

*Submission to the Standing Committee on
Human Resources, Social Development and the
Status of Persons with Disabilities (HUMA)*



**CANADA
EMPLOYMENT
INSURANCE
FINANCING BOARD**



MAY 2008



Canadian Teachers' Federation
Fédération canadienne des enseignantes et des enseignants

The Canadian Teachers' Federation (CTF) is the national voice for teachers in Canada on education and related social issues. Our membership includes teacher organizations in every province and territory representing approximately 220,000 teachers across the country.

We appreciate the opportunity to provide this submission to the Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities (HUMA) regarding the formation of the Employment Insurance Financing Board. Employment Insurance provides an important benefit in terms of maternity, adoption and parental benefits, compassionate leave benefits and income protection benefits for teachers who are unable to obtain a permanent contract.

CTF appreciates the attempt to address some of the concerns raised by the Auditor General in terms of the Employment Insurance Account. We do, however, have some serious concerns about the proposed solution.

The proposed legislation requires a transfer of \$2 billion to the corporation to establish a reserve. While we certainly agree that the corporation has a reserve, the proposed transfer falls somewhat short of the estimated 2006-07 reserve and seriously short of the estimated \$54 billion that is owed to the EI program. Canadian employers and employees paid into the Employment Insurance program to provide funds for projected benefits. The CTF agrees with the Auditor General when she states¹ that "Parliament intended the EI program to be run on a break-even basis". If the intent was to spend all of the premium revenue on benefits then the new Financing Board should take into account the balance of the entire reserve when completing its task.

Beyond the fact that the proposed EI Financing Board does not solve the problem identified by the Auditor General, the establishment of the proposed Crown corporation creates two serious problems. The establishment of the Board removes the opportunity for public consultation into the rate setting process and the objects of the Board do nothing to address the long-standing concerns of teachers in regard to their ability to access employment insurance benefits. In fact, division of the responsibility for benefit setting and the responsibility for premium setting to two entities may well serve to further disenfranchise stakeholders.

Public Consultation

Perhaps the most distressing aspect of the proposed legislation is the removal of mandatory public consultation prior to setting the premium rate. The recent history of the Employment Insurance Account and the continued surplus (estimated at \$3 billion for 2006-07²) call for

¹ Fraser, Sheila (2004). Observations of the Auditor General on the Financial Statements of the Government of Canada for the year ended March 31, 2004. Retrieved from the internet, May 12, 2008. http://www.oag-bvg.gc.ca/internet/English/aud_parl_obs_2004_e_17725.html#hd3c

² Savage, Michael. (2008). Evidence Contents - Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities, Thursday, May 1, 2008. Retrieved from the internet May 12, 2008. <http://cmte.parl.gc.ca/cmte/CommitteePublication.aspx?SourceId=238849&Lang=1&PARLSES=392&JNT=0&COM=13190>

more public accountability not less. The government may be held accountable for decisions by the electorate. The same cannot be said for a Crown corporation.

The lack of public consultation is exacerbated by the proposed formation of the Nominating Committee and the Board of Directors. The process for selection places two employer members and one employee member on the Nominating Committee. This may create a situation whereby qualified employee nominees are excluded from consideration.

The requirement that Board members have a certain level of business experience is a good one. We have no concern that there are sufficient employee representatives with the necessary financial acumen to be members of the EI Financing Board. The requirement for the Chief Executive Officer of the Board to have experience as a senior executive is problematic however. Holding a position as a senior executive in the financial or insurance sector is, in our opinion, superfluous to the requirements to be the CEO. There are numerous examples of individuals in various positions who possess the necessary financial and management skills who have not held such positions.

The CTF believes that it is critical to have an equitable and transparent process when addressing issues in the public interest. This process must include adequate opportunity for public consultation prior to decision making. We believe that there should not be barriers to fair representation from the employer and the employee inherent in the process of establishing the Nominating Committee or the Board.

Objects and Powers of the Board

As envisioned in the proposed legislation, the Employment Insurance Financing Board's sole responsibility will be in recommending an EI premium rate that balances with the expenses of the program. The EI account remains in the government's control. Section 66(3) of the proposed Act specifically prohibits the Board from taking "into account the balance of the Employment Insurance Account". The proposed legislation establishes a reserve of \$2 billion dollars transferred to the new corporation. The Board will have responsibility for ensuring that the surplus does not grow by adjusting the premium rate to match the projected benefit expenditure. The Board may not, however, adjust benefits in an attempt to remain revenue neutral.

The proposed Board has no authority to change any provisions of the Employment Insurance program other than to recommend a premium level. The power to plan benefits or operations still rests with the government of the day. The CTF considers the separation of the two sides of the employment insurance financial equation to be ill-conceived.

The separation of benefit levels setting and premium setting prevents a balanced approach to managing the finances of the Employment Insurance program. Good business planning involves examining all of the factors that affect the revenue and the expenditure and making appropriate adjustments as required. By separating these two functions, the Board may not be able to address fundamental problems on the benefit side of the equation.

According to the 2007 Monitoring and Assessment Report³ of the EI Commission, workers in the Educational Services sector received \$764 million in income benefits in 2006-07. Over the same period, the same sector generated \$1.405 billion in premiums. This discrepancy occurs in spite of the fact that current legislation requires the plan to be revenue neutral. The mandate of the proposed Financing Board is to reduce premiums in order to balance the revenue and expenses. Teachers continue to have concerns over benefit levels that could be addressed prior to or along with premium adjustments. These concerns include:

- Current regulations restrict eligibility during the non-teaching period. Teachers not hired on a permanent contract should be eligible to claim benefits when there is no work during the summer months. Teachers should not be treated differently than other workers by disallowing access to benefits during times of the year when no work is available.
- Currently, the number of hours worked required receive benefits is set (in most cases between 420 and 700 insurable hours) based upon the unemployment rate in the region. The problem with this method is that the unemployment rate varies according to sector. For example, an individual in Toronto requires 665 qualifying hours and an individual in Ottawa requires 700 qualifying hours. According to the Ontario College of Teachers⁴, teachers trying to get work in Toronto have a 45% success rate compared to 21% for those trying to get work outside the Greater Toronto Area.
- In many parts of Canada, there are teachers who cannot find permanent employment and/or employers who cannot find teachers with qualifications to meet their curriculum requirements. EI surpluses could be used to implement or broaden programs that would provide temporary or under-employed teachers financial support to obtain additional certification that would assist them in obtaining permanent full-time contracts.

The CTF recommends that the rate setting function and the benefit setting function be integrated so that a holistic approach to benefit management is achieved. One successful example of this approach may be found in the Ontario Teachers' Pension Plan Board. Employer and Employee partners in the program manage both the benefit and the premiums.

³ 2007 Monitoring and Assessment Report. Retrieved from the internet April 28, 2008.
http://www.hrsdc.gc.ca/en/employment/ei/reports/eimar_2007/toc.shtml.

⁴ McIntyre, Frank. (2007). *Transition to Teaching 2007*. Professionally Speaking retrieved from the internet April 28, 2008.
http://www.oct.ca/publications/professionally_speaking/december_2007/transition_english.asp

Statement of Position

It is the position of the Canadian Teachers' Federation that:

1. The establishment of an Employment Insurance Financing Board is ill-conceived and unnecessary.
2. Any reserve established in regard to the Employment Insurance program must include the estimated \$54 billion owed to the program.
3. A mechanism must be established to ensure that rate setting and adjustments to benefits are accomplished in an integrated fashion taking into account public consultation.

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