

August 28, 2022

Sent via e-mail.

The Honourable Chrystia Freeland
Minister of Finance and Deputy Prime Minister
Finance Canada
90 Elgin, Ottawa, Ontario K1A 0G5

The Honourable Randy Boissonnault
Minister of Employment, Workforce Development and Official Languages
140 Promenade du Portage
Gatineau, Québec K1A 0J9

Subject: Do not increase EI premiums

Dear Minister Freeland and Minister Boissonnault,

We are writing on behalf of 97,000 small- and medium-sized enterprises (SMEs) who are members of the Canadian Federation of Independent Business (CFIB) to **ask that the Employment Insurance (EI) premium rates be maintained at their current level, as projected in the most recent budget.**

About 50% of small businesses are still making less than their normal pre pandemic revenues. Many businesses are still dealing with pandemic related debt, higher debt charges, inflation, labour shortages, supply chain disruptions and softening domestic demand. Now is not the time to increase government payroll taxes, such as EI premiums.

We had welcomed the projection contained in Budget 2023 that seem to indicate that no future premium rate increases would be required if employment rates remained strong. However, despite employment rates remaining strong, recent media coverage has alluded to a forthcoming EI premium rate increase in part to recover the deficit accrued by the plan because of the extraordinary measures introduced during the pandemic and greater call volumes. If this is true, it would be unfortunate and would be another hit to small businesses finances.

We would also note that increasing premium rates will take even more money out of employees' pockets and add to the cost of doing business for employers. This additional cost of doing business would figure into employers' future wage and price plans. All in all, it would make the life of Canadians even less affordable. While we understand that some may be tempted to say, it is just a drop in the bucket, there

have been many drops in that proverbial bucket in recent years, from carbon pricing to premium rate increases. It is time that government policies stop driving costs up for individuals and businesses.

The current EI account's deficit is not the fault of employees and employers. It happened because of COVID-19. Businesses were ordered to close their doors for the good of the country as a whole. While we appreciate that the Government credited the EI Operating Account for some costs related to the pandemic, this commitment has fallen short from covering all related expenses incurred by the plan. **We recommend that the current EI deficit related to the pandemic be paid in full by the federal government through general revenues.**

We would note that EI premium rates have been frozen during recent economic downturns before (2008/2009 and 2021-2022) to ensure that rates did not increase at the worst possible time. **CFIB recommends that EI premium rates be frozen once again for 2024**, even if actuaries suggest it should be increased.

The government should also consider introducing a permanent Small Business Job Credit, similar to the one that was in place in 2015 and 2016, which lowered EI premium for smaller employers. The EI premium credit would effectively lower a small employer's EI premium rate from 1.4 times the rate of the employee to the same rate as paid by the employee. Eligibility could be based on:

- Eligibility for the small business deduction;
- Paying and/or deducting and remitting EI premiums; and,
- Payroll size (e.g., total amount of employer EI premiums paid is \$20,000 or less).

If you have any questions or would like to meet to discuss this further, please feel free to contact us at our Ottawa office at 613-235-2373 or via email at jasmin.guennette@cfib.ca.

Sincerely,



Corinne Pohlmann
Executive Vice President, Advocacy



Jasmin Guénette
Vice President, National Affairs



Christina Santini
Director, National Affairs

Cc. The Right Honourable Justin Trudeau, Prime Minister of Canada
The Honourable Rechie Valdez, Minister Small Business
The Honourable Francois-Philippe Champagne, Minister of Innovation, Science and Industry
Nancy Healey, Commissioner for Employers