

Adding costs to EI Program could threaten economic recovery: Canadian Chamber

Ottawa, July 23, 2009 –Canada’s largest and most influential business association is sounding a warning about changes to the EI program being considered by both the government and the opposition parties.

In fiscal 2008-09, employers paid almost \$10 billion in EI premiums. For this reason, all businesses have a stake in the EI program, and want a voice in how it is structured. Changes being considered could lead to higher costs for businesses, providing a strong disincentive for hiring at a time when unemployment is rising. Increased costs would ultimately be passed on to employees in the form of lower wages, taking a bite out of personal income, or to customers as higher prices. The large wedge created between the cost of hiring employees and workers' take-home pay stifles productivity and damages the economy’s long-term performance.

The Canadian Chamber has prepared a grid comparing its proposals to those of the political parties, including costs associated with the various proposals. This grid is available on the Chamber’s website: www.chamber.ca

The Canadian Chamber believes that moving to a national standard of 360 or 420 hours of work as the basis for qualifying for EI, as some have proposed, would have substantial adverse impact on Canada’s labour market – it 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. It would also cost \$800 million to \$1 billion per year, adding significantly to the cost of the Program.

The Canadian Chamber has made a number of proposals to streamline the EI Program, reinstate its insurance role, and reduce overall employment costs. These proposals would help to make Canadian business more competitive at a time when it faces unprecedented international competition. Recommendations include:

- Standardizing eligibility requirements in economic regions where the unemployment rate is 10 percent or less by adopting a 560-hour threshold.
- Maintaining the two-week waiting period.
- Gradually reducing the employer EI premium rate to equal that paid by employees.
- Amending the present rate-setting formula so that deficits in the EI Account are funded over the business cycle.
- Operating the EI Program as a true insurance program – one that provides income support to those who are temporarily unemployed through no fault of their own. Social program aspects of EI would be covered out of general revenue instead of by businesses and employees alone.

The Canadian Chamber will provide each of the members of the bipartisan panel on EI reform with copies of its analysis and recommendations.

“Employment Insurance is a vital part of Canada’s social safety net. It must be there when people need it to help them through tough times. But we have to make sure that it is properly funded and does not discourage people from returning to work or become so expensive for employers that they are discouraged from hiring the people they need. That’s why our political leaders should

think twice before adding to the cost of the program,” says Perrin Beatty, President and CEO of the Canadian Chamber of Commerce.

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