan that provides income support to people temporarily unemployed through no fault of their own.

Over the last three decades, social aspects of the program like maternity leave, adoption and parental benefits, and training-related aspects have increased significantly. These important social benefits ought to be funded from general revenues, not from EI premiums.

Other elements of today's EI program are also unfair. Even when an employee has contributed the maximum amount in his or her previous job during a given year, the employee's new employer must also contribute on the basis of current employee earnings. That requirement, which forces employer over-contributions in the range of several hundred million dollars a year, is unjust and it discourages hiring new workers.

Finally, employers pay 1.4 times the employee premium rate of EI premiums. Ottawa should gradually reduce the employer premium rate to that paid by employees.

Our chamber, along with our counterparts across Canada, supports these proposals to streamline the EI program, make it fairer, reinstate its insurance role, and eliminate a serious disincentive to hiring workers. If implemented, they would help businesses in this community and across Canada as they face fierce competition from abroad.

Paul Pharo is the President of the Lethbridge Chamber of Commerce.

"Reforming Canada's Employment Insurance (EI) Program" report from the Canadian Chamber of Commerce is attached. The Lethbridge Chamber of Commerce supports this report and its proposals.