

Canada Employment Insurance Financing Board : a step in the right direction ?

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In the last budget, the federal government announced the creation of an Employment Insurance Financing Board, a measure that aims to ensure that the premiums paid are used solely for the expenses generated by the program. However, despite the demands put forth, notably by unions, this bill does not have any measures that aim to improve the program's coverage. In fact, it specifies that the Board cannot make any decisions regarding the coverage of the program nor take into account the cumulative surplus of the Employment Insurance Account, which is more than 54 billion dollars. By setting rigid rules for the financing of the program without taking into account the cumulative surplus, the bill will have the effect of locking in the protection at its current level or even reduce it. Many of the agents that had criticized the embezzlement of the Account and demanded an improvement of the program qualified this announcement as being a step in the right direction. Is that really the case?

WHAT DOES THE CREATION OF THIS BOARD BRING AS A NEW DEVELOPMENT

The bill provides for the creation of an Employment Financing Board which would hereinafter be in charge of determining the premiums, a task that is currently under the govern of the Commission. A reserve of two (2) billion dollars was also created to fight against raising the premiums in the case of an economic slump. The Board will thus have to manage the sums that are given to it, invest them and this, while maintaining the level of the reserve, an amount that will be indexed. However, the bill explicitly prohibits the Board from intervening in order to modify the amount of the benefits or to put in place new programs, these issues remaining within the sole jurisdiction of the Minister.

In fact, the bill changes very little as to the determination of the premiums, the Board not having more discretion that the Commission actually has, the rate having to be just sufficient enough to cover the expenses generated by the program, the maximum annual change not exceeding 0,15%. If the economic situation requires a higher increase, the cost of the surplus would temporarily be

assumed by the reserve, which would then be reimbursed by raises in the premium in the following years. However, the government reserves the right of last resort in the name of public interest, a concept that is ambiguous to say the least considering the withdrawal of the State from its obligations towards the unemployed, to determine the rate of the premiums as well as the sums paid as benefits. Finally, the costs of the functioning of this complex structure will be the responsibility of the Account, meaning the payers.

A STEP IN THE RIGHT DIRECTION?

Let's remember that the demand for the creation of an « Autonomous reserve » put forth by the Bloc Québécois, the NDP and many unions aimed to counter the embezzlement that the federal government engaged in these past years by using the surplus of the Employment Insurance Account to other means than those provided for in the law and this, to the detriment of the protection that the program should provide the contributors. However, they made it very clear that the creation of this account had to be done in conjunction with an improvement of the coverage offered by the program, notably by a gradual reinjection of the cumulative surplus into said coverage.

The bill states explicitly that the Board cannot proceed to increase or improve the program nor take into account the cumulative surplus of the account. Yet, in a study published in 2007, the Canadian Institute of Actuaries recommended that in order to respect the contribution principle of insurance, according to which all the premiums and the surplus should be used for the purposes of employment insurance, this surplus should be reaffected to the program. The bill follows up on the operation that began in 2005, since the cumulative surplus no longer appears in the reports of the chief actuary of employment insurance. How can one not assume that these changes are the result of the comments made by the Superior Court in the challenge initiated by the CSN on this question and according to which the law in effect did not allow the government to spend the surplus by paying for other expenses than those provided for in the legislation? The government is thus following up its strategy to make this “embarrassing” surplus disappear from the accounting of the Account.

By substituting the aspect of payments instead of premiums as the central element of the program, this bill confirms its self-financed character, which, we should remember, has been assumed entirely by workers and the employers since 1990. Already deprived of the contribution of the State, which served primarily to cover the extension of the payments in areas where there is a high level of unemployment, these new rules of financing will make it that the account will thus be frozen at its current level, any increase having the effect of raising the premiums. What is worse is that the program can even regress since according to this logic, the cost of any increase in unemployment

has to be assumed by the contributors. It is thus not surprising that such an announcement was well received by the employer associations, especially since they will have the right to give input concerning any raises in premiums.

Ultimately, it is the appropriation of the Employment Insurance Account that is at the centre of the debate on this issue. Is the adoption of a measure that entails so many perverse effects so urgent considering that the Supreme Court has to determine in the upcoming months the constitutional obligations of the government with regards to unemployment insurance, such as the nature of the premiums and the ends for which they have to be used?

The government claims it wants to put an end to the use of premiums for other means for the future, but at what price? Not only will this bill lock in employment insurance protection at its current level, which, let us not forget, is one-third of what it was in 1990, but it also completes the the State's complete withdrawal from supporting the unemployed. Is this bill really a step in the right direction?