



Cost Estimate for Motion M-141: Amending the Employment Insurance Act



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This analysis is based on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were prepared by PBO and the responsibility for the use and interpretation of these data is entirely that of the authors.

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Executive Summary

This report estimates the increase in Employment Insurance (EI) benefits payable following the implementation of private member's motion M-141. This motion, introduced by MP Irene Mathyssen (London-Fanshawe, NDP), amends section 55 of the *Employment Insurance Act* to allow spouses of (i) military personnel and (ii) foreign service personnel to qualify for Employment Insurance while posted outside of Canada.¹

This proposal would result in an additional \$6.9 million Employment Insurance payments if implemented in 2018-19, increasing to \$7.1 million by 2023-24. In 2018-19, PBO estimates this cost will result in \$0.03 million in taxes payable.

The EI account is self-sustaining, meaning any increase in benefits will be fully offset by an increase in revenues through the automatic rate setting mechanism.

1. Background

Section 37 of the *Employment Insurance Act* prohibits claimants from receiving benefits for “any period during which the claimant is outside of Canada”.²

M-141 is a private member’s motion introduced by Irene Mathysen (London-Fanshawe, NDP). It proposes to amend the *Employment Insurance Act* to allow spouses of (i) military personnel and (ii) foreign service personnel to qualify for Employment Insurance while posted outside of Canada. The motion aims to recognize “the service and sacrifice of military personnel and their families” stationed abroad.³

This motion would increase the availability of EI benefits. This increase will be marginally offset by the additional personal income tax (PIT) revenues generated, as EI benefits are taxable.^{4, 5}

This report estimates the increase in EI expenses arising from extending eligibility for regular benefits to the spouses of military and foreign service personnel.

2. Analysis

To estimate the increase in payable benefits of M-141, we need to know the number of military and foreign personnel posted overseas. The nature of these positions would have to allow spouses or common-law partners to be present. For instance, spouses are not permitted to accompany military personnel during active combat missions. Certain Status of Forces Agreements (SOFA) between Canada and other countries place restrictions on spouses/common-law partners accompaniment.⁶

According to data provided by the Department of National Defence, there are 1,027 active military personnel posted outside of Canada (OUTCAN) with spouses or common-law partners accompanying them (Table 2-1). Of those, 918 (90 per cent) of spouses were female.

Global Affairs Canada reports that there are 940 foreign service personnel with spouses or common-law partners accompanying them. Of those personnel, 356 were female and 584 male.

In total, there would be 1,967 individuals eligible for regular EI benefits under the expanded coverage proposed under M-141.

Table 2-1 Overseas Personnel Demographic Breakdown

	Male	Female	Total
Department of National Defence Overseas Personnel Spouses	918	109	1,027
Global Affairs Canada Overseas Personnel	356	584	940
Total	1,274	693	1,967

Sources: Global Affairs Canada and Department of National Defence.

Notes: Consistent with Statistics Canada Census 2016 indicating that roughly 1 per cent of Canadian couples are same-sex; PBO assumes the balance to be composed of heterosexual couples.

The next step in the estimation process is to identify how many of these individuals would be eligible for EI regular benefits and what amount they could receive.

The eligibility requirements for EI are that the claimant must have a minimum number of insurable hours in the qualifying period, dependent upon the unemployment rate of the claimant's employment region.⁷ The claimant

must also have had an interruption of earnings from employment, excluding voluntary leave.

There are two main types of EI benefits available, each with sub-types and each with their own minimum number of insurable hours. Consistent with discussions with the sponsoring member, the PBO assumed that the spouses of these members would be claiming regular EI benefits.⁸

To determine eligibility for EI, PBO had to make several assumptions. The first critical assumption is that the income characteristics of the spouses of military and foreign service personnel are equivalent to the average of their counterparts in Canada, given the income of the military or foreign service personnel. For example, according to PBO's calculations using Statistics Canada Social Policy Simulation Database and Model (SPSD/M), the spouse of someone earning between \$81,701 and \$91,700 earns \$62,151 on average.⁹

Using the income groups of military or foreign service personnel, PBO assigned the relevant average income to the spouse. PBO applied the same assumption for allocating the spouse's number of insurable hours, insurable earnings, and their marginal tax rates and taxes payable.¹⁰ Once these averages were allocated to the spouse of each military or foreign service personnel, PBO calculated the regular EI benefits.

The second critical assumption is that the applicable minimum insurable hours threshold would be based on the member's last known address in Canada. Or, in the case the address is unknown, applying the average using the approach previously explained.

Lastly, PBO made assumptions of eligibility while living abroad. PBO assumed the spouse would not be able to accumulate insurable hours while living abroad, and therefore, would not be eligible for another period of EI. As well, PBO assumed the spouse would not become ineligible for EI for any reason, such as becoming employed while overseas.

No administrative costs or behavioural changes were considered for this report.

The average of some key factors for calculating EI is presented in Table 2-2. As is evident from the data, insurable earnings, hours and duration of benefits are all relatively stable among spouses, regardless of the primary earner's income.

Table 2-2 Average spousal information

Income group of military or foreign service personnel	Insurable earnings	Insurable hours	Duration (weeks)
\$51,701-\$61,700	\$42,948	1,404	25
\$61,701-\$71,700	\$45,652	1,463	26
\$71,701-\$81,700	\$43,740	1,548	28
\$81,701-\$91,700	\$43,838	1,511	27
\$91,701-\$101,700	\$38,467	1,465	25
\$101,701-\$111,700	\$39,669	1,510	27
\$111,701-\$121,700	\$56,523	1,551	28
\$121,701-\$131,700	\$33,042	1,441	25
\$131,701-\$141,700	\$44,703	1,492	26
>\$141,700	\$51,836	1,448	28

Sources: PBO calculations using SPSPD/M v. 26.0 and data from Global Affairs Canada and the Department of National Defence.

Note: All values are averages, and these averages refer to those of the spouse of the military or foreign service personnel. PBO assumed a constant salary, EI economic region and qualifying hours for Department of National Defence observations.

3. Results

Based on the data provided to PBO, we estimate the net increase in payable benefits of M-141 to be approximately \$6.9 million (Table 3-1).

Table 3-1 Regular EI Benefits Payable due to M-141, 2018-19¹¹

Federal Taxes Payable	EI Benefit (net annual total)
\$0.03M	\$6.9M

Sources: Department of National Defence and Parliamentary Budget Officer (PBO).

Note: The average duration of overseas posting of personnel is 36 months. PBO assumes that at any given period one third of overseas personnel will be potentially eligible for EI regular benefits.

These estimates were based on the criteria for regular EI benefits for 2018.

The rise in payable benefits highlighted above represents the maximum amount possible. In other words, it is contingent on every accompanying spouse or common-law partner claiming EI for the average maximum duration allowable.

Based on the historical growth rate of EI regular benefits and claimants, PBO estimates that the first-year expense of \$6.9 million would rise to \$7.1 million in 2022-23 (Table 3-2).¹²

Table 3-2 Medium-term Forecast of Benefits Payable

\$ in millions

2018-19	2019-20	2020-21	2021-22	2022-23
6.9	7.0	7.0	7.0	7.1

Sources: Finance Canada and PBO.

Notes

1. *Employment Insurance Act*. <http://laws-lois.justice.gc.ca/PDF/E-5.6.pdf>
2. *Employment Insurance Act*. Section 37(b)
3. M-141: [http://www.ourcommons.ca/Parliamentarians/en/members/Irene-Mathysen\(764\)/Motions](http://www.ourcommons.ca/Parliamentarians/en/members/Irene-Mathysen(764)/Motions)
4. The EI program is financed through mandatory contributions made by both employees and employers to the Employment Insurance Operating Account. Premiums are calculated annually to achieve a break-even balance over a seven-year period. *Income Tax Act*. Part I, Section 6(f). <http://laws-lois.justice.gc.ca/eng/acts/I-3.3/FullText.html>
5. Being self-sustaining, increases in benefits paid are proportionally offset with an increase in premiums. Canada Revenue Agency, T4058 Non-Resident and Income Tax – 2017 https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4058/non-residents-income-tax-2016.html#P138_13640 states that Canadian-sourced income is taxed, for non-residents.
6. <http://www.forces.gc.ca/en/caf-community-support-services-outcan/index.page>.
7. These minimum insurable hours may be increased "...if the insured person accumulates one or more violations in the 260 weeks before making their initial claim for benefit..." *Employment Insurance Act*, Section 7.1 (1) <http://laws-lois.justice.gc.ca/eng/acts/e-5.6/FullText.html>
8. PBO assumed that Motion 141 would not apply to Quebec Parental Insurance Plan (QPIP), which provides residents of Quebec with parental, maternity and adoption benefits. Quebec residents are eligible for other forms of EI under the EI program. It is only for parental, maternity and adoption that Quebec residents are covered under QPIP, which uses unique eligibility criteria and benefits levels.
9. This is based on PBO's calculations of employment income using SPSPD/M v. 26.0 for 2018. This estimate was provided for informational purposes only. For the analysis of M-141, PBO estimated the average of key variables based on the income of the spouse, in addition to the gender and the unemployment rate of the employment region.
10. PBO used SPSPD/M to generate a table displaying the average insurable hours and insurable earnings of the spouse collecting regular EI according to the spouses' (that is, the spouse not collecting EI) employment income and the EI regional rate of unemployment. SPSPD/M is not able to precisely represent EI regional rates of unemployment. Additionally, all EI information in SPSPD/M is modelled for claimants according to administrative data. As a result, PBO inherently allocates the average regular EI benefit claimant's information to the spouses of overseas employees. That is to say, PBO inherently assumes the spouses of these employees share the same characteristics as claimants of regular EI benefits.

11. Medium term forecast assumes a constant rate of overseas deployment.
12. For background on the EI program refer to the Office of the Chief Actuary's 2019 Actuarial Report on the Employment Insurance Premium Rate.
www.osfi-bsif.gc.ca/Eng/Docs/EI2019.pdf