

# *Accelerating the Modernization of Employment Insurance*

BRIEF PRESENTED TO THE STANDING COMMITTEE ON HUMAN RESOURCES, SKILLS AND SOCIAL DEVELOPMENT AND  
THE STATUS OF PEOPLE WITH DISABILITIES

SUBMITTED ON APRIL 9, 2021



## Table of Contents

1. Preamble .....	2
Executive Summary .....	3
1. Three Reasons for Accelerating EI Modernization.....	5
2. EI: Cornerstone of Public Intervention in Canada's Labour Market .....	6
3. The Pandemic has Exploded the System's Costs .....	7
4. The Pandemic is Fuelling a Labour Market Restructuring and Accentuating Imbalances .....	11
5. An Entrenched Passive Labour Market Policy .....	13
6. Modernization Overview .....	14
6.1.1. Ensuring the System's financial viability .....	14
6.1.2. Supporting the economic recovery and the adaptation to post-pandemic challenges .....	15
6.1.3. Reviewing governance in order to improve preparedness and evolution based on labour market needs .....	22
Conclusion and final recommendation .....	23
List of recommendations .....	24
Annex 1 — Mandate letters to Ms. Carla Qualtrough Minister of Employment, Workforce Development and Disability Inclusion.....	27
2. Excerpts from the mandate letter of December 13, 2019 .....	27
3. Excerpts from the supplementary mandate letter of January 15, 2021 .....	28
Annex 2 – Amounts paid in EI benefits, by benefit type, Canada, FY1819 .....	29
Annex 3 – Benefits-to-contributions ratio .....	30
Annex 4 – Continuing Education Voluntary Savings Plan.....	32
Annex 5 – The Agreements .....	34



# 1. PREAMBLE

The Fédération des chambres de commerce du Québec (FCCQ) was founded in 1909. The FCCQ is both a federation of chambers of commerce and a provincial chamber of commerce. With its vast network of nearly 130 chambers of commerce and 1,100 corporate members, the Fédération des chambres de commerce du Québec (FCCQ) represents more than 50,000 companies operating in all sectors of the economy in Quebec.

Since its inception, the FCCQ has worked to promote the freedom of entrepreneurship and to defend the interests of its members in the area of public policy in order to promote an innovative and competitive business environment that contributes to the collective wealth of Quebec. To that end, the FCCQ has made it its duty to participate in public debates and formulate recommendations on political, economic and social issues.

For a long time now, the FCCQ and its members have been very active on issues pertaining to public intervention in the labour market, labour and skills development. For example, the FCCQ expresses its opinion systematically during public consultations on these issues. It is also a member of the Commission des partenaires du marché du travail and its bodies. The FCCQ therefore participates in managing the implementation of agreements pertaining to the labour market and labour development, including those funded under Employment Insurance (EI), so that they best meet the evolving needs of businesses.

Moreover, across the province, chambers of commerce provide many opportunities for businesses to meet their labour force challenges and participate in skills development. Its regional “Welcome an Intern” services connect businesses and schools offering internships to facilitate the onboarding of interns in the workplace in targeted regions. Members of the FCCQ also sit on regional labour market partner boards where the employment assistance and training measures funded under EI are implemented. They also network with the representatives of organizations working to integrate young immigrants. In addition, activities to match regional employers and immigrant job-seekers are organized under the FCCQ initiative: *Un emploi en sol Québécois* [Jobs in Quebec]. Local chambers also organize conferences for their members with experts on all these issues.

The FCCQ supports recommendations on the work conducted by members sitting on labour committees, in this case the Education, Training and Labour Committee (ÉFMO). The FCCQ would like to sincerely thank the members of this committee for their commitment.



## Executive Summary

In a recent interview, Ms. Carla Qualtrough, the Minister of Employment, Workforce Development and Disability Inclusion stated she wanted to “... fix the problems with employment insurance.” According to the Minister, the pandemic “... enabled the government to test several ideas, such as setting a single universal eligibility criteria... ” The Minister’s mandate letter, updated following the Speech from the Throne, stipulates that she must “... present and implement a plan for modernizing the employment insurance plan for the 21<sup>st</sup> century.”

For many years, the FCCQ has believed that changes need to be made to the Employment Insurance system (EI). The system is not prepared to face the challenges of the new labour market, the Fourth Industrial Revolution or the challenges of climate change as well as demographic and social changes. It was not ready to assume its role at the beginning of the pandemic and that is why the Government of Canada had to create new programs to control market instability. The “simplified” EI system, as amended under the emergency measures, is no more ready to take over, both administratively and because of the exorbitant costs and disincentives to activity. It was a rescue measure, deployed to take quick action in an emergency situation. It is not a means for supporting the post-lockdown recovery, because it acts as a brake on employment, especially due to its disincentives, both for work and participation in skill development activities.

The FCCQ believes that this “modernization” should support a more sustainable employment recovery. **It has become imperative to create a preference for work and activity. The skills deficit, which will only get worse, must also be addressed. The FCCQ therefore feels that EI modernization must be accelerated for at least three reasons:**

1. Ensure the financial viability of the System that has been undermined by the pandemic;
2. Support the economic recovery and adaptation to post-pandemic challenges; and
3. Review the governance of the System in order to improve its preparedness and its evolution based on labour market needs.

Over the years, the System has become the cornerstone of public intervention in Canada’s labour market. Law makers have demanded a lot from the System, which has caused an explosion in costs accelerated by the pandemic. **System costs will reach \$69.1B according to the most recent forecasts. Financing such deficits will not be easy and employers will be faced with a steep rate hike. The FCCQ therefore believes that a new federal contribution to EI is possible and desirable.**

By all accounts, the impact of COVID-19 on the labour market has been colossal. The pandemic has accentuated the disparities of the labour market. From an income distribution perspective, it has increased inequalities. In terms of equalization, it has also exacerbated imbalances.

Canada and Quebec rely first and foremost on employment benefits during difficult times. Passive labour market policy is well entrenched and this has been reflected in the way the federal government has responded to the crisis so far. According to the most recent international data (2017), active measures in Canada represented 0.22% of GDP compared to more than double that for OECD countries (0.52%), on average. Moreover, as confirmed in a recent study, the loss of employment does little to incentivize Canadian workers to adapt.



Labour market adjustments are not therefore supported very much and remain difficult in Canada as well as Quebec, and we will need to substantially increase investments in active measures in relation to passive measures as part of labour market development agreements with the provinces.

This brief presents an overview of EI modernization and includes 11 recommendations.



## 1. Three Reasons for Accelerating EI Modernization

The mandate letter of Ms. Qualtrough, the Minister of Employment, Workforce Development and Disability Inclusion Development, updated following the Speech from the Throne, states that, in addition to other mandates established following the election, which includes several significant elements with respect to EI, she must “... bring forward and implement a plan to modernize the Employment Insurance (EI) system for the 21<sup>st</sup> century. This should include a plan to make EI the primary delivery mechanism for employment benefits, including for the self-employed and those in the gig economy.”<sup>1</sup>

At the end of 2020, the Minister indicated that she wanted to “... fix the problems with EI.” In her opinion, the pandemic had “... enabled the government to test several ideas, such as setting a universal eligibility criteria... ” She also stated that “... the emergency support measures implemented during the pandemic had made it possible to analyze programs for self-employed workers and part-time workers who are not covered by EI.”<sup>2</sup>

For many years, the FCCQ has believed that changes need to be made to the Employment Insurance system (EI). It was not ready to face the challenges of the new labour market, the Fourth Industrial Revolution or those associated with climate, demographic and social change. It was even less ready to assume its role at the beginning of the pandemic and that is why the Government of Canada had to resort to programs created from scratch to deal with the emergency.

On September 25, the Government of Canada made major streamlining changes for “simplified” and “more accessible” EI, instantly making an additional “2.8 million Canadians” eligible for benefits that were equivalent to the Canada Emergency Response Benefit (CERB).<sup>3</sup> But the “simplified” EI, as amended under the emergency measures, is no more ready to take over, both administratively and because of the exorbitant costs and disincentives to activity. It was a rescue measure, deployed to take quick action in an emergency situation. It is not a means for supporting the post-lockdown recovery because it acts as a brake on employment, especially due to its disincentives, both for work and participation in skill development activities.

The FCCQ believes that this “modernization” should help support a sustainable labour recovery and we would like to express here our point of view in this regard, because it has **become imperative and pressing to create a preference for work and activity, and to make up the skills deficit based on future labour needs.**

---

<sup>1</sup> See Annex 1 for the relevant elements of the Minister’s mandate letter

<sup>2</sup> See Radio-Canada (December 25, 2020): *The Pandemic Accelerating Employment Insurance Reform* @ <https://ici.radio-canada.ca/nouvelle/1759457/modernisation-chomage-canada-covid-qualtrough?fromApp=applInfofos&partageApp=applInfoIOS&accesVia=partage>

<sup>3</sup> Source: **Canada.ca** (September 25, 2020): Flexible, more accessible EI system to help support Canadians through the next phase of the recovery @ <https://www.canada.ca/en/employment-social-development/news/2020/09/flexible-more-accessible-ei-system-to-help-support-canadians-through-the-next-phase-of-the-recovery.html>



The FCCQ believes EI modernization must be accelerated for at least three reasons:

1. Ensure the financial viability of the System that has been undermined by the pandemic;
2. Support the economic recovery and adaptation to post-pandemic challenges; and
3. Review the governance of the System in order to improve its preparedness and its evolution based on labour market needs.

## 2. EI: Cornerstone of Public Intervention in Canada's Labour Market

The purpose of EI is to partially compensate the loss of work income by offering temporary income support to eligible unemployed workers who contributed to the System while they look for a new job or develop their skills, and for those who must be absent from work for specific life events.<sup>4</sup>

Over the years, the System has become the cornerstone for public intervention in Canada's labour market. In addition to providing most of the income support to unemployed workers, what is commonly called passive unemployment compensation measures, the System also largely assumes the funding for employment and training assistance measures for individuals and businesses, which are defined as more active measures. However, other mandates have been added to the System over the years and other additions are planned as indicated in the Minister's mandate letter of December 13, 2019. (See Annex 1)

Four major mandates have been assigned to the System over the decades:

1. Income support for unemployed workers;
2. "Social components" such as maternity and parental leaves, sick leave and compassionate leave;
3. The use for "productive purposes" which gave way to the employment assistance services under Part II of the Act; and
4. Income allocation, in particular to low-income unemployed workers (such as the minimum benefits introduced under the emergency measures), to regions and sectors where unemployment appears endemic, as well as family supplement assistance.

---

<sup>4</sup> Annex 2 presents the amounts paid by type of benefit for fiscal year 2018-2019.



In short, law makers are asking a lot from the System. To compensate for the effects of this mandate sedimentation on costs, tightening measures have been taken almost exclusively in its unemployed income stream, in particular to limit accessibility and reduce benefits (replacement rate, duration of benefits, etc.). However, the effect has still been an explosion in costs, which has accelerated under the pandemic.

### 3. The Pandemic has Exploded the System's Costs

The Parliamentary Budget Officer's conclusions were unequivocal: "The COVID-19 pandemic's profound impact on the labour market has strained the Employment Insurance (EI) system. In FES 2020, the Government forecasts \$67.2 billion in EI expenses in 2020-21, which is a \$45.4-billion increase from 2019-20."<sup>5</sup>

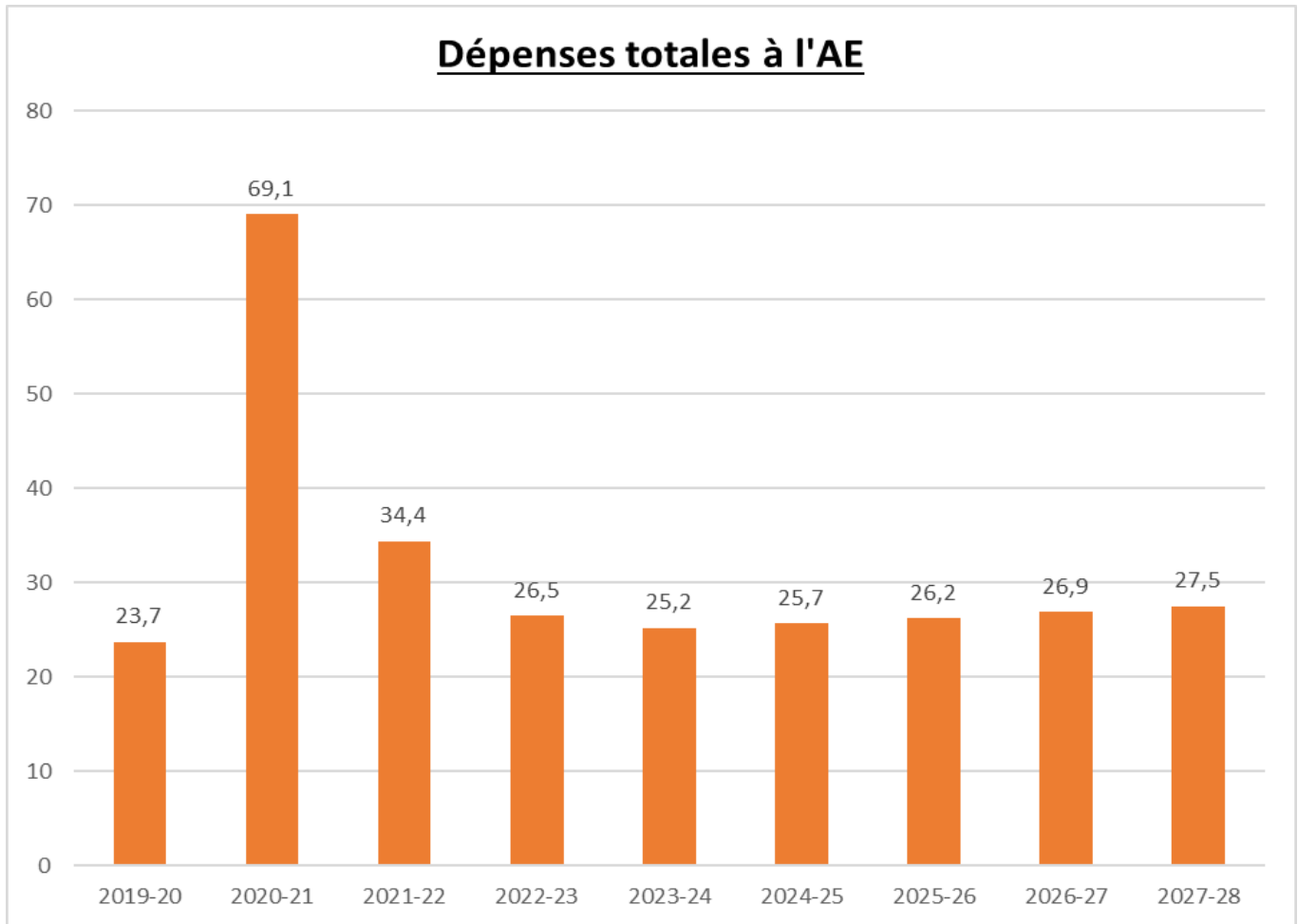
This is an unprecedented cost level for the System. These costs will reach \$69.1B this year according to the most recent data and balloon the deficit to beyond \$50B, something that has never been seen.<sup>6</sup> Chart 1 presents the System's most recent cost projections.

<sup>5</sup> Source: **Office of the Parliamentary Budget Officer** (December 10, 2020): *Fall Economic Statement 2020: Issues for Parliamentarians*, p. 17 @ [5802cb96a98835cfbc4c202e35226d21ff9c587d930c742bb964eba2569a6b48 \(pbo-dpb.s3.ca-central-1.amazonaws.com\)](https://www.pbo-dpb.gc.ca/en/blog/news/BLOG-2021-010--outlook-ei-operating-account--projections-compte-operations-assurance-emploi)

<sup>6</sup> Source: **Office of the Parliamentary Budget Officer** (January 21, 2021): *The Outlook for the EI Operating Account* @ <https://www.pbo-dpb.gc.ca/en/blog/news/BLOG-2021-010--outlook-ei-operating-account--projections-compte-operations-assurance-emploi>







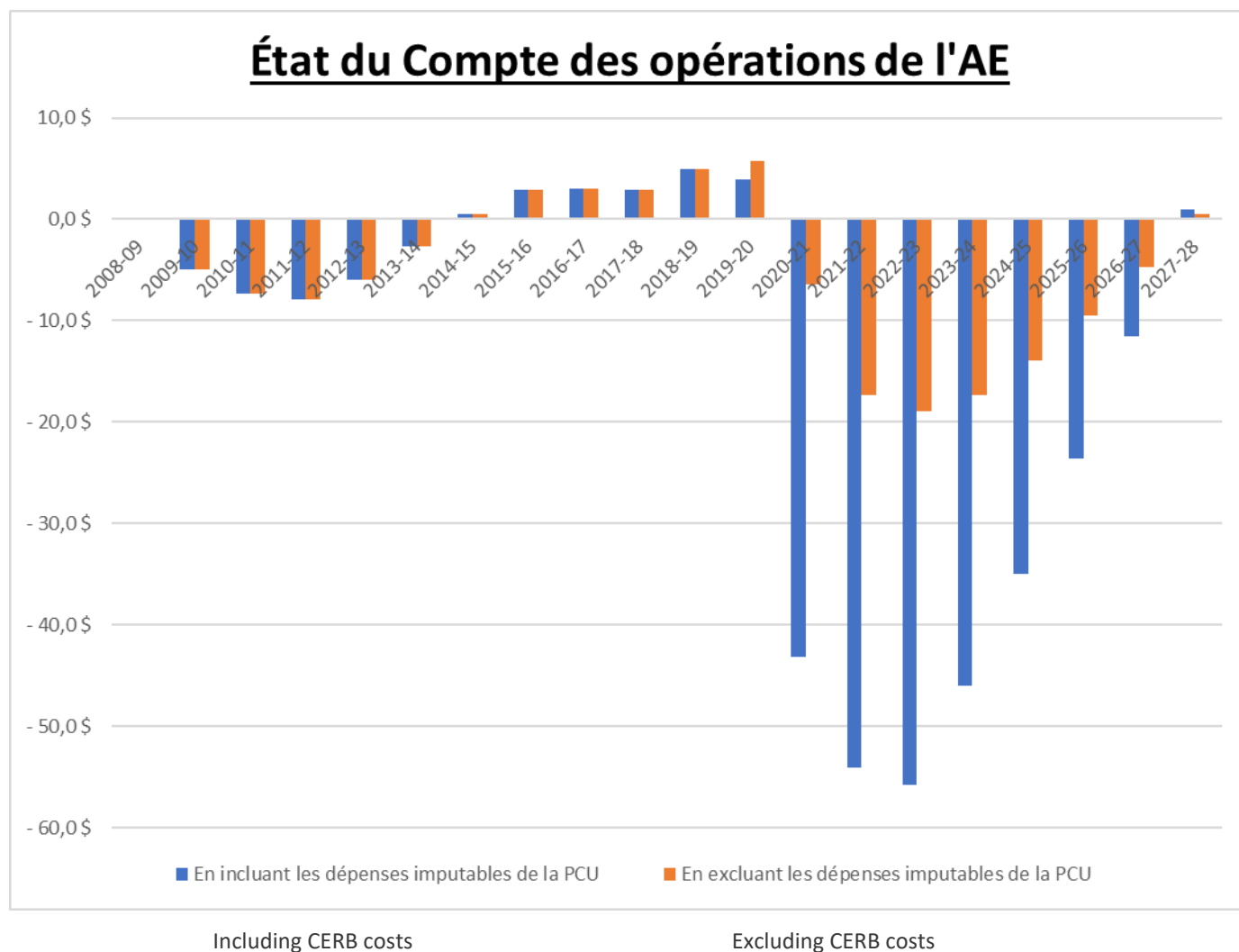
Source: Special compilations by the FCCQ based on data from the Office of the Parliamentary Budget Officer published on January 21, 2021.

The PBO's update in January 2021 also included a much less alarmist scenario where the costs of the Canadian Emergency Response Benefits (CERB), charged under the EI Account, would be absorbed by the Federal Treasury. However, this forecast does not take into account the budget impact of the extended emergency income support measures announced on February 19, 2021.<sup>7</sup> **Regardless, the difference between the two scenarios is more than substantial. The Account deficit would no longer exceed \$50B, but instead would reach a maximum of \$17B, which is still considerable in relation to previous deficits. (See Chart 2)**

<sup>7</sup> Source: **François Messier** (February 19, 2021): *Ottawa announces an extension of worker assistance programs | Coronavirus*, Radio-Canada.ca @ <https://ici.radio-canada.ca/nouvelle/1771943/coronavirus-covid-19-canada-premier-ministre-justin-trudeau>

## CHART 2

### State of the EI Operations Account

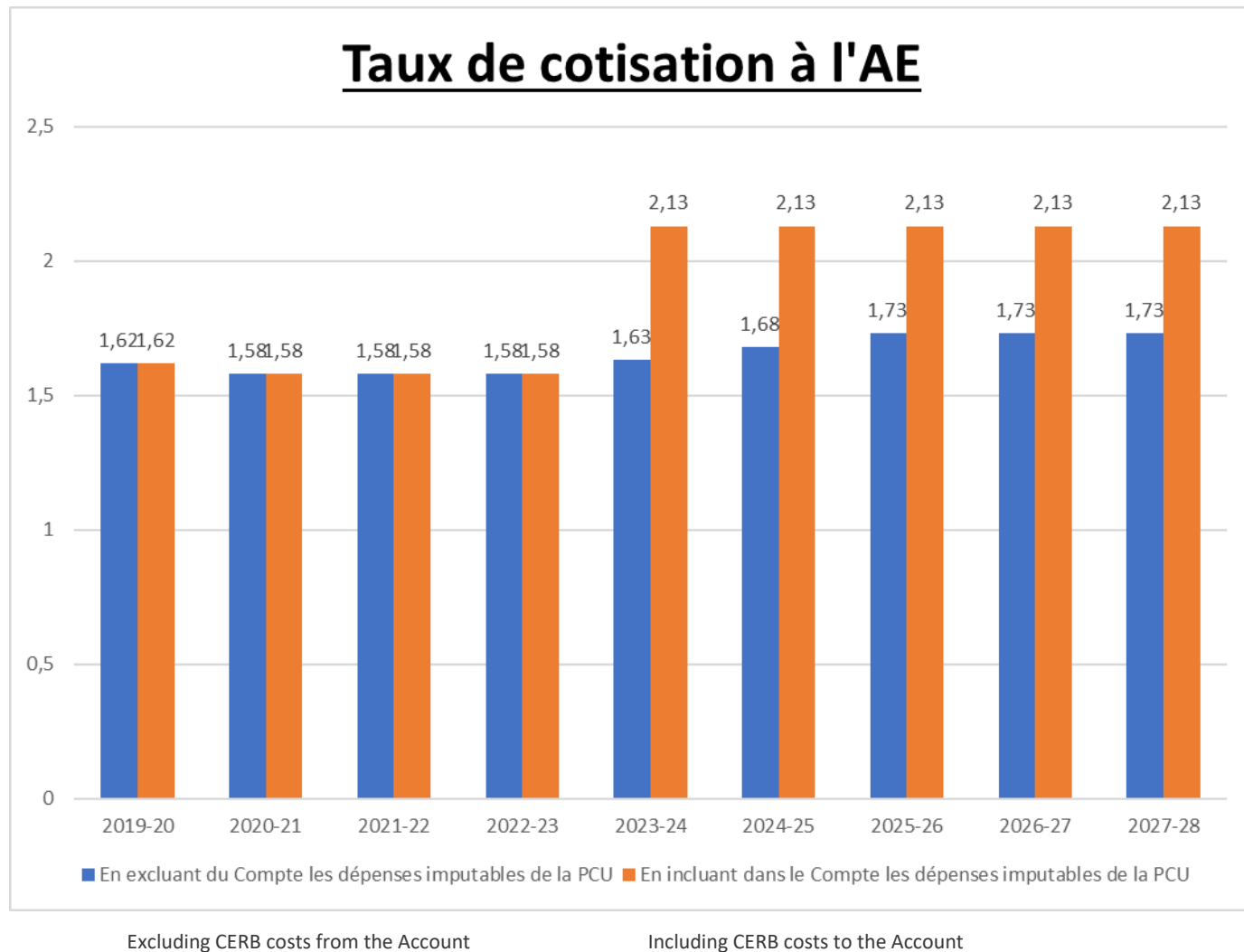


Source: Special compilations by the FCCQ based on data from the Office of the Parliamentary Budget Officer published on January 21, 2021 and the Public Accounts between 2008-2009 and 2019-20.

Financing such deficits will not be painless. CERB costs charged to the Account will by themselves raise the base rate of employees, after the freeze period, from \$1.63 to \$2.13 per segment of \$100, a rise of 35%. Coupled with the rise in insurable income, this represents a contribution increase of more than 45% in relation the pre-pandemic situation. For employers, the rate will go from \$1.63 to nearly \$3.00 in 2024-25. A steep rate hike awaits them. (See Chart 3)

**CHART 3**

**EI Contribution Rates**



Source: Special compilations by the FCCQ based on data from the Office of the Parliamentary Budget Officer published on January 21, 2021.

Under these circumstances, it goes without saying that the **FCCQ believes that a new federal contribution to the EI Account is possible and desirable.**

## 4. The Pandemic is Fuelling a Labour Market Restructuring and Accentuating Imbalances

Beyond the human and social costs and its impact on EI financial statements, the COVID-19 epidemic has left in its wake an unprecedented sharp and deep economic downturn. The impact of COVID-19 on the labour market has been colossal by all accounts. A drastic and sudden change in the labour market is taking place before our eyes, at a time when Quebec had practically reached full employment.

As stated by Bank of Canada Governor Tiff Macklem, “The fourth industrial revolution—the restructuring caused by digitalization and automation—was already well underway before the pandemic. And COVID-19 has accelerated it. At the same time, some of the jobs that have been lost during the pandemic will not return. And the workers who have already borne the brunt of the pandemic may be especially affected. As the labour market rebounds and restructures at the same time, reducing the risk of scarring points to the importance of active labour market policies—policies that improve matching and give more people better access to good jobs.”<sup>8</sup>

The pandemic also accentuated disparities in the labour market. From an income distribution perspective, it has increased inequalities. Seen from an equalization angle, imbalances have also been exacerbated. For example, the results from the Labour Force Survey (LFS) for Quebec in February 2021 revealed that 138,600 jobs are still missing in order to get back to pre-pandemic levels. The employment deficit is 2.0% for men and 4.5% for women. At the same time, there is a record number of vacant positions (nearly 150,000 positions in the last quarter of 2020) as well as an increase of more than 170% in the number of long-term unemployed workers.<sup>9</sup> (See Table 1)

---

<sup>8</sup> Tiff Macklem (February 23, 2021): [Canada's labour market: rebound, recuperation and restructuring - Bank of Canada](https://www.bankofcanada.ca/2021/02/canadas-labour-market-rebound-recuperation-and-restructuring/?_ga=2.211968916.12817462.1618581610-1523507062.1618581610) @ [https://www.bankofcanada.ca/2021/02/canadas-labour-market-rebound-recuperation-and-restructuring/?\\_ga=2.211968916.12817462.1618581610-1523507062.1618581610](https://www.bankofcanada.ca/2021/02/canadas-labour-market-rebound-recuperation-and-restructuring/?_ga=2.211968916.12817462.1618581610-1523507062.1618581610)

<sup>9</sup> People who have been unemployed for more than six consecutive months without stopping their job search.



**TABLE 1**

## **A Few Indicators of the Unbalanced Labour Market in Quebec – February 2021**

### **Employment Deficit\***

- Total: 138,600 (3.2%)
- Women: 92,800 (4.5%)
- Private sector: 102,700 (3.6%)
- Public sector: -10,500 (-1.1%)

### **Long-term Unemployed (27 weeks and over)**

- 68,500 (increase of 170.8%)

### **Withdrawals from the Labour Market (inactive)**

- 87,500 (since start of pandemic)

### **Vacant Positions (rate)**

- 148,460 (fourth quarter 2020 – 4.1%)

\* Employment deficit corresponds to the gap with employment levels before the pandemic (February 2020)

The negative deficit for the public sector means that employment has risen since the start of the pandemic.

Source: Special compilations by the FCCQ based on data from various Statistics Canada surveys

However, the longer the damage to the labour market persists, the more the changes become permanent and structural. This suggests an unprecedented imbalance that will have to be addressed to support the recovery. Obviously, Quebec is not alone in experiencing this sudden labour market dislocation. But suggesting that such a downturn is only temporary hardly prepares us for the adjustment effort that will be required.



## 5. An Entrenched Passive Labour Market Policy

Canada and Quebec rely first and foremost on employment benefits during difficult times. Passive labour market policy is well entrenched and this has been reflected in the way the federal government has responded to the crisis so far.

The portrait of labour market program costs is testament to that: public investment in active measures here is much lower than the average of OECD countries. According to the most recent international data (2017), active measures in Canada represented 0.22% of the GDP compared to double, on average, in OECD countries (0.52%). This is equivalent to an annual under-investment of \$7B in Canada. But countries like Germany (with 0.65%) and Sweden (with 1.25%) are doing even more. The difference with Sweden is up to \$24B, which represents roughly the entire EI System budget for a “normal” year, including active measures, passive measures and administrative costs. In short, to catch up to Sweden, we would have had to double the System’s expenditures.

In addition, more than \$80B have been injected in passive measures for the emergency income support measures for unemployed workers. The additional federal investment of \$1.5B in active measures, announced just recently, and which gave birth to the Program for recovery assistance through increased training (PARAF) in Quebec, represents less than 2% of the total additional expenses for the labour market programs. In short, the announced investment is not enough to make up the difference with what we see in other OECD countries. In fact, the gap is getting wider. In addition, the extension of the “simplified” EI benefit period is making it harder to recruit participants for the PARAF and is delaying adaptation.<sup>10</sup>

In addition, as confirmed in a recent study, losing a job is not doing much to encourage Canadian workers to adapt. The study in question “documents the use of four adjustment strategies by Canadian workers permanently laid off in 2009 — in the middle of the last recession: moving to another region, enrolling in post-secondary education, signing up for a registered apprenticeship and becoming self-employed... the authors find that, overall, only a minority of displaced workers — at most one in five — adopted at least one of these strategies.”<sup>11</sup>

Labour market adjustments are not therefore supported very much and remain difficult in Canada as well as Quebec, and we will need to substantially increase investments in active measures in relation to passive measures as part of labour market development agreements with the provinces.

<sup>10</sup> Source: **François Messier** (February 2021): *Ottawa announces an extension of worker assistance programs*, Radio-Canada @ <https://ici.radio-canada.ca/nouvelle/1771943/coronavirus-covid-19-canada-premier-ministre-justin-trudeau>

<sup>11</sup> Source: **René Morissette and Theres Hanqing Qiu** (February 2021): *Adjusting to Job Loss When Times Are Tough*, IRPP @ <https://irpp.org/fr/research-studies/adjusting-to-job-loss-when-times-are-tough/>



## 6. Modernization Overview

### 6.1.1. ENSURING THE SYSTEM'S FINANCIAL VIABILITY

Many voices have been raised over the last few years, in vain, including that of the FCCQ for there to be a comprehensive review of EI in order to retake control over the system's costs.

First of all, modernization of the System and any addition to its mandates should be supported by impact analyses, including those on the System's costs, its financial viability and its ability to support a response to future labour market needs.

The FCCQ is of the opinion that changes also need to be made to its funding given that employers contribute a disproportionate share with 7/12 of EI costs. The temporary freeze on contributions is not enough since, under current rules, the Account must be balanced within a cycle of seven years. Employers should not have to bear such a fiscal burden. This would be economically counterproductive since it would be a tax on employment whereas we need a strong recovery in this area over the next few years.

The FCCQ therefore believes that beyond a tighter control of the System's expenses, the Government of Canada should sustainably re-establish a direct contribution in its funding. This contribution should cover the financial needs associated with the pandemic, as it did after the 2009 budget, because without a contribution from the Treasury, Canadian employers and employees can expect a rate shock once the contribution freeze is over as we saw previously.<sup>12</sup> If the Government was able to recover the \$57B surplus accumulated in the Account in December 2008, it can also absorb the expected accumulated deficit.<sup>13</sup>

The same goes for the cost of measures aimed at the unemployed and the program's social components. Assuredly, this is not a responsibility that falls to employers but a mutual assumption of risks at the societal level. Consequently, these programs should be removed from the insurance system in order to refocus EI on its primary mission. The FCCQ also believes that the funding of these streams should not be disproportionately borne by employers and weigh on employment.

In addition, the provinces and territories are calling on substantial enhancements to be made on labour market development agreements under Part II of the EI Act, allowing them to fund training and skills development programs. Needs in this area are more important than ever to put pandemic unemployed workers back to work, but also to prepare Canada for the accelerated transformation of the workplace through technological advancements. The government in fact announced the biggest investment in Canadian history in the labour market during its fall 2020 Speech from the Throne.

<sup>12</sup> The temporary improvement measures put in place following the 2009 budget totalled approximately \$3.2B. Source: **André Léonard** (2014): *Employment Insurance Financing*, Parliamentary Information and Research Service, Ottawa.

<sup>13</sup> Ibid, p.4



## **Recommendation 1:**

***We recommend that the government:***

- Cover the forecasted actuarial deficit in the EI Account through a payment from the consolidated fund;
- Remove measures targeting the non-employed and the social components of the insurance system in order to refocus EI on its primary mission and review the means of funding these programs;
- Ensure a better balancing of contributions from employers, workers and the government for the insurance component; and
- Base the modernization of the System and any additions to its mandate on impact analyses, including an analysis of the System's costs, its financial viability and its ability to support a response to labour market needs.

### **6.1.2. SUPPORTING THE ECONOMIC RECOVERY AND THE ADAPTATION TO POST-PANDEMIC CHALLENGES**

The EI Act is divided into two parts. Part I focuses on income support, i.e.:

- Regular benefits;
- Benefits for fishers;
- Shared work benefits; and
- Special benefits.

The total amount of EI benefits paid under Part I reached \$16.7 billion in 2018-2019.<sup>14</sup>

---

<sup>14</sup> Annex 2 presents the breakdown by type of benefit for fiscal year 2018-2019.





Part II of the *Employment Insurance Act* addresses the support offered to beneficiaries so they can prepare for work, to find and keep a job using Employment Benefits and Support Measures (EBSM). EBSM are measures and services offered by the provinces and territories under Labour Market Development Agreements (LMDA), as well as Canada-wide programs by the Government of Canada and the functions of the National Employment Service (NES).<sup>15</sup> Total expenses under Part II of the EI Act totalled \$2.6 billion in 2018-2019.

### *Part I — Passive measures: Respect the principles of insurance and foster a return to employment and participation*

The level of benefits offered plays an essential role in supporting economic recovery and adaptation. This level is also the result of a complex interaction between several parameters including eligibility standards, the number of hours required in each case, the replacement rate, the duration of benefits, its variability based on the unemployment rate and the definition for the reference regions. The FCCQ is therefore not suggesting it has the technical means to simulate the effect that each of the key parameters for income support offered by the System has or could have. But it can, however, make certain observations.

Since it is insurance, EI should focus on partially compensating the loss of work income. A beneficiary should therefore not normally receive benefits that are higher than the income from the lost job. Clearly, going beyond this principle has a disincentive effect on the activities of beneficiaries, their use of assistance measures and their participation in training to improve their skills.

However, as revealed in a recent Statistics Canada study, this has been the case for hundreds of thousands of CERB beneficiaries, and by ricochet effect, “simplified” EI beneficiaries.<sup>16</sup> “Over the first three quarters of 2020, disposable income for the lowest-income households increased 36.8%, more than for any other households,” stated the Agency. “These changes were driven by unprecedented increases in transfers to households, **as the value of government COVID-19 support measures exceeded losses in wages and salaries and self-employment income.**”

The benefits-to-contribution ratio is one of the indicators broadly used by the Canada EI Commission in its annual Employment Insurance Monitoring and Assessment Report. Regardless from what angle the situation is analyzed, in no cases does the benefit-contribution ratio reach or exceed 5.<sup>17</sup> For comparison purposes, let’s take the case of a minimum-wage worker in Quebec. In June 2020, he was eligible after 120 hours of work. This worker earned \$1,572 in income, paid \$24.84 in EI contributions and could receive up to \$10,400 in benefits. Therefore, the benefits this worker could receive represent 419 times the premium paid for access to the System and 174 times the total employee and employer contributions.

---

<sup>15</sup> For more details, see Annex 4

<sup>16</sup> Source: **Statistics Canada** (March 1, 2021): *The Daily — Household economic well-being during the COVID-19 pandemic, experimental estimates, first quarter to third quarter of 2020* @ <https://www150.statcan.gc.ca/n1/daily-quotidien/210301/dq210301b-eng.htm>

<sup>17</sup> See Annex 3



CERB benefits exceed the average income in the accommodation and food services industry.<sup>18</sup> Given such a situation, it is perfectly warranted to ask how the obligation to look for a job can be effective. Clearly, “simplified” EI violates the principle of insurance and has a disincentive effect on work and participation in measures.

## **Recommendation 2:**

***We recommend that the government refocus the System on its primary mission in two ways:***

- *By applying the principles of insurance; and*
- *By offering income support that encourages beneficiaries to look for a new job and to get training to enhance their skills.*

In fact, one component of EI already covers self-employed workers. Participants must pay the contribution amount of workers in order to participate, leaving the employer share to be paid by the contributors as a whole. The FCCQ sees this as unacceptable funding, since the fiscal burden does not fall on employed contributors and their employers.

Despite these favourable conditions, this component of EI has generated little interest among self-employed workers and since it is voluntary, participation has remained low. The FCCQ and local chambers have among their members a significant number of self-employed workers and entrepreneurs. However, we have not noted any interest for a mandatory EI component for “self-employed workers” and we insist that this coverage remain voluntary. In addition, this voluntary participation could eventually be a condition for gaining access to any form of employment assistance, including training, which could increase the attraction for participation.

## **Recommendation 3:**

***As for the coverage of self-employed workers, we recommend that the government:***

- *Create a separate means of funding this existing component of the System, like the Quebec parental insurance plan in order to avoid inter-funding by employed contributors and their employers; and*
- *Keep this coverage voluntary.*

Many businesses and their employees in sectors where activities are mainly seasonal make recurrent use of EI, in particular in regions where the unemployment rate is high. Pilot projects have experimented with alternative formulas that are more promising for economic development. However, many communities still depend on EI transfers. Apart from reinvesting in the results from these experiments, it would be a good idea to pursue other avenues in order to avoid the devitalization of these communities. For example, since it is a question of sharing working hours among the business’s pool of workers, it would be a good idea to propose new

---

<sup>18</sup> Average weekly earnings were \$446.93 in December 2020 in Canada for the accommodation and food services sector according to Statistics Canada @ [https://www150.statcan.gc.ca/t1/tb1/en/tv.action?pid=1410020301&request\\_locale=en](https://www150.statcan.gc.ca/t1/tb1/en/tv.action?pid=1410020301&request_locale=en)



#### **Recommendation 4:**

*As for communities where economic activity is mainly seasonal, we recommend that the government:*

- *Pursue new avenues with pilot projects in order to prevent these communities from become devitalized.*

As part of the flurry of emergency measures, the Government seems to be planning to get back to a standard eligibility standard. In the view of the FCCQ, this would be a mistake. Variable standards are a fundamental characteristic of EI systems in North America, both in Canada and the US, where each state has its own System. Canada is vast and has several distinct labour markets. There are only a very small percentage of workers whose market is national and this is especially not the case for professions or trades where the need for EI is frequent.

Variable eligibility standards provide an undeniable benefit: access to and the duration of benefits take into account the labour market situation better as well as the needs, since it is more difficult and takes longer to find a job in a labour market congested by a large number of job seekers in comparison with the positions to be filled. However, it might be necessary to redefine the regions and the standards in order to improve the response to needs.

#### **Recommendation 5:**

*We recommend that the government:*

- *Maintain variable eligibility standards since it is more difficult and takes longer to find a job in a congested labour market.*



## *Part II, Active measures – Remove them from the accounting perimeter of the System and support a sustainable recovery through partnership agreements with the provinces.*

Income support for the unemployed is essential, but it does not assure economic development. It does maintain general demand over the short term, but it does not affect growth and adaptation factors. It is Part II of the EI Act that authorizes investment in EBSM, i.e., active measures and training. For the FCCQ, this is an essential part of the Act that must be strengthened in order to support a sustainable recovery.

In its current state, EI has a rule that requires the Account to be balanced over a horizon of seven years. Although that might make sense for Part I, it is not the case for active measures, in particular investments in training that can stretch out over several years and could represent up to half the expenses in terms of active measures. Also, skills development, unlike income support, has a positive, permanent and sustainable impact on economic growth. This is particularly true for basic skills in literacy, numeracy and digital literacy.

According to an international study published in January 2020, “... literacy skills have become an even more important determinant of economic growth...” than was suggested in previous studies with a 1% increase in average literacy translating into a 3% increase in GDP per inhabitant.<sup>19</sup>

As for digital skills, Quebecers and Canadians alike recognized even before the pandemic the need to improve their computer skills as the economy becomes more and more digital at increasing speed under the effect of innovations brought about by the health measures! In effect, according to a survey conducted in December 2019, 48.4% of respondents felt they needed training to improve their skills.<sup>20</sup> This is an important lever for growth, employment and standard of living.

### **Recommendation 6:**

#### ***We recommend that the government:***

- *Remove active measures from the accounting perimeter of the System so they are not subject to the seven-year rule applicable to the financial balancing of the Account.*

Moreover, EBSM eligibility has been greatly expanded. In fact, since April 1, 2018, it is open to all unemployed workers who have made their minimum contributions to EI, that is, people who have made contributions for an amount higher than the repayment threshold (\$2,000 in gains) in at least five of the last ten years. But it

<sup>19</sup> Guido Schwerdt, Simon Wiederhold, and T. Scott Murray (2020) : *Literacy and Growth: New Evidence from PIAAC* – @ [https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwi68K345ajuAhXwmOAKHTd0Ak8QFjACegQIAxAC&url=http%3A%2F%2Fwww.dataangel.ca%2Fdocs%2FLiteracyandGrowth\\_revised\\_October2018.pdf&usg=AOvVawI\\_b4gi9FvvaL52ooANRDx3](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwi68K345ajuAhXwmOAKHTd0Ak8QFjACegQIAxAC&url=http%3A%2F%2Fwww.dataangel.ca%2Fdocs%2FLiteracyandGrowth_revised_October2018.pdf&usg=AOvVawI_b4gi9FvvaL52ooANRDx3)

<sup>20</sup> Source: Diane Bellemare Sen. (December 2019) : *Survey on the repercussions of technological changes on training needs and the usefulness of a personal training account. Results from a survey conducted by Nanos.* @ <https://dianebellemaresen.ca/en/news/survey-millions-canadians-believe-they-need-training>



is important to maintain the priority given to active beneficiaries, because it is broadly understood that early intervention produces the best results.

### **Recommendation 7:**

***We recommend that the government:***

- *Maintain as-is the eligibility rules for Employment Benefits and Support Measures (EBSM).*

Responding to the needs of unemployed workers is obviously indispensable. But it will not be enough in the new labour market. Most of the people who are active in the labour market are already employed. And it is the development of their skills that has had a leveraging effect on the creation of wealth and the ability to distribute it. In other words, more needs to be done in terms of learning throughout life because employed people cannot be the blind spot in a requalification strategy. In this regard, the FCCQ believes that we need to go beyond the proposed “Canadian Training Benefit” linked with EI in the last budget before the pandemic. In this regard, the FCCQ recommends the creation of a Continuous Education Voluntary Savings Plan (CEVSP). It is in fact a model being recommended more and more by countries and analysts around the world.<sup>21</sup>

### **Recommendation 8:**

***We recommend that the government:***

- *Review its proposed “Canadian Training Benefit” linked with EI announced in the last budget before the pandemic in order to implement a Continuous Education Voluntary Savings Plan (CEVSP).*
- **EI is still the main source of funding for the training of unemployed workers in Canada and Quebec. The contribution by the Government of Canada represents no less than 85% of the funding of measures and services by Emploi-Québec (EQ) and nearly three quarters of federal funds come from EI. It must be acknowledged that EI contributions to the funding of employment recovery measures, through agreements with the provinces, appears essential and indispensable.**<sup>22</sup>

---

<sup>21</sup> See Annex 4 for proposal details.

<sup>22</sup> See Annex 5 for a summary of the agreements.

To take full action in the employment recovery, these agreements should offer greater flexibility, in particular the measures for businesses, and financially support the businesses in the implementation of their workforce skills development projects.

Businesses are ready to invest in the skills of their workforce. In fact, the COVID-19 crisis has made the need to address the skills deficit even more urgent. But there are obstacles to overcome. The key obstacles faced by business owners in their decisions to invest in skills development include:

- Their need to better understand the impact that the pandemic, automation and digitization will have on requirements in terms of skills;
- The lack of tools or knowledge needed to identify and determine the feasibility of the investments to be made; and
- They do not have the financial and human resources for implementing an action plan.<sup>23</sup>

It goes without saying that these obstacles are particularly significant for SMEs.

In addition, in order for the “largest investment in Canadian history in training for workers” announced in the Speech from the Throne to take place, additional funds will be needed for this purpose and the provinces must not use these funds to reduce their own contributions. That is why the FCCQ believes that the agreements must be included as part of a real partnership with the provinces in order to avoid federal transfers being used instead of provincial funds.

The FCCQ also believes that assistance measures aimed at businesses must also address the obstacles that they face. We therefore hope that the general framework will be flexible and promote investments in training, namely training within the business, since this would be most appropriate formula for them.

### **Recommendation 9:**

***We recommend that the government:***

- *Invest heavily in the agreements by offering maximum flexibility in the choice of means to meet the needs of businesses and renew the partnership with the provinces for this purpose.*

<sup>23</sup> See McKinsey (Kweilin Ellingrud, Rahul Gupta, and Julian Salguero) (August 7, 2020): Building the vital skills for the future of work in operations, @ <https://www.mckinsey.com/business-functions/operations/our-insights/building-the-vital-skills-for-the-future-of-work-in-operations>



### 6.1.3 REVIEWING GOVERNANCE IN ORDER TO IMPROVE PREPAREDNESS AND EVOLUTION BASED ON LABOUR MARKET NEEDS

As we pointed out in the introduction, the FCCQ believed, even before the pandemic, that the System was not ready to deal with the new challenges of the labour market, the Fourth Industrial Revolution or the challenges associated with climate, demographic and social changes. It was even less ready to assume its role at the beginning of the pandemic and that is why the Government of Canada had to create programs from scratch to deal with the emergency.

The System's deficiencies are not limited to its programming. They are also administrative because, visibly, its systems seemed outdated and unprepared. It needs to be able to do more and better in order to meet the needs of the labour market. In short, its governance needs to be reviewed in order to improve its preparedness and ensure its evolution based on labour market needs.

The FCCQ, like several other stakeholders in the labour market, believes that the viable modernization of EI must be based on ongoing social dialogue. Social dialogue enables public intervention to better and more efficiently meet real needs. It makes it possible to share more complete information on the issues, costs and impacts of the choices to be made. Modernization should also take into account the consensuses, namely those regarding increased investment in active measures, those aimed at businesses as well as those for individuals.

#### **Recommendation 10:**

***We recommend that the government:***

- *Review the governance of the System in order to improve its preparedness and ensure its evolution based on labour market needs; and*
- *Support the modernization of EI through social dialogue with the main stakeholders in the labour market.*



## Conclusion and Final Recommendation

For the FCCQ, EI remains the most appropriate vehicle for income support, in particular in difficult times where it can act as an automatic stabilizer. It has passed the test of time. It has obligations in regards to the search for employment and the availability of work, fraud controls, as well a financial incentive promoting a return to work. It remains by far the main source for labour training in Quebec and all of Canada. But it needs to be modernized quickly for at least three reasons:

1. Ensure its financial viability;
2. Support economic recovery and adaptation to post-pandemic challenges; and
3. Review the System's governance.

This modernization will better meet needs and achieve its objectives if it is based on social dialogue with the main labour market stakeholders, including business representatives. For the FCCQ, this is a mandatory step. By developing an agreement on the terms of modernization, Canada will be able to move to the next step, which is the autonomous tri-partite management of EI established according to the principles of insurance.

### **Final Recommendation (11):**

*The FCCQ believes that a “modernized System” based on the recommendations in this report should be entirely independent, with a tri-partite management system and an autonomous cash flow. EI would therefore have a solid foundation, its programs would be supported by a broad social consensus and its management would be based on the principles of sound management.*





## List of Recommendations

### **Recommendation 1:**

*We recommend that the government:*

- *Cover the forecasted actuarial deficit in the EI Account through a payment from the consolidated fund;*
- *Remove measures targeting the non-employed and the social components of the insurance system in order to refocus EI on its primary mission and review the means of funding these programs;*
- *Ensure a better balancing of contributions from employers, workers and the government for the insurance component; and*
- *Base the modernization of the System and any additions to its mandate on impact analyses, including an analysis of the System's costs, its financial viability and its ability to support a response to labour market needs.*

### **Recommendation 2:**

*We recommend that the government refocus the System on its primary mission in two ways:*

- *By applying the principles of insurance; and*
- *By offering income support that encourages beneficiaries to look for a new job and to get training to enhance their skills.*

### **Recommendation 3:**

*In terms of the coverage of self-employed workers, we recommend that the government:*

- *Create a separate means of funding this existing component of the System, like the Quebec parental insurance plan in order to avoid inter-funding by employed contributors and their employers; and*
- *Keep this coverage voluntary.*



#### **Recommendation 4:**

*As for communities where economic activity is mainly seasonal, we recommend that the government:*

- *Pursue new avenues with pilot projects in order to prevent these communities from become devitalized.*

#### **Recommendation 5:**

*We recommend that the government:*

- *Maintain variable eligibility standards since it is more difficult and takes longer to find a job in a congested labour market.*

#### **Recommendation 6:**

*We recommend that the government:*

- *Remove active measures from the accounting perimeter of the System so they are not subject to the seven-year rule applicable to the financial balancing of the Account.*

#### **Recommendation 7:**

*We recommend that the government:*

- *Maintain as-is the eligibility rules for Employment Benefits and Support Measures (EBSM).*

#### **Recommendation 8:**

*We recommend that the government:*

- *Review its proposed “Canadian Training Benefit” linked with EI announced in the last budget before the pandemic in order to implement a Continued Education Voluntary Savings Plan (CEVSP).*



### **Recommendation 9:**

*We recommend that the government:*

- *Invest heavily in the agreements by offering maximum flexibility in the choice of means to meet the needs of businesses and renew the partnership with the provinces for this purpose.*

### **Recommendation 10:**

*We recommend that the government:*

- *Review the governance of the System in order to improve its preparedness and ensure its evolution based on labour market needs; and*
- *Support the modernization of EI through social dialogue with the main stakeholders in the labour market.*

### **Final Recommendation (11):**

*The FCCQ believes that a “modernized System” based on the recommendations in this report should be entirely independent, with a tri-partite management system and an autonomous cash flow. EI would therefore have a solid foundation, its programs would be supported by a broad social consensus and its management would be based on the principles of sound management.*



## Annex 1 — Mandate Letters to Ms. Carla Qualtrough, Minister of Employment, Workforce Development and Disability Inclusion

### 2. EXCERPTS FROM THE MANDATE LETTER OF DECEMBER 13, 2019

“In particular, you will:

- Fulfill our commitments to strengthen Employment Insurance, including the development of new Special Benefits models:
  - Reform the delivery of Employment Insurance maternity and parental benefits to be tax-free at source. This will include a comparable benefit for the portion of federal taxes that residents of Quebec pay as part of the Quebec Parental Insurance Plan;
  - Introduce a 15 week leave for adoptive parents, including LGBTQ2 families;
  - Work with the Minister of Families, Children and Social Development to develop a Guaranteed Paid Family Leave program. Together, you will improve and integrate the existing Employment Insurance-based system of maternity and parental benefits, as well as the Canada Child Benefit, with a guaranteed income during the first year of a child’s life; and work with Quebec on effective integration with its own parental benefits system;
  - Create a new Career Insurance Benefit for workers who have worked for the same employer for five or more years and have lost their job as their employer ceases operation. This new Benefit will begin as Employment Insurance ends and will not be clawed back if other income is earned;
  - Improve the current pilot project for seasonal workers with a permanent program that provides consistent and reliable benefits;
  - Extend Employment Insurance sickness benefits from 15 weeks to 26 weeks;
  - With the support of the Minister of Innovation, Science and Industry, work with Statistics Canada to strengthen local labour market data so that Employment Insurance can better reflect local labour market realities; and
  - With the support of the Minister of Public Safety and Emergency Preparedness, create a new Employment Insurance Disaster Assistance Benefit. This new Benefit will be developed in consultation with experts, workers and employers. It will replace lost income when families need to temporarily stop working to protect their homes or need to relocate for safety reasons

...

- “With the support of the Minister of Finance, continue the implementation of the new Canada Training Benefit, for launch in 2020.”

Source: Minister of Employment, Workforce Development and Disability Inclusion Supplementary Letter | Prime Minister of Canada  
@ <https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-employment-workforce-development-and-disability-inclusion>



### 3. EXCERPTS FROM THE SUPPLEMENTARY MANDATE LETTER OF JANUARY 15, 2021

“Since my previous mandate letter to you, our country has been confronted by the most serious public health crisis we have ever faced. The global pandemic has had devastating impacts on lives and livelihoods and exposed fundamental gaps in our society. Challenges that existed before the pandemic remain and others have been exacerbated. In light of these realities, I am issuing this supplementary letter to outline further responsibilities and considerations that I expect you to undertake on behalf of Canadians. Nothing in this letter replaces any previous commitments or expectations. It is necessary for us to continue making progress on the commitments laid out in 2019, while ensuring our actions are centred on fighting the pandemic and building back better.

...

“In addition to the priorities set out in my mandate letter to you in 2019, you will:

- Support the Deputy Prime Minister and Minister of Finance to create over one million jobs, restoring employment to levels prior to the pandemic using a range of tools, including direct investments in the social sector and infrastructure, immediate training to quickly up-skill workers and incentives for employers to hire and retain workers.
- Working with the provinces and territories, make the largest investment in Canadian history in training for workers, including by:
  - Supporting Canadians as they improve their foundational and transferable skills and build new skills in growing sectors;
  - Helping workers access training and accreditation; and
  - Working with the provinces and territories to strengthen workers’ futures by connecting them to employers and good jobs, in order to grow and strengthen the middle class.

- Complete the implementation of the Canada Recovery Benefit and make appropriate adjustments as the pandemic response warrants;

...

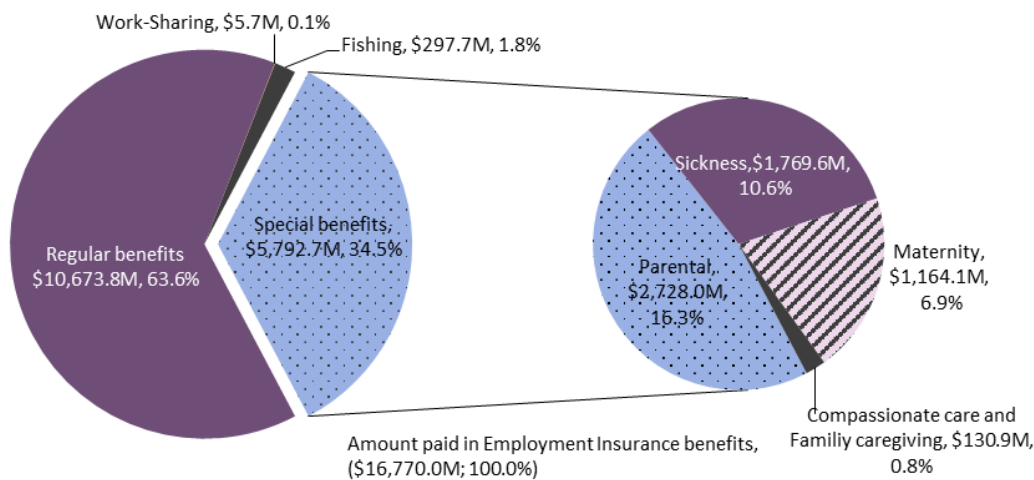
- Bring forward and implement a plan to modernize the Employment Insurance (EI) system for the 21<sup>st</sup> Century. This should include a plan to make EI the primary delivery mechanism for employment benefits, including for the self-employed and those in the gig economy.

Source: Minister of Employment, Workforce Development and Disability Inclusion Supplementary Letter | Prime Minister of Canada

@ <https://pm.gc.ca/en/mandate-letters/2021/01/15/minister-employment-workforce-development-and-disability-inclusion>



Annex 2 — Amount paid in Employment Insurance benefits,\* by benefit type, Canada, FY 2018-19



Source: **Canada.ca**: Employment Insurance Monitoring and Assessment Report, 2019, Chapter 2: Impact and effectiveness of Employment Insurance benefits (Part I of the *Employment Insurance Act*) @ <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2019/chapter2.html>

Chart 3 – Adjusted benefits-to-contributions (B/C) ratios and unemployment rate by province or territory, Canada, 2017

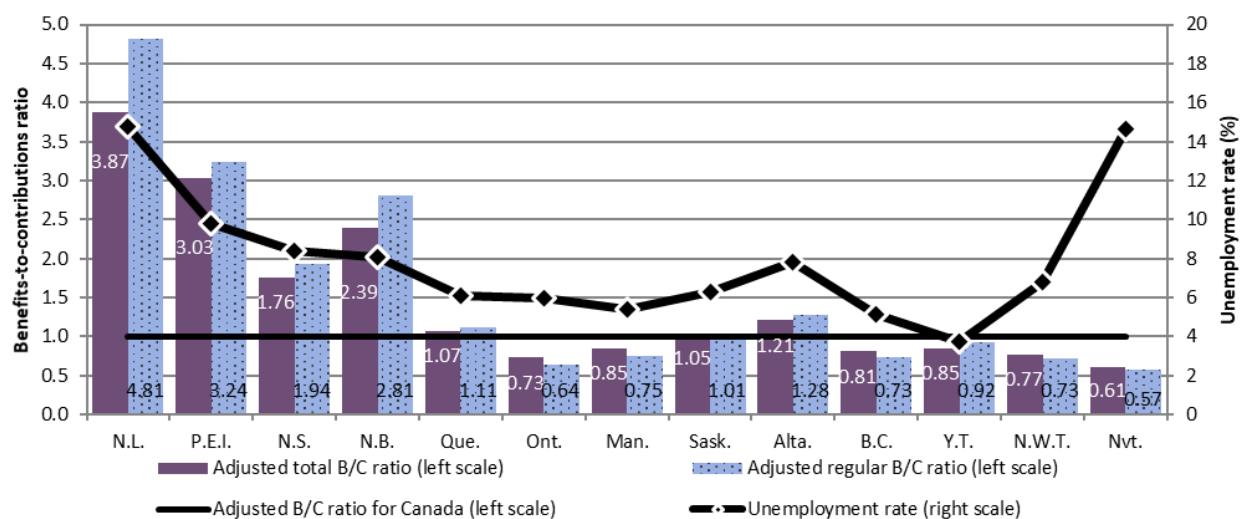
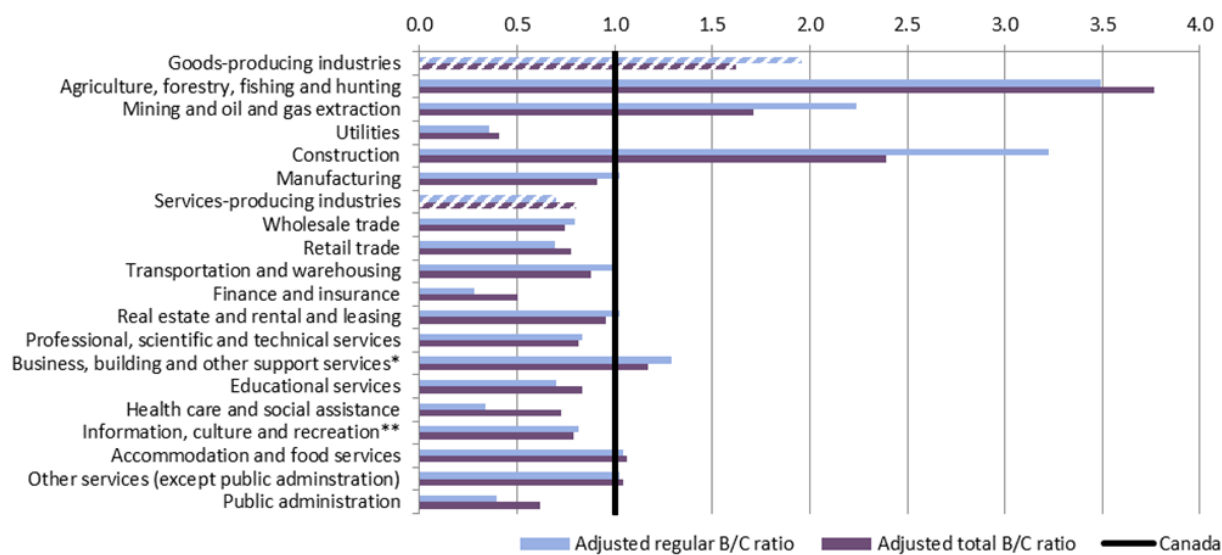


Chart 4 – Adjusted benefits-to-contributions ratios by industry, Canada, 2017



**Table 5 – Adjusted benefits-to-contributions (B/C) ratios by gender and age, Canada, 2017**

Age category	Adjusted total B/C ratio for men	Adjusted total B/C ratio for women	Adjusted total B/C ratio	Adjusted regular B/C ratio for men	Adjusted regular B/C ratio for women	Adjusted regular B/C ratio
<b>24 years old and under</b>	1.26	0.84	1.08	1.55	0.50	1.09
<b>25 to 44 years old</b>	0.90	1.42	1.13	1.13	0.65	0.92
<b>45 to 54 years old</b>	0.89	0.65	0.78	1.15	0.78	0.98
<b>55 years old and over</b>	1.12	0.70	0.93	1.46	0.85	1.19
<b>Total</b>	<b>0.97</b>	<b>1.03</b>	<b>1.00</b>	<b>1.23</b>	<b>0.71</b>	<b>1.00</b>

Source: **Canada.ca**: Employment Insurance Monitoring and Assessment Report, 2019, Chapter 2: Impact and effectiveness of Employment Insurance benefits (Part I of the *Employment Insurance Act*) @ <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2019/chapter2.html>





## Annex 4 – Continuing Education Voluntary Savings Plan

One of the main obstacles to adult training is access to savings to help cover the associated costs. A part-time return to school can involve a reduced work schedule, but also enrolment, daycare and travel costs. The FCCQ is recommending that the government create a continuing education voluntary savings plan, based on the registered education savings plan, but which would make it possible to save during active periods and to accept voluntary contributions from employers in accordance with the following modalities:

### Funding Source

- Participation in the CEVSP would be voluntary, both for the employee and employer.
- The employee would contribute with after-tax money and the yields on CEVSP investments would be tax free, as is the case with the RESP model.
- The government could add to the employee's contribution through a matching or lump-sum subsidy, like with the RESP model. The matching rate could be variable (50%, 100%, 150%, etc.) based on the participant's income or other factors, such as the person's occupation. Public effort could target workers in trades and occupations that will be impacted by technological progress.
- An employer could voluntarily make contributions to an employee's account. This contribution, subject to a maximum amount, would be treated as a benefit linked with the employer's payroll. The government could add to the employer's contribution through a tax credit. The employer's contribution would be a taxable benefit.
- A CEVSP account would contain after-tax funds from employees and employers, which could be withdrawn tax free, as is the case with an RESP.
- An individual CEVSP account could also be funded by remaining balances in a young person's Registered Education Savings Account (RESP) when it expires. The CEVSP would make it possible to save these funds and subsidies that have accumulated in a RESP even if the person does not enrol in postsecondary education, so that this person can engage in professional development during their career or go back to school at a later date. An individual CEVSP account could also be funded by third-party contributions, such as by a relative or spouse for example. A contribution from a third party who is an individual (not the employer) would provide a tax benefit for the donor, as is the case with the RESP model.
- Given the delays inherent with the legislative process to repeal the 1% tax, contributions by businesses to the CEVSP of their employees would be accounted for as training expenses eligible under the 1% Training Obligation during the transition period.



## Use of the funds

- The funds saved in a CEVSP account could be used to pay training costs as well as compensate for any shortfall by the participant during a period of professional development or a return to school in mid-career.
- Given that the tax was paid when placed in the account, the amounts withdrawn from a CEVSP would not be taxable.
- A participant who is unemployed could use the funds saved in a CEVSP account to get training in a field that matches labour market needs and is approved by Emploi-Québec.
- An employee will need authorization from their employer to take training during working hours. Training would therefore be tied to employer needs since the employer would be the one authorizing the leave.

## A model adapted to our times

A model adapted to shorter periods of service — A CEVSP would transfer primary responsibility for continuing education from the employer to the worker. It would make the latter accountable for keeping up their skills. The need for this transfer is due to the shorter periods of service given by workers to the same employer. Within a context where workers are less and less attached to their employers, the latter have less and less motivation to invest in their training. Younger workers, however, are more aware of the need to update their skills.

A model designed for Generation Y — According to a study on the factors for worker motivation based on their generation, it would seem that Generation Y workers value learning support throughout their lives more than other benefits. Generation Z workers are particularly appreciative of online training and certification programs. For employers, a CEVSP contribution would therefore be a form of compensation and a tool for retaining employees. Workers would see a form of compensation as well as an additional source of work satisfaction.

...

Source: **FCCQ** — 2021-2022 Pre-budget Brief — Quebec @ <https://www1.fccq.ca/wp-content/uploads/2021/02/Memoire-FCCQ-Prebudgetaire-Quebec-2021-22-VF.pdf>



## Annex 5 — The Agreements

Beyond income support, the EI Program remains the main source for funding employment assistance and skills development, for both individuals and businesses. The Program also funds services and measures offered to businesses and the National Employment Service, including the job banks, sector committees and universal measures such as employment assistance measures (job-finding club, résumé writing, interview preparation, etc.). The Government of Canada is transferring \$3.4B to the provinces and territories under labour market agreements.

There are **2 major types of agreements**:

✓ *Labour Market Development Agreements (LMDA)* that are entirely **funded by EI contributions** and that target eligible people, business and sector committees. The Government of Canada annually contributes more than \$2.2B to LMDAs, including nearly \$630M to Quebec.

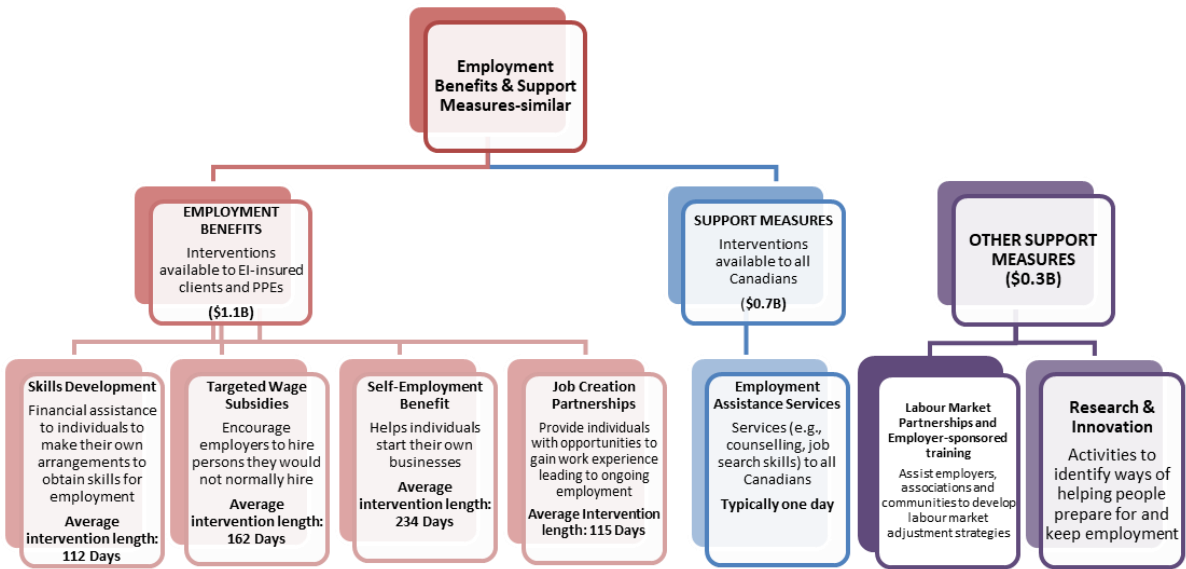
For Quebec, this Agreement remains by far the main source of funding for measures and services offered, representing nearly two thirds of the financial resources contained in the Labour Market Development Fund (LMDF).

✓ *Workforce Development Agreements (WDA)* which are funded by **Federal Treasury funds** to the tune of nearly \$185M in Quebec. Consequently, the measures offered under this framework are reserved for EI benefits. In Quebec, they are used to fund measures and services that mainly target people on social assistance and underprivileged groups in the area of employment who are not eligible for EI.



The following table illustrates the structure for the assistance paid under Part 1 of the EI Act.

Table 2 - Labour Market Development Agreements at-a-glance: Expenditures and length of interventions (FY1819)



Source: Canada.ca: Chapter 3: Impact and effectiveness of Employment Insurance benefits (EBSMs–Part II of the *Employment Insurance Act*) @ <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2019/chapter3.html>