



Office of the President and
Chief Executive Officer

Cabinet du président
et chef de la direction

July 23, 2009

The Honourable Diane Finley, P.C., M.P.
Minister of Human Resources and Social Development
Department of Human Resources and Social Development
Place du Portage
Phase IV, 14th Floor
140 Promenade du Portage
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Gatineau, QC
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Dear Minister:

I am writing to congratulate you, and your colleagues on your appointment to the Employment Insurance (EI) Working Group. We are anxious to assist in every way we can as you work over the summer to develop proposals for EI eligibility reform.

As the national leader in public policy advocacy on business issues, and with a network of 175,000 businesses, the mission of the Canadian Chamber of Commerce is to foster a strong, competitive and favourable economic environment that enables private enterprise and Canadians to prosper. The cornerstone for sustainable economic prosperity and competitiveness is sound public policies – including tax policies – that stimulate innovation and job creation, and promote and enhance flexibility so that our economy and small-to-large businesses can readily adjust and adapt to changing circumstances now and in the future. For this reason, the Canadian Chamber has been a strong voice urging reforms to Canada's EI Program.

Canadian businesses of all sizes paid almost \$10 billion in EI premiums in fiscal 2008-09 and, therefore, have a stake in the EI Program. Changes could potentially result in substantially higher costs for businesses (once premiums are unfrozen) dampening hiring decisions and compounding job losses as the economy recovers. These costs are ultimately passed on to employees in the form of lower wages, taking a bite out of personal disposable income and consumer spending.

We are pleased to provide you with a copy of our report "Reforming Canada's Employment Insurance Program" which details our recommendations. We wish to highlight our proposals with respect to changing eligibility requirements to ensure regional fairness, and our thoughts on providing self-employed Canadians access to EI.

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Re: Eligibility Requirements

The regional unfairness of the EI system has been well documented. Where benefits are less accessible, Canadians who lose their jobs are unfairly treated. When they are more accessible, they discourage labour market adjustment (i.e. upgrading of one's skills and relocating to where the jobs may be).

The Canadian Chamber recommends that the Government adopt a 560-hour eligibility threshold in all economic regions with an unemployment rate of 10 percent or less. Duration of benefits would be standardized based on the 560-hour criteria. This measure would cost about \$500 million annually (about \$250 million to expand eligibility, and \$250 million to equalize duration).

In our view, moving to a national standard of 360 or 420 hours of work as the basis for qualifying for EI would have substantial adverse impact on Canada's labour market – it would discourage work, increase structural unemployment, exacerbate skills and labour shortages, and stifle productivity. It would be detrimental to Canada's long-term economic performance. It would also cost \$800 million to \$1 billion per year, adding significantly to the cost of the Program.

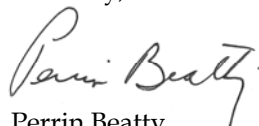
Re: Providing the Self-Employed Access to EI

Extending EI benefits to the self-employed appears to contradict the original intent of the EI Program – to provide insurance coverage against temporary unemployment through no fault of the individual worker. Program administrators would face the challenge of distinguishing between involuntary and voluntary unemployment among self-employed workers.

In our report we provide further details and offer a number of other recommendations to remodel Canada's EI System so it encourages work, job creation and labour force mobility. If implemented in their entirety, our proposals would streamline the EI Program, rejuvenate its insurance role, and reduce overall employment costs. The competitiveness of our nation and that of Canadian business would be enhanced.

We wish you every success in your work.

Sincerely,



Perrin Beatty