

July 23, 2009

Dear member:

The dying days of the last session of Parliament are memorable for the drama surrounding whether the government might fall on the issue of Employment Insurance (EI). Ultimately, Prime Minister Harper and Michael Ignatieff, the Leader of the Official Opposition, agreed to establish an EI Working Group that was given the mandate to develop proposals to allow self-employed Canadians to participate voluntarily in the EI program and to “improve eligibility requirements in order to ensure regional fairness”.

The Working Group, comprised of six government and opposition appointees¹, must report to Parliament by September 28, 2009. That week, the government will also table its next fiscal stimulus accountability report. Either of these could trigger a confidence vote in Parliament and a federal election.

The importance to Canadian business of any additional changes to EI – particularly those that would add cost to the program – cannot be overstated. In fiscal 2008-2009 Canadian employers paid almost \$10 billion in EI premiums. EI is a payroll tax and a tax on jobs. Changes that would add even more cost to EI could have the unintended consequence of not only curtailing new hiring, but of causing employers to lay off staff, which would exacerbate our economic/employment crisis, rather than improving conditions for workers.

The Canadian Chamber of Commerce's longstanding position has been that EI has swollen well beyond its original intent as a temporary insurance program to assist workers who have lost their jobs through no fault of their own until they find other employment. EI has grown to include such programs as maternity/parental benefits and training. Its costs have grown as well. While these programs are extremely valuable to Canadians, we believe they should be funded by general government revenues. In our view, the long-term affordability of EI is in question.

¹ Government appointees: Hon. Diane Finley, Minister of Human Resources and Skills Development; Pierre Poilievre, MP, Nepean-Carleton and Parliamentary Secretary to the Prime Minister and to the Minister of Intergovernmental Affairs; Malcolm Brown, Senior Associate Deputy Minister, Human Resources and Skills Development Canada

Opposition appointees: Hon. Marlene Jennings, MP, Notre-Dame-de-Grâce – Lachine and Deputy Opposition House Leader; Michael Savaage, MP, Dartmouth-Cole Harbour and Human Resources and Skills Development Critic; Michael Chan, Director of Policy, Office of the Leader of the Official Opposition

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The Canadian Chamber is very concerned about any proposals that could add further costs to EI. This would be particularly burdensome on small and medium businesses in an already extremely difficult economic environment.

Given the importance EI to Canadian employers - and that the EI Working Group will hold no formal consultations- we have contacted its members directly to express our views on their mandate and on the need for long-term reform of the program. Our perspectives are outlined in the attached policy paper *Reforming Canada's Employment Insurance (EI) Program*, which we have recently sent to the EI Working Group members. This paper is also available on our website at

http://www.chamber.ca/images/uploads/EI/Reforming_Canadas_Employment_System20-07-09.pdf

We recommend that the government adopt a 560-hour eligibility threshold in all economic regions with an unemployment rate of 10 percent or less. The duration of benefits would be standardized based on the 560-hour criterion. This measure would cost about \$500 million annually (approximately \$250 million to expand eligibility and \$250 million to equalize benefits duration).

In our view, moving to a national standard of 360 or 420 hours of work – as has been suggested - as the basis for qualifying for EI would discourage work, increase structural unemployment, exacerbate skills and labour shortages, and stifle productivity. It would be detrimental to Canada's long-term economic performance and would cost an additional \$800 million to \$1 billion per year.

In our paper we also offer a number of other recommendations to remodel Canada's EI Program so it encourages work, job creation and labour force mobility. If implemented in their entirety, our proposals would streamline the EI Program, rejuvenate its insurance role, and reduce overall employment costs. The competitiveness of our nation and that of Canadian business would be enhanced.

To date, the discussion regarding EI has been defined exclusively by the needs of workers. We believe that there is a need for Canadian businesses/employers – who pay 60 percent of EI premiums - to speak with a single voice on the issue of adding additional costs to the program. From now to September 28, when the EI Working Group members present their report to Parliament, we will be undertaking several initiatives to ensure employers' perspectives are taken into account. These include outreach to the EI Working Group and to our network of more than 300 local chambers of commerce across Canada and their member businesses.

We invite you to join us in bringing employers' views to the EI Working Group, federal politicians and the media. If we work together, we can save Canadian employers hundreds of millions of dollars at a time when they are facing unprecedented competition and need every possible measure to help them succeed.

You are welcome to distribute our policy paper and post it on your website. We also suggest that you communicate your perspectives to the EI Working Group members and have attached their contact information.

Finally, we would like to know if you would be interested in co-signing a joint business EI declaration that would be sent to the EI Working Group members, the media, the Prime Minister and opposition leaders. If you are interested in pursuing this initiative, or if we can be of assistance to you on this issue, please contact Michael Nixon at mnixon@chamber.ca or 416-868-6415 ext 232.

Meanwhile, please accept my best wishes and thanks for your support of the Canadian Chamber of Commerce.

Sincerely,

A handwritten signature in black ink that reads "Perrin Beatty". The signature is written in a cursive style with a large initial "P".

Perrin Beatty

attachments



EI Working Group Members' Contact Information

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