The Social Insurance We Want:

Three enhancements to Employment Insurance to reduce income inequality, promote income security, and support families

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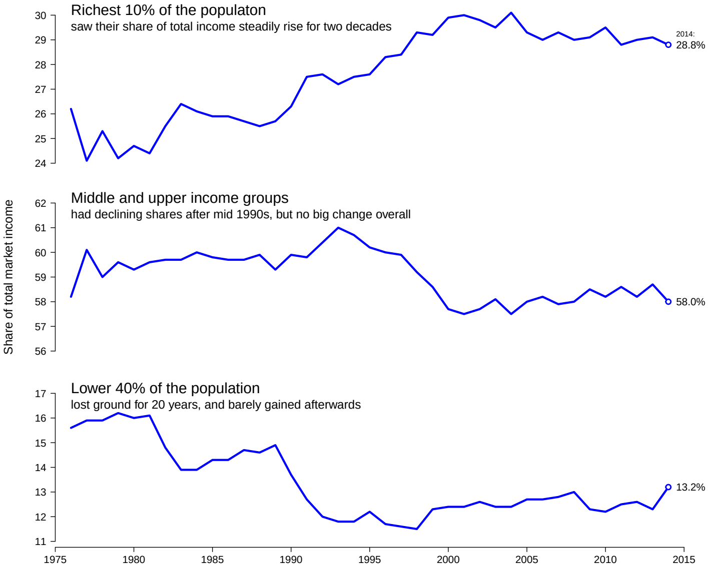
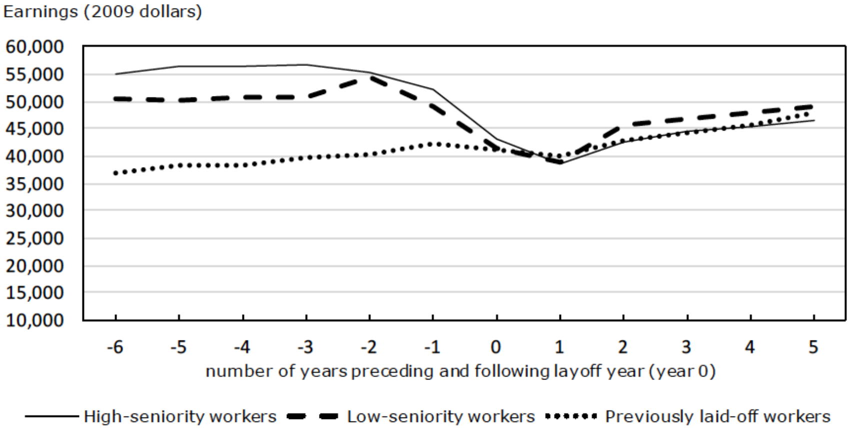
Three pictures to motivate three challenges

The share of total market income going to bottom-income Canadians has fallen

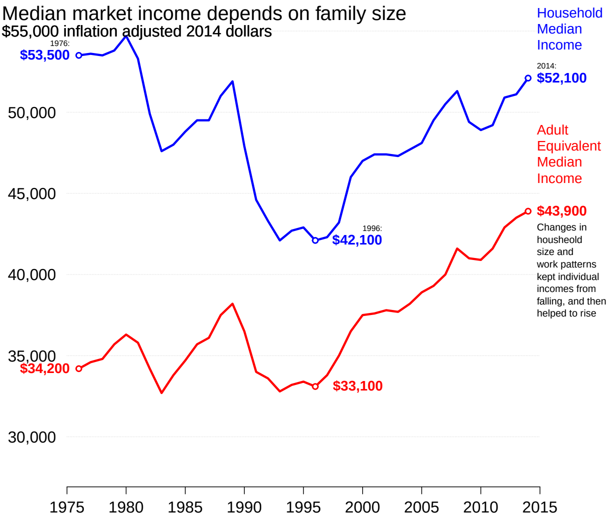


Workers with steady employment suffer significant and long-lasting income losses after a layoff

Earnings declines surrounding layoffs in 2000 to 2003 — Men aged 46 to 55 in 1999



Demographic changes have helped to cushion and support middle incomes, but tilt the family-work balance



The insurance we want offers:

1. income support to low income individuals in the face of more polarized job opportunities, and greater income inequality
2. wage insurance to middle income households to cover the risks of big losses that may have long-term consequences
3. support to all families to cover 'demographic risks', reduce times stress, and enhance non-market activities

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Steady and coherent incrementalism is the way to reform.

- There are precedents in the existing Employment Insurance program that can be enhanced and built upon to more fully offer Canadians the social insurance they need and want

1. Income support to lean against inequality at the bottom

`Working While on Claim` has long been an aspect of the program and currently involves:

- one of two scenarios for those working part-time
  1. a default option with a clawback rate of 50% of benefits for all earnings up to 90% of previous weekly earnings, and then a clawback of 100%
  2. an opt-in option with no clawback for the first 75 \$/week or 40% of benefits (whichever is greater), then a 100% clawback of benefits for each additional dollar earned
- for those working full-time all benefit payments are suspended, but there is no reduction in total weeks payable

1. Income support to lean against inequality at the bottom

Working While on Claim has been evolving since 2005 through a series of "pilot" projects, one that currently runs from August 7th 2016 to August 11th 2018, with anticipation that it will be made permanent

- *Enhance Working While on Claim and integrate it seamlessly with the Working Income Tax Benefit to offer steady and increased income support to lower income Canadians in a way that mimics some versions of a Basic Income*

2. Wage Insurance to smooth the transition to lower income

`Work Sharing` is another example of ‘working while on claim’ and involves:

- an agreement between employers, employees, and the government that moves workers to a part-time status, cutting their hours from one to three days a week
- employees are eligible to collect regular benefits without having to serve the standard two-week waiting period for a maximum of 38 weeks

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The Employment Insurance program is being used to temporarily top-up the incomes of employed individuals

- Workers are in effect being asked to accept a "different"—lower-paying—job, albeit temporarily with the same employer and with the fall in their income being associated with fewer hours

2. Wage Insurance to smooth the transition to lower income

Wage insurance is similar in spirit, and currently proposed by the `Obama administration` in a modest way, a proposal in part motivated by a Canadian evaluation run by the `Social Reseach and Demonstration Corporation`

- *Introduce a new category of benefits that would top up weekly earnings with the intent of maintaining average earnings during the previous five years*
  - *an eligibility rule requiring five years of uninterrupted employment, no reliance on regular benefits, and conditional on being employed after a permanent lay-off*
  - *benefit rate based on the shortfall between current annual income and the average income of five previous years, with a maximum benefit duration of five years*
  - *divert funding from the Labour Market Development Agreements*

3. Individual accounts to fully cover 'demographic risks'

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- maternity and parental
- sickness
- compassionate care
- critically ill children benefits

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Amounting to $4,950 million in 2014/15, or just under one-third of what is paid in regular benefits, but

- covering only the most extreme contingencies of family life, and not addressing time stress and work-family balance
- not giving Canadians sovereignty over the use of their contributions, particularly since those quitting a job are disqualified

3. Individual accounts to fully cover 'demographic risks'

Both savings and insurance are needed to deal with the challenges of family life, much in the way that public pensions are used

- *Create individual accounts over which individuals have sovereignty*
  - *individual contributions based upon any kind of employment would be used to build up their own accounts to cover demographic risks*
  - *the maximum insurable earnings could be raised, and the federal government would make a base contribution targeted in a way similar to Old Age Security Benefits*
  - *accounts could be used for whatever purpose: contingencies associated with sickness and care of family, decisions associated with child birth, time-off to reduce the stress of work-life balance or simply to engage in more meaningful personal activities*
  - *surplus at the end of a working life would be converted to a retirement income fund*

Three policies to meet three challenges

Inequality is on the rise and a more polarized labour market is associated with greater income insecurity, and new challenges for family life. There are precedents in our Employment Insurance program that could be built upon to give us the social insurance we want

- income support to lean against inequality at the bottom
- wage insurance to smooth the transition to lower income
- individual accounts to fully cover 'demographic risks'