





















## 3. Results

---

### 3.1. Population

---

In 2017, a total of 151,470 claimants used the full 15 weeks of sickness benefits, representing roughly 36% of total EI sickness benefit claimants.

Of all the claimants that exhausted EI sickness benefits, we estimate that 23% returned to work immediately and 77% did not. In this section we focus our analysis on the latter subset.

Of the claimants that exhausted the 15 weeks of sickness benefits:

- 64% of claimants received sickness EI benefit only;
- 31% combined their sickness benefit with regular EI; and
- 5% combine sickness benefit with another benefit.

In our estimate, we assume only the individuals whose combined claims ended with EI sickness benefits will qualify for extended benefits. Therefore, individuals who end their claim with a benefit other than sickness are excluded from this cost estimate.

Under these assumptions, we estimate that approximately 94,000 claimants would benefit from the extension in 2017. We then project forward the total number of eligible claimants as a proportion of the labour force.

### 3.2. Estimated Cost of Extension

---

On average, it is estimated that claimants would receive an additional 26 weeks of EI sickness benefit. The average weeks per claimant is estimated by taking a weighted average of the distribution of the working lapse for the subset of recipients that did not return to work following the collection of 15 weeks of sickness benefits.

Assuming an implementation year of 2020, the estimated cost of the proposed extension would be an additional \$1.10 billion in 2020.<sup>6</sup>

Table 3-1 shows the projected additional cost per year from the extension of EI sickness benefits.

**Table 3-1 Additional Cost from the Extension of Sickness Benefits**

|                             | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| Average Cost (Billions \$C) | \$1.10 | \$1.13 | \$1.17 | \$1.21 | \$1.25 | \$1.30 |

Sources: PBO and ESDC

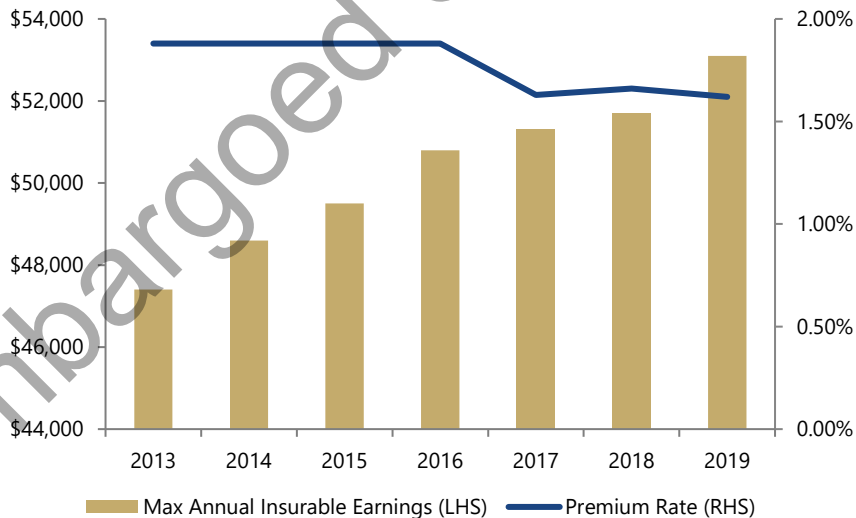
Notes: Table 3-1 provides the additional yearly cost, in billions of dollars, from the extension of EI sickness benefits from 15 weeks to 50 weeks.

### 3.3. Impact on EI Premiums

EI is a self-financing program. This means the program is financed entirely through the collection of premiums paid by employees and employers.

As of 2019, the premium rate is set at \$1.62 per \$100 of insurable earnings for employees.<sup>7</sup> The employer pays 1.4 times what the employee pays.

**Figure 3-2 Historical Maximum Insurable Earnings and Premium**



Sources: PBO and ESDC

Notes: Figure 3-2 shows the relation between the maximum annual insurable earnings and the premium rates paid by employees.

Given that EI premiums are set for 2019, changes in premiums will apply from 2020 onwards. EI premiums are calculated based on a 7-year forecast break-even rate. This means that the premium rate is determined such that at the end of the seven-year period, the EI Operating Account is balanced. Additionally, the premium rate is constrained to a 5-cent annual increase or decrease from one year to the next.<sup>8</sup>

Assuming this program is implemented in 2020, using our economic forecasting model, we estimate that the duration extension would lead to a markup of the premium rate by 6 cents. However, this does not consider the 5-cent constraint.

Taking into consideration a 7-year forecast and maintaining the 5-cent constraint, we estimate that the premium will increase by 5-cents in 2020 and an additional 1-cent in 2021. Therefore, extending the duration of sickness benefits from 15 weeks to 50 will raise the premium rate by a total of 6-cents between 2021-2026, assuming no other changes in the EI program.

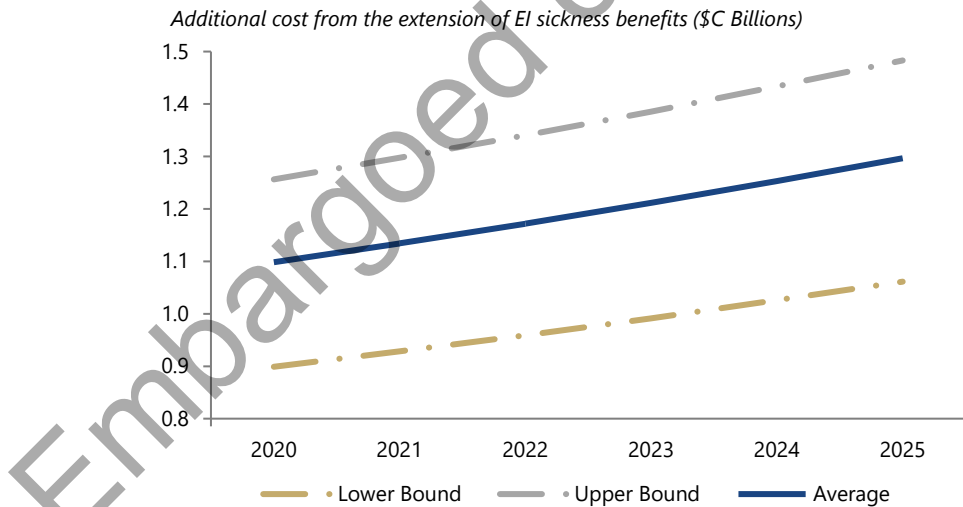
Embargoed copy

# 4. Sensitivity Analysis

## 4.1. Sensitivity Analysis on the Additional Cost from the Extension of Sickness Benefits

Section 3 presented the approximated additional cost from the extension of sickness benefits. This resulted in roughly 26 weeks of additional EI sickness benefits, on average, per claimant. In this section we consider a range of potential costs by taking the minimum and maximum durations provided in Table 2-1. Under these assumptions, claimants will take, on average, between 22 to 30 additional weeks of sickness benefits.

**Figure 4-1** Upper and Lower Bounds on the Estimated Additional Cost



Sources: PBO and ESDC

Notes: Figure 4-1 shows the upper and lower bound for the additional cost from the extension of sickness benefits. The average refers to the additional cost provided in Table 3-1.

The estimated additional cost of the extension is approximately \$1.1 billion in 2020. Taking into consideration the distribution for the additional duration in benefits, the additional cost of the program extension is estimated to be between \$899 million and \$1.26 billion dollars in 2020. By 2025, this results in an lower and upper bound of \$1.06 and \$1.48 billion, respectively.

The respective premiums recalculated for the upper and lower bounds results in an total markup between 5 to 7-cents.

## 4.2. Working While on Claim

---

This impact can be even greater when taking into consideration working while on a claim. The survey results which this report uses were collected prior to the legislation that allows claimants to work while they are on a claim. Thus, the distribution in Table 2-1 may underestimate the working lapse associated with the extension of benefits. As of 2017, approximately 14% of individuals that claimed 15 weeks of sickness benefits worked while on claim. These individuals had a slightly higher average weekly benefit than individuals that did not work while on a claim. Therefore, these results may underestimate the duration that claimants may claim and thereby represent a downside risk to the estimated cost.

## 4.3. Sensitivity Analysis on the Population

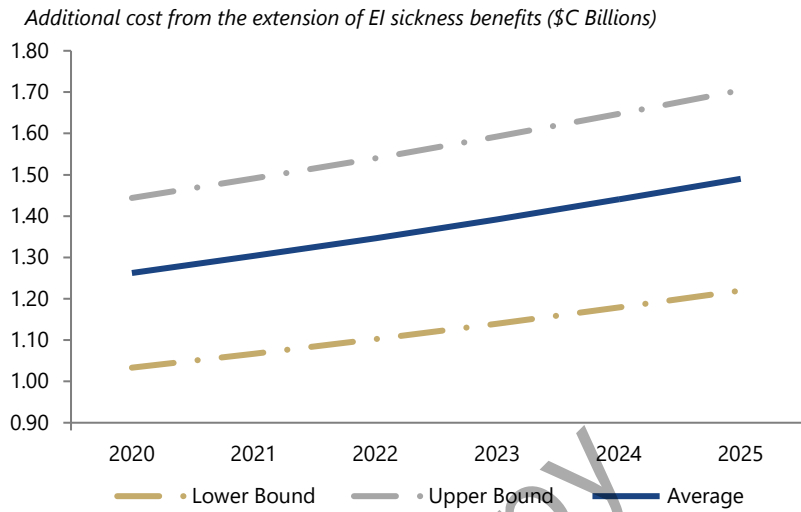
---

In our original estimation, we assume that the 23% of individuals that return to work immediately following the 15 weeks of benefits will continue to do so under the extension.

In this section, we assume that only half of these claimants return to work immediately and the other half will follow the distribution patterns detailed in Table 2-1.

Figure 4-2 shows the projected additional cost under the extension. In 2020, the additional cost is estimated to be between \$1.03 and \$1.44 billion. On average we estimate that individuals will take an additional 26 weeks of EI sickness benefits which will cost approximately \$1.26 billion in 2020, this is a \$160 million increase from the base scenario.

**Figure 4-2 Sensitivity analysis of the additional cost**



Sources: PBO and ESDC

Notes: Figure 4-3 shows the projected additional cost of the extension of EI sickness benefits to 50 weeks when assuming that half of the individuals initially surveyed to return to work will instead remain on EI.

Taking into account the impact of the extension of sickness benefits on premiums, the increase in our subset results in an increase of premiums between 5 to 7-cents above the baseline.

Embargoed Copy

## Notes

---

1. For more information about eligibility criteria for sickness benefits, visit: <https://www.canada.ca/en/services/benefits/ei/ei-sickness/eligibility.html>
2. 2019 Actuarial Report on the Employment Insurance Premium Rate <http://www.osfi-bsif.gc.ca/Eng/Docs/EI2019.pdf>
3. Specifications regarding maximum insurable earnings and weekly benefit calculation can be found at: <https://www.canada.ca/en/services/benefits/ei/ei-sickness/benefit-amount.html>
4. This table is based on a survey of respondents. We assume that claimants continue to follow this distribution. However, there may be new trends that have impacted these distributions, such as the legislative introduction of working while on claims or the age of the workforce, which may underestimate the working lapse.
5. This is based on survey data results provided to ESDC. EI data does not provide any insight into working lapse should there be an extension in the duration of sickness benefits.
6. We assume an implementation year of 2020 onwards. This is chosen given that 2019 premiums and earnings have been determined.
7. Government of Canada EI premium rates and maximums <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/employment-insurance-ei/ei-premium-rates-maximums.html>
8. 2019 Actuarial Report on the Employment Insurance Premium Rate <http://www.osfi-bsif.gc.ca/Eng/Docs/EI2019.pdf>