

Intelligence MEMOS



From: Miles Corak
To: Employment Minister Carla Qualtrough
Date: October 19, 2020
Re: **EMPLOYMENT INSURANCE REFORM THAT PROMOTES AGENCY**

More than one out of every three dollars distributed through the Employment Insurance (EI) program are for so-called Special Benefits, those parts of the program associated with maternity and parental leave, with caregiving, and with sickness.

The fact that the COVID-19 pandemic is a health crisis with important job market consequences has sharply exposed and widened gaps not just in EI's coverage and delivery of job loss benefits, but also with these Special Benefits.

Constructive reform will require rationalization of coverage for demographic and family risks and should proceed in a way that recognizes both their collective and individual nature, with a delivery design that gives citizens agency in an incentive compatible way.

This can be best accomplished by delivering Special Benefits through individual accounts, while at the same time devising a new program for maternity and parental benefits outside EI.

Over the course of three decades there has been an incremental and haphazard building up of more and more contingencies associated with Special Benefits, the associated rules and regulations being repeatedly revised as successive governments realize they inherently lack full knowledge of the evolving and dynamic risks millions upon millions of very different families face over their life course.

There are Maternity and Parental Benefits – including maternity, standard parental, extended parental benefits – with a host of regulations associated with which partner collects benefits, when they can collect, and for how long they collect.

There are Sickness Benefits that vary according to whether a citizen already has employer-paid benefits. These may also cover long-term or permanent disability, as well as bed rest during pregnancy.

And there are Care Giving Benefits for specific contingencies: a Family Caregiver Benefit for Children; a Family Caregiver for Adults; and Compassionate Care Benefits.

Governments have incrementally expanded coverage according to perceived need, bad publicity, or political expediency, all the while layering on rules and regulations to ensure the public purse is not abused. The most egregious example of the paternalism involved is the requirement that citizens – during one of the most stressful periods in their lives – produce a doctor's note to attest to the fact that their loved one is on their deathbed. This is a far cry from the “trust and verify” rule that was so valued in the delivery of the Canada Emergency Response Benefit.

All of this can be made more effective, more dignified, more simple by using personal accounts, designed in a way inspired by the three tiers of Canada's retirement income system.

Just as Old Age Security and the Guaranteed Income Supplement offer an income floor for the lowest income seniors, so too would the government make an annual contribution to each individual's EI Special Benefit Account, and in this way recognize that some demographic risks are a collective responsibility.

Beyond that, each individual's EI premiums would be allocated to their own account, much in the way that the Canada and Quebec Pension Plans are financed on the basis of work history. Everyone would be free to use their accounts to support a period of time away from work, whenever, for whatever reason, and for whatever length subject to the balance in the account.

This reform of EI would start with a careful assessment of what is and what is not a “demographic risk.” It is reasonable to suggest that maternity and parental benefits should be taken out of the Employment Insurance program altogether, and be delivered universally as an aspect of an expanded childcare program.

Individual accounts for family events that are truly unforeseeable would have the dual purpose of recognizing that individual citizens know their own needs and circumstances better than politicians, while also promoting incentive compatible behaviour.

Individual accounts that can be accessed for whatever reason raise the value of having a job in order to build up the account, encouraging job finding and job holding. At the same time, the balance in the account puts limits on the duration of benefits. Any balance in the account at the end of an individual's working life would roll over into a registered retirement account.

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