

**Statement
by the
Canadian Labour Congress
to the
House of Commons Standing Committee on
Human Resources, Skills and Social
Development and the Status of Persons with
Disabilities Regarding Bill C-56, Employment
Insurance Special Benefits for
Self-Employed Workers**

November 24, 2009



Canadian Labour Congress

Congrès du travail du Canada

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Introduction

On behalf of the 3.2 million members of the Canadian Labour Congress (CLC), we want to thank you for affording us the opportunity to present our views. The CLC brings together Canada's national and international unions along with the provincial and territorial federations of labour and 130 district labour councils whose members work in virtually all sectors of the Canadian economy, in all occupations, in all parts of Canada.

Employment Insurance

The CLC has long supported the provision of special benefits (maternity/parental/adoption, sickness, and compassionate care benefits) through the Employment Insurance program. Such benefits are, as the Supreme Court has recognized, a legitimate extension of the original purposes of an unemployment insurance program, providing temporary replacement of wages during an absence from work. Before the recession, special benefits amounted to almost \$4 billion per year or almost one-third of all EI benefits. They now make up an important part of the Canadian income security system.

Maternity/parental benefits allow working parents, especially women, to better balance the demands of work and family care, helping equalize labour market outcomes between

women and men while also contributing in a central way to the well-being of very young children. Compassionate care benefits similarly allow workers a short period of leave to care for close relatives. Sickness benefits provide an important income cushion to cover an involuntary absence from work of up to 15 weeks.

The CLC welcomed a major expansion of maternity/parental benefits in 2001, when parental benefits were increased from 10 to 35 weeks, bringing the total leave period up to one year (counting the two-week waiting period). At the same time, the entrance requirement for such benefits was lowered to 600 hours. Provinces have legislated to provide job-protected leave in line with the higher benefit period, resulting in a significant increase in usage of the program. In recent years, over 80% of mothers with paid jobs in the year before the birth of a child have received maternity/parental benefits, and the median leave period (half take more, half take less) is about 10 months.

Given the fact that a significant and rising proportion of all labour force participants, not least women, are self-employed, and that the trend to self-employment may continue, it is important that self-employed workers be given access to many of the same protections and rights provided to employees where this is feasible and appropriate. An estimated 5% of all new mothers are self-employed, and we believe that it is both fair and feasible to provide access to maternity and parental benefits comparable to those of employees.

We strongly support the principle of extending maternity/parental benefits to self-employed workers. But this must be done in a manner which is consistent with the basic principles of a social insurance program. A basic principle of social

insurance is that participation is mandatory so that costs are pooled across the workforce. If participation in sickness benefits was voluntary, one might expect that younger workers would be less likely to sign up than older workers. If participation in maternity/parental benefits was voluntary, one might expect that, unfortunately, fewer men would sign up, since some 90% of benefits are currently paid to women.

The labour movement welcomed the introduction of the Quebec Parental Insurance Program (QPIP) in 2006 as a progressive step forward which greatly improved access to and the level of maternity/parental benefits for all Quebec workers, and also extended these benefits to the self-employed.

In our view, Bill C-56 falls well short of the Quebec model. It does not improve access to or the level of maternity/parental benefits for employees. And it extends coverage to self-employed workers in a different and inferior way.

Under the QPIP, all self-employed workers must pay into the program. Coverage is mandatory, as it is for employees. And the premiums paid by the self-employed in Quebec are set in such a way as to cover the full cost of the benefits provided to the self-employed.

By contrast, Bill C-56 will allow self-employed workers to choose if they wish to be covered by opting and paying premiums for one year before claiming a benefit. Further, the premium – set to equal the employee premium – will not and is not designed to cover the cost of benefits. (Self-employed workers who choose to participate will pay 1.73% of covered income from self-employment

for special benefits, the same as the rate employees currently pay to cover the cost of both regular and special benefits.)

Our major concern is that providing special benefits to the self-employed in this way will prove costly, and could well result in a significant increase of premiums for employees and employers to cross subsidize benefits paid to the self-employed. This could, in turn, undermine broad support for EI special benefits, especially given that EI premiums are likely to rise very rapidly after 2010 to cover the cost of regular benefits during the recession. (The EI Fund will run a deficit of over \$10 billion in the years 2009 and 2010 combined, about 80% of which will be repaid from future premiums under current legislation.)

To a considerable degree, having a child is a planned event. We can expect that many younger families planning to have children will opt into the new program. It can be estimated that it would take over 20 years of premium payments for a single self-employed worker to cover the present day cost of 50 weeks of combined maternity/parental benefits at the maximum rate after paying in premiums for the required one year in advance. We can also expect that many self-employed workers, particularly older workers and men, will likely not opt to participate given that the premium cost is quite high in relation to the level of sickness benefits. In summary, there is a legitimate concern that those who choose to participate will not cover the costs of their participation.

We recommend that Bill C-56 be passed, but that the government immediately appoint the panel of experts promised in the 2009 Budget.

The panel should be mandated to design a program of maternity/parental benefits for self-employed workers based on social insurance principles, with close reference to the successful example of the QPIP. The panel should also consider how to provide sickness benefits to the self-employed, and how this might impact upon access to sickness benefits for employees.

With reference to the broad issue of providing special benefits to the self-employed, we have noted on many occasions, including through the ongoing review of Part III of the *Canada Labour Code*, that many supposedly self-employed workers are, in legal reality, employees who deserve the protections of employee status, including EI coverage. We endorse the key recommendation of the Arthurs Commission that every person be given formal notification of their employment status when entering into an employment relationship, such that dependent contractors – those who are sometimes considered to be self-employed but really work on a regular and continuing basis under the close direction of a specific employer – are covered by the EI program as employees.

As noted, the QPIP not only extended coverage to the self-employed, it also improved maternity/parental benefits for employees. The CLC supports lowering the entrance requirement from 600 to 360 hours, and benefits should be paid out on the basis of 60% of insured earnings over the best previous 12 weeks. The former change would bring more workers (indeed more women than will be brought in by extending coverage to the self-employed). The latter change would encourage more mothers and parents to take up the full duration of a leave entitlement.

In both cases, these significant improvements would match those which we have proposed for regular benefits.

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Changes also need to be made to the program to ensure that receipt of maternity/parental benefits does not reduce or eliminate regular EI benefit entitlements as happens now if a layoff occurs soon after a return from parental leave, and vice versa, when a worker is laid off prior to parental leave.

This document is respectfully submitted on behalf of the Canadian Labour Congress:



Kenneth V. Georgetti
President

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