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Catherine Demers
Director General, Employment Insurance Policy
Employment Insurance Policy, Employment and Social Development Canada (ESDC)
By email: NC-EIConsultationsAE-GD@hrsdc-rhdcc.gc.ca

Submission on Modernizing Canada's Employment Insurance Program

To Catherine Demers,

We are writing to provide recommendations on how to modernize the Employment Insurance program so it better meets the evolving needs of Canadians in a rapidly changing labour market, especially for marginalized workers, low-income families, and small employers.

ONN is the independent nonprofit network for the 58,000 nonprofits and charities in Ontario, focused on policy, advocacy and services to strengthen the sector as a key pillar of our society and economy.

Nonprofits play an essential role in Canadian communities during crises and beyond

Across urban and rural Canada, the nonprofit sector plays an essential role in job creation, volunteer engagement, and delivery of programs and services that support the well-being of Canadians, generating more than 8.1 per cent of the country's GDP. Nonprofits employ 2.4 per cent of the workforce -- of whom 80 per cent are women, making us a women-majority sector.

Recommendations

Canada is heading into a decade of significant labour market transformations. Ongoing social, economic, environmental, and technological disruptions are causing rapid change in the nature of work and generating "on and off" work patterns for many. A strong Employment Insurance program can protect Canadians during such times of uncertainty.

ONN urges ESDC to consider an approach to modernizing Employment Insurance where employers and workers thrive equally. **We support universal recommendations made by labour advocates to eliminate the waiting period, lower the qualification threshold, adjust rules to facilitate access for those who lose one or more of their multiple jobs, and increase the overall benefit rate. In this way, workers that can particularly benefit from EI will be able to contribute to and access the program.**

Additionally, ONN recommends that the Government of Canada:

1. **Re-calibrate the EI Family Supplement low-income salary cut-off to reflect the official poverty line in Canada; and**
2. **Implement an incentive structure for employers to offer maternity and parental leave benefit top-ups.**

Detailed policy recommendations

1. **Re-calibrate the EI Family Supplement low-income salary cut-off to reflect the official poverty line in Canada.**

The Family Supplement income cut off is lower than Canada's 2019 official poverty line for individuals and families, revealing a gap for families that may not qualify for the supplement but are living in poverty. Using a market basket approach for a family of two adults and two children, in 2019 the poverty line varied across Canada - from a minimum of \$38,239 in rural Quebec to maximum of \$50,055 in Vancouver.¹ However, the maximum net family income that can qualify for the Employment Insurance Family Supplement is \$25,921, a cutoff that has remained the same since 1997. There has been a consistent decrease in the number of Family Supplements being applied to claims for the past 18 years; every year fewer claimants are reaching the maximum replacement rate of 80 per cent, and women continue to be the main claimant group (80.8 per cent).²

At first glance, the decrease in Family Supplements being applied to claims would suggest that families' incomes have risen and are doing better. While family incomes have risen nominally, they are not keeping up with the cost of living, and families therefore have less to spend in real terms. The COVID-19 pandemic has further increased the inflation rate while job loss and economic uncertainty remain.

In this way, families earning between \$25,921 and at the minimum \$38,239 are being left in poverty while receiving EI. This includes families disproportionately living in poverty - 29.8 per cent of women-led lone parent families with children, 18 per cent of off-reserve Indigenous peoples, 17.4 per cent of recent immigrants, and 13.5 per cent of persons with disabilities.³ In contrast, the national poverty rate was 10.1 per cent in 2019.⁴

Recalibrating the Family Supplement is critical for nonprofit workers because based on 2019 statistics, the average wage for sector workers was \$38,716 compared to \$52,638 for the workforce as a whole.⁵ With a re-calibrated Family Supplement, more Canadian workers, especially in our sector, would be able to rely on EI at an income level sufficient to support their families.

¹ Statistics Canada. "[Market Basket measure \(MOM\) thresholds for the reference family by Market Basket Measure region, component and base year.](#)" 2021

² Canada Employment Insurance Commission "[2019/2020 Employment Insurance Monitoring and Assessment Report.](#)" 2020

³ Statistics Canada. "[Canadian Income Survey, 2019.](#)" 2021

⁴ Statistics Canada. "[Canadian Income Survey, 2019.](#)" 2021

⁵ Statistics Canada. Table 14-10-0340-01 Employee wages by occupation, annual. <https://doi.org/10.25318/1410034001-eng>

2. Implement an incentive structure for employers to offer maternity and parental leave top-ups.

Maternity and parental leave benefit top-ups are a critical way for new parents of all genders to maintain income levels when taking time off to care for children. Any parents would not be able to sustain their families on the standard 55 per cent replacement rate currently offered through EI. Starting a family is the stage at which parents need their income the most and not all new parents have savings, partners, and families to bridge income gaps.

However, the prevalence of top-ups in the labour market is low, particularly in the nonprofit sector. A 2017 Statistics Canada study found that less than a third of recent mothers in Canada received top-ups from their employers.⁶ According to ONN's research on women's employment experiences in Ontario's nonprofit sector, 30.7 per cent of 645 nonprofit workers surveyed said they had access to a top-up, while 14.3 per cent were unsure. An incentive structure to encourage employers to offer top-ups, tied to EI premium rates, could increase their prevalence at a low cost to the government.

There is already a precedent in place. There is an incentive structure for employers under the EI Premium Reduction Program⁷ where an employer who provides a short-term disability plan may be entitled to pay lower EI premiums than the standard rate. Typically an employer pays 1.4 times the employee premium of 1.62 per cent of earnings. The most generous version of the Premium Reduction Plan available to non-public employers ("Category 3") allows them to pay a reduced premium of 1.181 times the employee premium. This program could be expanded to include employers who provide maternity and parental leave top-ups. Such an arrangement would create an incentive for small to medium sized employers that are less likely to provide top-ups. With more employers providing top-ups, new parents can have access to more adequate income replacement in combination with their leave benefits.

The UK has a similar incentive structure for top-ups where employers administer payments to their employees on behalf of the UK EI equivalent system. In return, employers can claim back from the government between 92 to 103 per cent of payments dispersed, depending on the size of the organization, through their National Insurance Contributions.⁸ The City and County of San Francisco have taken further steps by issuing a Paid Parental Leave ordinance that requires employers operating in their jurisdiction (with 20 or more employees worldwide) to top-up an employee's California Paid Family Leave (CPFL) benefits.⁹

⁶ Statistics Canada "[Mothers receiving maternity and parental benefits 2017](#)," 2017

⁷ Government of Canada "[Premium Reduction Program](#),"

⁸ Margaret O'Brien and Alison Koslowski "[Country Reports: United Kingdom](#)" 2018

⁹ Office of Labor Standards Enforcement "[Paid Parental Leave Ordinance](#),"

EI modernization is needed more than ever

There is broad consensus in Canada that the EI program was not up to the task of supporting workers during the pandemic and is in need of an overhaul. We have offered two concrete proposals to supplement the excellent ideas proposed by others to make the program more fit for purpose in the 21st century. In particular, our suggestions would benefit women-majority sectors like the nonprofit sector that have struggled with recruitment and retention challenges in the wake of the pandemic. We also recommend enhancing benefits for modest-income new parents who deserve to live in dignity while raising the next generation and prepare to return to the workforce.

We welcome the opportunity to meet with you and your team at your earliest convenience to discuss how ONN and our network can act as a partner to the government in modernizing Employment Insurance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cathy Taylor', written in a cursive style.

Cathy Taylor
Executive Director, Ontario Nonprofit Network