

Intelligence MEMOS



From: Stéphanie Lluis
To: Employment Minister Carla Qualtrough
Date: August 4, 2021
Re: **EI REVISIONS SHOULD INCLUDE MORE FLEXIBILITY IN ITS WORK INCENTIVES**

Last June, a House of Commons committee [report](#) made 20 recommendations to address some gaping holes in the EI system amplified by the pandemic.

More than half pertain to the financing of the program, extending eligibility, duration and adequacy of regular benefits as well as removing barriers to access. The remaining recommendations propose better access and increased flexibility of special benefits (maternity and sickness benefits) as well as training support benefits.

None, however, address the need to help people return to the workforce by enhancing a successful exit from EI. To be sustainable however, EI needs to balance the benefits of the improved entry objectives in the short-term with the longer-term goal of ensuring all claimants find permanent work at the end of their claims.

In the same way, last April's [federal budget](#) refers to improving the flexibility of the system, but contains no mention of improving EI work incentives to ensure a post-pandemic permanent return to work for jobless individuals.

Meanwhile, the current parameters of the [working-while-on-claim](#) (WWC) program are inadequate to support the successful EI exit for the half million workers displaced by COVID-19.

My recent Institute for Research on Public Policy [report](#), co-authored by Colin Busby and Brian McCall, argues that the federal government needs to improve the WWC rules to help unemployed workers find permanent jobs. These rules allow claimants to take part-time or casual jobs while still keeping a portion of their EI benefits and are intended to help unemployed Canadians keep a foothold in the labour market and provide a stepping stone to permanent employment. By working part-time, EI claimants are more likely to maintain their skills and network of contacts, and demonstrate to prospective employers their commitment to work. Yet only half of EI claimants take advantage of WWC provisions.

To support workers left jobless by the pandemic, the federal government [extended regular EI benefits and introduced a temporary](#) one for those who didn't qualify for EI. The [Canada Recovery Benefit](#) (CRB) provides for up to 50 weeks of coverage for all workers who aren't entitled to EI. It also offers much more generous work rules than EI. CRB recipients can earn up to \$38,000 a year from part-time work before benefits are clawed back at a rate of 50 cents for each dollar of net income earned above this amount. In contrast, EI beneficiaries see their benefits clawed back by 50 cents with the very first dollar of weekly earnings.

Policymakers should revise WWC rules and set an earnings limit under which claimants won't have EI benefits clawed back, and a modest clawback rate on earnings above that threshold – much like the CRB. Our review of Canadian and international evidence found that under these proposed rules – illustrated in the Figure – more people, especially those displaced from lower paid jobs and who already have weaker labour force attachment, would be encouraged to work while collecting EI and to work more hours. Policymakers should also consider setting an annual earnings limit rather than a weekly one in order to allow more work arrangement possibilities (such as temporary full-time work and other types of short-term contract work) working while claim without losing benefits.

We also encourage the federal government to make WWC provisions temporarily more generous during economic downturns by allowing claimants to keep more of their employment earnings without having benefits reduced and by lowering the clawback rate.

Despite the upsides of the WWC provisions, many unemployed workers choose not to take advantage of them, perhaps because they have a long history of full-time employment and don't see the benefit of taking on low-paying or part-time jobs. These workers may benefit more from alternative policies like wage insurance, which allows qualifying EI beneficiaries to accept new full-time employment at a reduced wage while receiving benefits that partially cover the difference between their previous and current earnings.

During the pandemic the government moved quickly to extend regular EI benefits and introduce temporary emergency supports, which are set to expire later this year. These measures helped jobless Canadians weather the worst of the storm. But as the economy now begins to reopen, the federal government should consider ways of revising WWC rules to help those who have lost their jobs get back to full-time work.

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Figure 1:

Total Income for Claimants under Recommended, Early Pilot, and Current WWC Parameters

