

Insuring Employment

SME Perspectives on the Employment Insurance System

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The federal government has announced that it will review and modify aspects of the current Employment Insurance (EI) system in the near future. Considering that small- and medium-sized enterprise (SME) owners are a major contributor to the system, and that either they themselves or their employees may have to rely on the system, it is critical that the SME perspective on the effectiveness of EI is assessed. Given recent uncertain economic times, it is now more important than ever to ensure that the EI system remains a high-quality, low-cost service available to Canadians without becoming a disincentive to employment.

Introduction

The Employment Insurance system is a key component of a healthy Canadian labour market. Every year, many Canadians rely on the system to provide temporary support through periods of unemployment and increase skills through training. The current federal government is planning to modify aspects of the EI system. In addition, federal budget 2016 proposed to invest \$92 million to improve the administration of the EI program and announced a number of changes to EI benefits.¹ As key contributors to the EI system, this report aims to provide the SME perspective and hopes the results will help inform policymakers in their efforts to reform EI.

Canada's employers are key stakeholders in the EI program, remitting nearly \$24 billion in EI premiums to the Federal Government annually.² SMEs have a unique

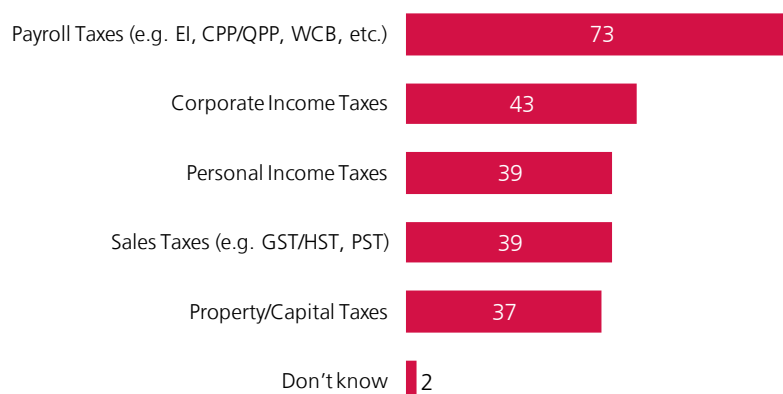
¹ Government of Canada, "Consulting with Canadians - Employment Insurance Service Quality Review", http://www.esdc.gc.ca/en/consultations/ei/service_quality_review.page (accessed, June 3, 2016).

² Government of Canada, "2015 Actuarial Report on the Employment Insurance Premium Rate" <http://www.osfi-bsif.gc.ca/Eng/Docs/EI2015.pdf> (accessed, July 20, 2016).

relationship with the EI system. In particular, they collectively provide employment for more than 10 million Canadians, representing 90 per cent of private sector employment in the country.³ In addition to being important job creators, Canada's small- and medium-sized employers contribute 1.4 times more to the EI system than employees, making them the major contributor to the system. In effect, the premiums paid by employers are a tax on payroll that must be remitted regardless of their profitability. When asked to rate which forms of taxation affect the growth of the business the most, 73 per cent of SMEs point to payroll taxes, such as EI (see Figure 1). SMEs are more labour intensive when compared to larger businesses therefore payroll tax increases have larger impacts on smaller businesses.

Figure 1

Which forms of taxation affect the growth of your business the most? (% response)



Source: CFIB, 2015 Federal Budget and Elections Survey, 6,876 responses, October-November 2014.

Note: Respondents could select as many answers as apply.

As such, feedback from SMEs on the EI system is very important and must be carefully taken into consideration by policy-makers before any major reforms are put in place. This report will offer the SME perspective on the current EI system as well as feedback on proposals for upcoming changes. To learn about the SME perspective on the EI system, CFIB conducted a national survey of business owners from March to April of 2016 that collected 7,880 responses, making the national results accurate within +/- 1.1 per cent 19 times out of 20 (See Appendix for a copy of the survey).

SMEs as employers

While the staff levels of most (61 per cent) small businesses do not vary from season to season (non-seasonal business),⁴ approximately one third (35 per cent) of respondents indicate that staff levels vary from season to season (seasonal

³ Industry Canada, *Key Small Business Statistics*, June 2016, http://www.ic.gc.ca/eic/site/061.nsf/eng/h_03018.html (accessed, July 25, 2016).

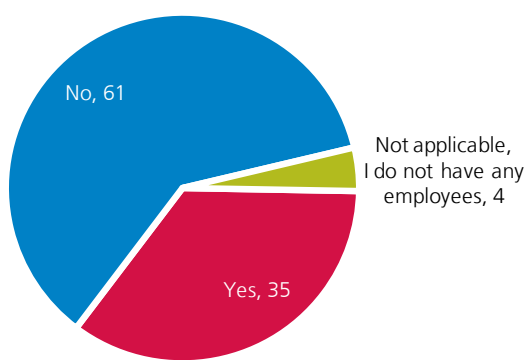
⁴ For the purposes of this report, businesses whose staff levels do not vary from season to season are referred to as "non-seasonal" businesses.

business)⁵ (see Figure 2a). The industry sectors with the highest percentage of these types of seasonal businesses include agriculture (64 per cent), construction (58 per cent), and hospitality (57 per cent) (see Figure 2b). Businesses with more seasonal hiring patterns are more likely to exist in certain regions—50 per cent in Newfoundland and Labrador, 45 per cent in Prince Edward Island and 42 per cent in Quebec and New Brunswick (see Appendix Table A1). Business seasonality and the related fluctuations in employment show that there will likely be demands placed on the EI system at given points in the year, resulting in some Canadian workers looking to EI to support them during periods of slow employment.

Figure 2

Does the number of employees in your business vary from season to season? (% response)

a. Aggregate



b. Seasonal businesses, by industry



⁵ For the purposes of this report, businesses whose staff levels vary from season to season are referred to as “seasonal” businesses.

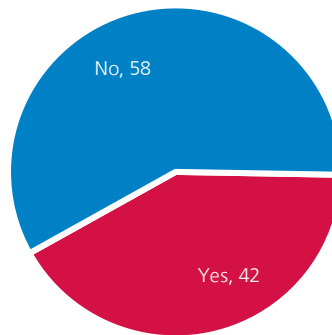
“We are a seasonal employer and during our busy time I would estimate that 50% of the surrounding communities are on EI, yet we struggle to hire enough people to fill all of our positions. I believe the EI system is there to help people through times of low or no employment, not to be used as a pension.”

- Fishing business owner, Nova Scotia

In addition to the fluctuations of employment among seasonal businesses, 42 per cent of small business owners say that they have had to lay-off or terminate employees in the last year (see Figure 3). While a number of these individuals immediately re-enter the workforce in some other capacity, there are many others who may rely on EI benefits until they are employed again. Across the provinces, 55 per cent of small business owners in Alberta and 48 per cent in Newfoundland and Labrador have had to lay-off or terminate employees in the last year (See Appendix Table A2). These results are likely due to the exceptionally difficult year natural resource producing regions such as Alberta and Newfoundland and Labrador have had, as a result of fluctuations in the price of oil.

Figure 3

**In the past year, has your business laid-off or terminated any employees?
(% response)**



Note: Respondents were invited to exclude lay-offs or terminations due to the seasonal nature of their business.

The impact of EI on labour shortages

CFIB research from 2014 has shown that 67 per cent of business owners said they have had difficulty hiring employees during the previous three years.⁶ To help attract and retain workers, employers have taken a number of steps including expanding recruitment efforts beyond their own region, increasing wages, adding flexibility in the workplace and introducing or expanding employee benefits.⁷ However, despite their hiring efforts, business owners often find themselves competing with the EI program in convincing people to join the workforce. In fact, 17 per cent of small

⁶ CFIB, *Taking the Temporary out of the TFW Program*, December 2014.

⁷ Ibid.

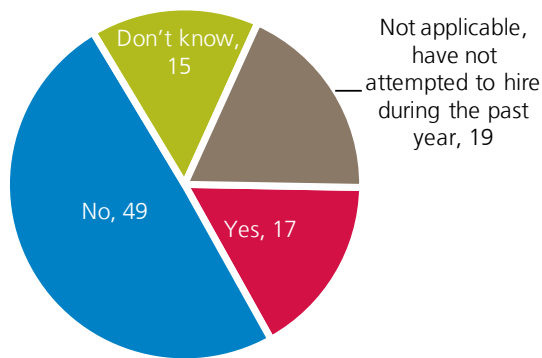
business owners say they have had difficulty hiring because they suspect the candidate would rather collect EI benefits (see Figure 4a).

The issue of EI acting as a replacement for employment is twice as likely to be the case among seasonal businesses. About 25 per cent of seasonal businesses experience difficulty hiring people because they suspect the candidate would rather collect EI benefits, compared to 12 per cent for non-seasonal businesses (See Figure 4b).

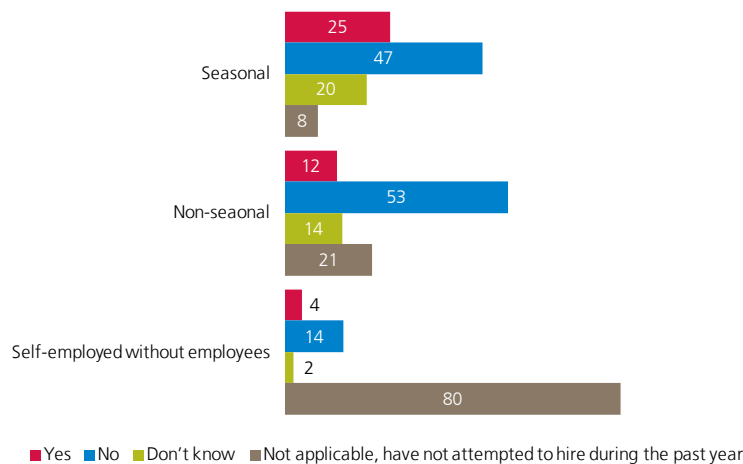
Figure 4

During the past year, did your business have any difficulty hiring people because you suspect they would rather collect EI benefits? (% response)

a. Aggregate



b. By business seasonality⁸



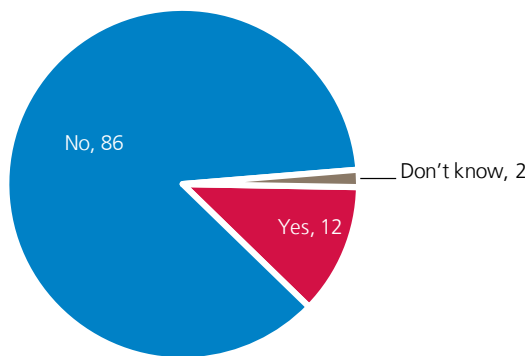
⁸ Going forward for figures in this report: the term “Seasonal” is based on respondents that selected “Yes” to the question “Does the number of employees in your business vary from season to season?”; the term “Non-seasonal” is based respondents that selected “No”; the term “Self-employed without employees” is based respondents that selected “Not applicable, I do not have any employees”.

With regards to employees asking to be laid-off to collect EI benefits, 12 per cent of business owners say employees have asked to be laid-off in order to collect EI benefits (see Figure 5a). In terms of business seasonality, a greater proportion of seasonal businesses than non-seasonal businesses indicate that this is an issue: 18 per cent of seasonal businesses compared to 9 per cent for non-seasonal businesses (see Figure 5b). These results reveal that seasonal small business owners may be facing a somewhat different reality when it comes to their use of the EI system.

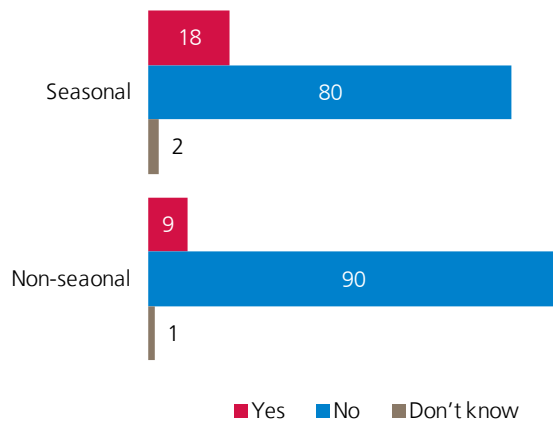
Figure 5

During the past year, have any employees asked you to lay them off so that they can collect EI benefits? (% response)

a. Aggregate



b. By business seasonality



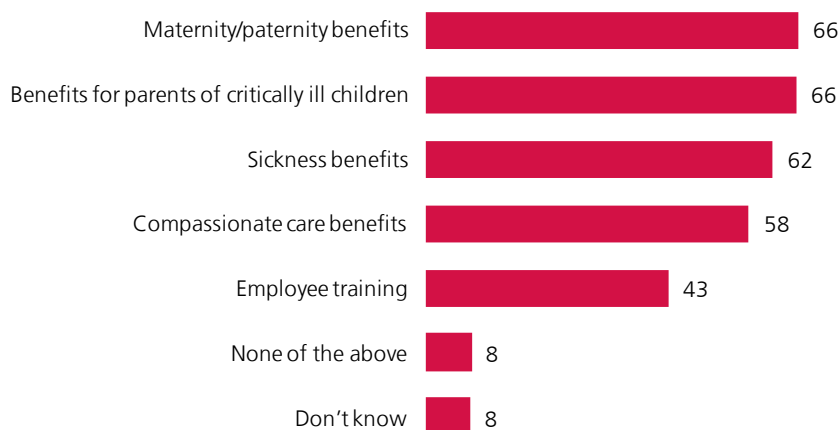
SMEs' views on current EI system

Overall, small business owners are very supportive of the role of Employment Insurance in Canada. For instance, 66 per cent of small business owners believe that both maternity/paternity benefits and benefits for critically ill children should be financed through the EI fund (see Figure 6). Support is also shown for sickness benefits and compassionate care benefits—62 per cent and 58 per cent respectively.

Employee training is the only aspect with less than half of small business support, at 43 per cent.

Figure 6

Which of the following special benefits should be financed through the EI fund? (% response)



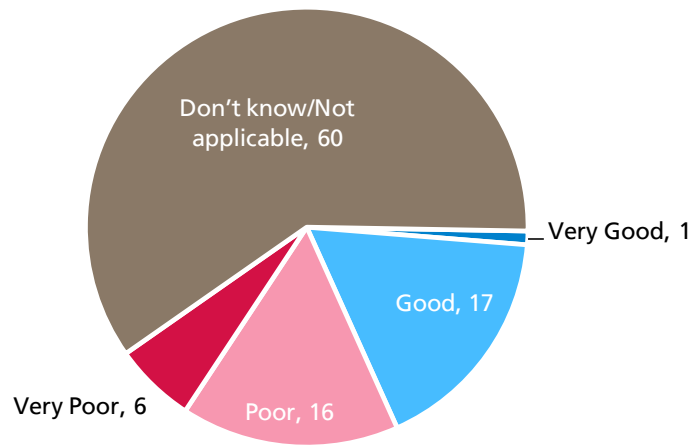
Note: Respondents could select as many answers as apply.

While less than half of small business owners support financing employee training through the EI fund, CFIB research shows small business owners are strong supporters of the value of employee training. In fact, 91 per cent of business owners agree that training their employees is an important investment for their business.⁹ The Government of Canada has a number of training services or programs available to employers to help enhance job-related skills. Some of these programs can provide very useful support to SMEs looking to rehire or train staff through the EI system. However, small business owners often provide on-the-job, informal types of training that is not recognized by government support. As such, the level of support for employee training by small business owners likely reflects the lack of recognition of training provided by SMEs. When it comes to the quality of training programs offered by EI, nearly 22 per cent of business owners perceive them to be either very poor or poor, while another 60 per cent do not know or have not dealt with training programs (see Figure 7).

⁹ CFIB, *Small Business, Big Investment: Improving Training for Tomorrow's Workforce*, August 2015.

Figure 7

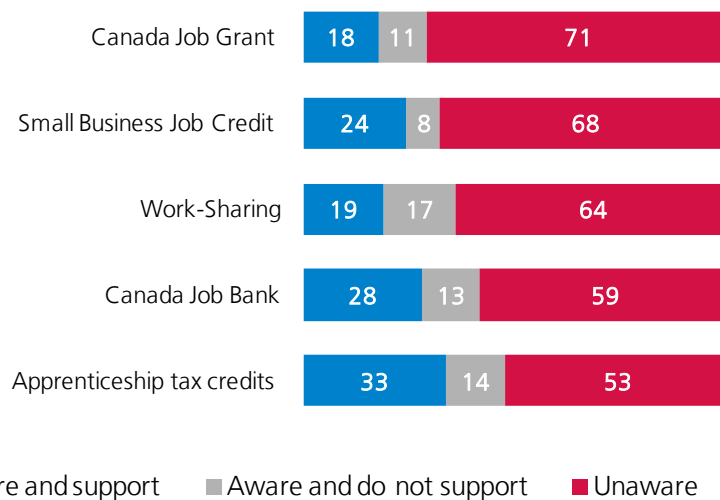
Rating of the quality of EI employee training programs (% response)



Business owners' sentiments about employee training is further highlighted by the business owner's lack of awareness of EI training programs or services: 71 per cent are unaware of the Canada Job Grant; 68 per cent are unaware of Small Business Job Credit; 64 are per cent unaware of the Work-Sharing Program; 59 per cent are unaware of the Canada Job Bank; and 53 per cent are unaware of apprenticeship tax credits¹⁰ (see Figure 8).

Figure 8

Please indicate your level of awareness and support for the following EI training services or programs (% response)



¹⁰ Apprenticeship tax credits do not apply to all industries. Please see table A3 in Appendix for results by industry.

Increased awareness of such programs could go a long way in providing much needed support to employers and their employees. For example, the Work-Sharing Program is a particularly useful tool designed to help employers and employees avoid lay-offs when there is a temporary reduction in the normal level of business activity that is beyond the control of the employer.

“Make training and grant opportunities better known to employers.”

- Building contracting business owner, Ontario

As mentioned previously, small business owners likely feel that existing government training initiatives usually do not align with their needs, and many may perceive little value in finding out more about them. There is much that can be done to improve the level of awareness of EI training services or programs including better communication from Service Canada to small business owners and their employees. In previous research¹¹, CFIB made a number of recommendations on how improvements can be made to training programs, including:

- Government training investments must recognize the realities of running a small business;
- Ensure government training investments match the skills training employers need, and;
- Recognize informal training to better support the training efforts of small- and medium-sized businesses.

SME perspectives on EI customer service

Customer service is a large component of the EI system. Business owners need to be able to find the information they need in a simple and timely manner. Overall, Service Canada—which provides customer service for the EI system—can do more to meet the expectations of their small business clients.

The greatest need for improvements to Service Canada’s customer service is when it comes to the readability and simplicity of information provided by Service Canada. In particular, 27 per cent of business owners rated this aspect of customer service as either poor or very poor. This is especially important as small business owners and their employees need to be able to rely on the information received from Service Canada in order to make important decisions regarding their EI status.

When asked to rate Service Canada on the promptness of responses, nearly a quarter (24 per cent) rated this aspect as either poor or very poor and another 22 per cent believe the availability of information is either poor or very poor.

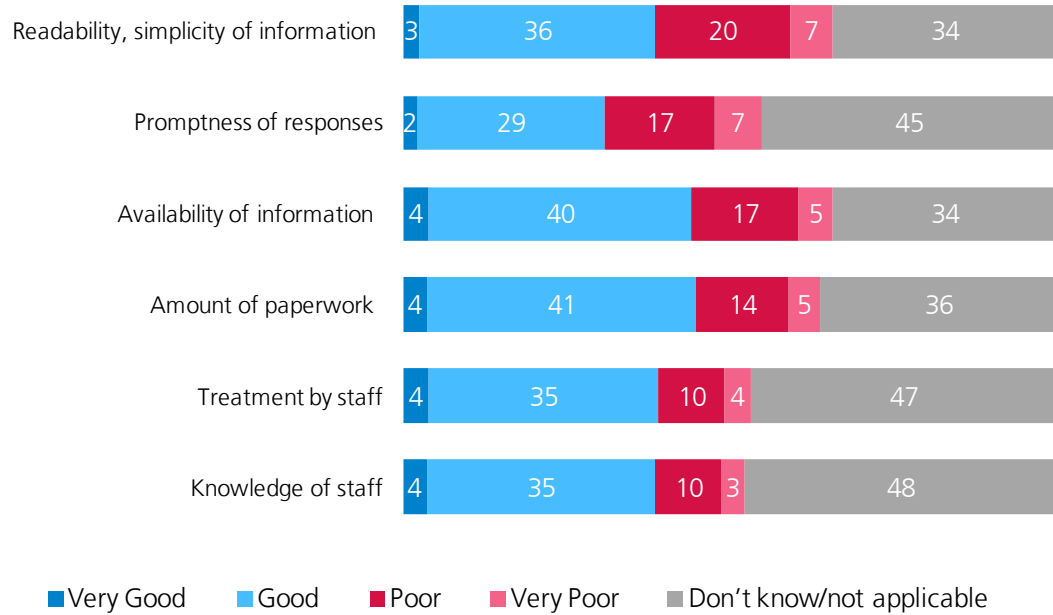
With regards to the amount of paperwork, employment insurance is not exempt from its share of red tape. This is highlighted by the fact that 19 per cent of our members rated this aspect as poor or very poor. When asked to rate Service Canada

¹¹ CFIB, *Small Business, Big Investment: Improving Training for Tomorrow’s Workforce*, 2015.

staff, 14 per cent and 13 per cent of business owners rated the treatment and knowledge of staff as either poor or very poor, respectively. While a higher proportion of respondents rated these customer service related aspects as good or very good, it is important that Service Canada continue to work on making improvements to service quality as to ensure it is meeting the needs of small business owners and their employees (see Figure 9).

Figure 9

How do you rate Service Canada (customer service for the EI program) on the following related to EI? (% response)



To help alleviate some of the burden, the administrative and paperwork requirements associated with EI can be improved. An example of where possible improvements can be made is related to the compliance burden associated with the completion and submission of a Record of Employment (ROE) form to Service Canada. According to the Canadian Payroll Association, every year, it is understood that business owners complete 9 million ROEs for their employees; but of this number approximately 8 million ROEs (89 per cent) are never used for EI claims.¹² Therefore, CFIB believes the current ROE requirements are excessive, unnecessary and place a heavy compliance burden on employers and government alike.

CFIB recommends that the federal government change administration requirements further so that employers can use current payroll data to eliminate the administratively burdensome process of manipulating weekly EI data. CFIB also recommends that Service Canada ensure that call centre agents and front line staff are properly trained. This requires that they possess the necessary tools to respond to the needs of small business owners in a timely fashion. In addition, the

¹² 2014 internal data from the Canadian Payroll Association. In 2015 the number of ROEs that are unused is estimated at 6 million.

administrative burden associated with EI compliance must be carefully taken into account. Improvements should be made, where possible, to ensure that employers and their employees are receiving the quality of service to which they are entitled.

To help illustrate SMEs' views on customer service, a few examples of comments from CFIB's survey with business owners are included below:

Table 1

Business owners' comments

Wait times for EI approval are terrible, inability to be able to reach and speak to Service Canada employees for help (i.e., being on hold for up to 45 minutes and then receiving a recorded message saying call volumes are too high and being disconnected). If much smaller companies are able to institute a "leave your number and we'll call you back in order" type of system, surely an organization like Service Canada could have the same service.

(Management consulting business owner, Alberta)

It is utterly frustrating dealing with anyone from EI regarding an ROE. Dealing with anyone from Revenue Canada or Employment Canada is a real struggle and takes four times longer than it should [...]. [Service Canada] should train its own employees better ... This would make it run better and save the government a whole lot of money!

(Meat processing business owner, Manitoba)

I would like less paper work for my company to do for my employees, time is money.

(Specialty contracting business owner, New Brunswick)

The online Record of Employment site was an awful process to go through, eliminating the paper forms for electronic forms. It took too long to complete (months) and the instructions were not easy to understand and the help line was always busy.

(Food services business owner, B.C.)

Easier access to information and assistance. It shouldn't be necessary for an employee to phone for days on end and spend hours on hold (if they get through at all) before they can speak to a person.

(Manufacturing business owner, B.C.)

I've called the [call centre] office many times and have not been often successful in getting to speak with anyone. I'd revamp the call line.

(Retail business owner, Yukon)

I would like to know how to take advantage of hiring programs to offset the cost of training a new employee. It takes time to increase production to pay for another employee. I wish information was more readily available.

(Retail business owner, Yukon)

The government paperwork is a burden on small business. The collections of employee taxes and EI moneys is their own responsibility, they should do it themselves.
(*Personal services business owner, Alberta*)

Service Canada employees seem to be too busy to answer questions in detail sometimes. Almost like they are afraid to give out too much information
(*Landscaping business owner, Ontario*)

It would be good for employers to be informed about the different programs available to them such as the work sharing program.
(*Agricultural production business owner, Quebec*)

SME perspectives on EI reform

Small business views on previous aspects of EI

The previous federal government introduced several changes to the EI system starting in 2012 that were reversed as part of the current federal government's 2016 budget.

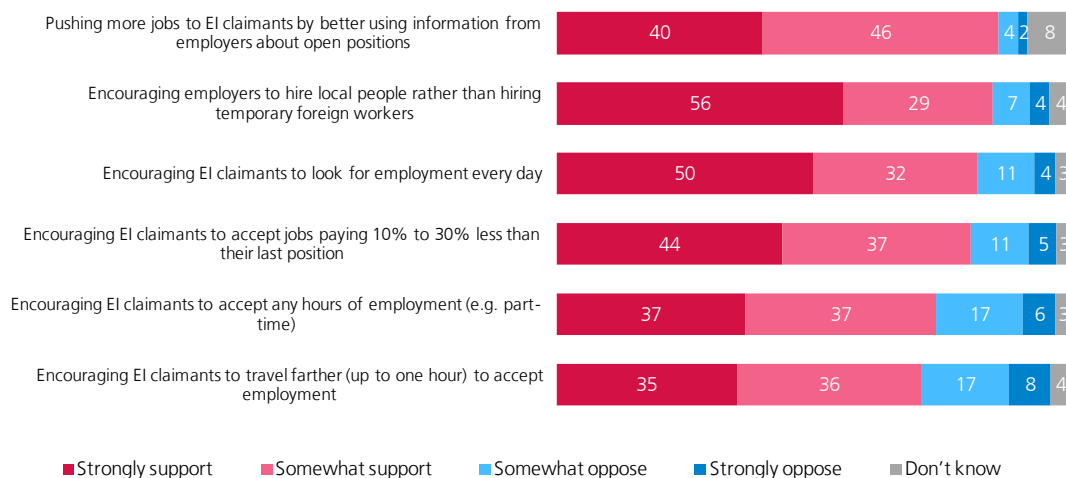
There are, however, a number of aspects from 2012 that are supported by small business owners. For instance, results show that 86 per cent of business owners support pushing more jobs to EI claimants by better using information from employers about open positions; 85 per cent either somewhat or strongly support encouraging employers to hire local people rather than hiring temporary foreign workers; 82 per cent either somewhat or strongly support encouraging EI claimants to look for work every day; 81 per cent either somewhat or strongly support encouraging EI claimants to accept jobs paying 10 to 30 per cent less than their last position; 74 per cent either somewhat or strongly support encouraging EI claimants to accept any hours of employment (e.g. part-time); and 71 per cent either strongly or somewhat support encouraging EI claimants to travel farther (up to one hour) to accept employment (see Figure 10).

With regards to encouraging employers to hire local people rather than hiring temporary foreign workers, small business owners always look to hire Canadian workers first and turn to foreign labour only in the event that there are absolutely no Canadian workers available to fill open positions.¹³ However, in the event that an employer is simply unable to find qualified Canadian workers to fill an available position, employers should have access to a program to hire a foreign worker as a last resort.

¹³ CFIB, *Taking the Temporary out of the TFW Program*, 2014.

Figure 10

**To what extent do you support or oppose the following aspects of EI?
(% response)**



These results indicate that small business owners are supportive of a number of methods introduced by the previous government to encourage people back to work in some capacity as fast as possible. This is especially true as business owners continue to experience difficulty attracting and retaining workers and should not be continuously competing with the EI system for workers. CFIB therefore encourages the federal government to consider reinstating these aspects of the EI system that are supported by small business employers, and may help provide assistance in finding the workers necessary to run their business.

“Stakeholders from industry and employees should be involved in the discussions on change. Most people in government don't understand or see the real world implementations of the decisions they make. Common sense would go a long way.”

- Construction business owner, Prince Edward Island

Small business views on upcoming changes to EI

With regards to proposed changes to the EI system that will be rolled out starting in 2017, views are generally less favourable. Small business owners were very disappointed with the federal government’s decision to shelve the idea to implement an EI rebate for employers hiring youth between the ages of 18-24. The majority of business owners (80 per cent) either strongly or somewhat support this particular proposal (see Figure 11). CFIB research also shows that 80 per cent of small business owners have hired or tried to hire a youth worker, with 56 per cent successfully hiring the individual.¹⁴ Effectively, small businesses are often the first job for many young workers.¹⁵ The credit would have provided much needed financial assistance to employers looking to hire from this pool of candidates. Based on small business

¹⁴ CFIB, *Taking the Temporary out of the TFW program*, December 2014.

¹⁵ CFIB, *Small business, big investment: Improving training for tomorrow's workforce*, 2015.

owners' feedback, CFIB recommends that the government introduce an EI rebate for youth hiring. This type of rebate also helps to address added costs of hiring younger workers who may take longer to train when compared to more experienced workers.

Other proposed changes that received some small business support include government's plan to improve the flexibility and accessibility of compassionate care benefits, with 58 per cent of business owners somewhat or strongly supporting this measure. As well, the government's plan to reduce wait periods for receiving EI regular benefits from 2 weeks to 1 week received support, with 57 per cent of small business owners being somewhat or strongly supportive of this measure (see Figure 12).

While there is not very strong support on either side of the debate, 41 per cent of business owners somewhat or strongly support investing \$500 million¹⁶ in employee training paid through existing EI premiums while only 50 per cent oppose it (see Figure 11). This suggests that while small business owners are supportive of employee training overall, they may not be very supportive of training investments provided through EI premiums. Instead, as discussed in detail above, investments which are much more tailored to their needs as small employers or which recognize the types of training they provide (e.g. on-the-job, informal training) would be more appropriate.

In terms of the proposal to eliminate the 910-hours minimum eligibility to receive regular EI benefits, 30 per cent of SMEs somewhat or strongly support this proposal (see Figure 11) while 51 per cent are opposed. There is likely a fear that modifying this minimum requirement will create easier access to the EI system and possibly act as a disincentive to work as employees may work the minimum required hours just to be able to return to collecting EI benefits. CFIB recommends that the 910-hours minimum eligibility requirement remain in place as small business owners do not support the government's plan to eliminate the requirement.

"I think The EI system should be there to support people in need and not function as a support for those who don't want to work..."

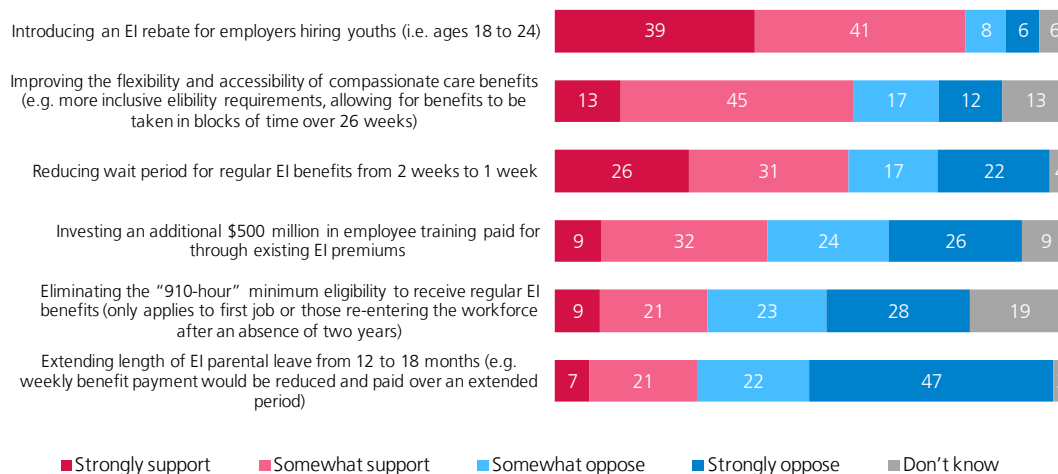
-Agriculture business owner, Ontario

When it comes to extending the length of EI parental leave from 12 to 18 months, 28 per cent of business owners either somewhat or strongly support this measure (see Figure 11). The federal government should reconsider this approach as it causes hardship for business owners that experience a long term absence of an employee, especially if the employee is able to take their EI-funded parental leave intermittently causing further interruptions in the business work cycle.

¹⁶ Government of Canada, "Budget 2016: Chapter 1 – Help for the Middle Class", <http://www.budget.gc.ca/2016/docs/plan/ch1-en.html> (accessed, July 26, 2016).

Figure 11

Please indicate to what extent you support or oppose the following proposed changes to EI (% response)



These results indicate that in most instances, small business owners are not overwhelmingly supportive of the federal government’s plans and actions for EI. In some cases, business owners understand the benefits of the proposed changes, but in other circumstances, would like to see some of these items reconsidered. CFIB recommends that prior to implementing such changes, input from small- and medium-sized business owners is carefully sought out and considered in order to better understand the impacts of these changes, not only on employees but also on smaller employers. Any significant changes to the EI system, especially during a period of economic instability, must be closely monitored and if the intended objectives are not reached, they should be altered or removed.

CFIB strongly encourages the federal government not to take a bulldozer approach to something that may require a scalpel. Permanently modifying many aspects of the EI program without carefully considering the impact on small business owners and their employees may have damaging results in the long-run that may be overlooked when implementing short term solutions. Any revisions or program changes should be beneficial to Canadian workers and small business owners, without placing a heavy strain on the Canadian economy and taxpayers. As such, we recommend comprehensive consultations with key stakeholders in order to ensure reforms meet the real needs of the labour force.

“It is good to revisit and revamp these programs from time to time. And if we are going to have these types of safety net programs in place, they had best be serving the needs and be as full and beneficial as possible for society and individuals, while still being as administratively efficient and rates as reasonable as possible...”

-Manufacturing business owner, Manitoba

Small business perspectives on alternative approaches to EI

The initiatives presented below are alternative ideas to reform the EI system that CFIB wanted to examine with small business owners. CFIB believes the federal government should consider these proposals as possible ways to provide support for small business owners and Canadian workers.

For instance, the vast majority (94 per cent) of business owners somewhat or strongly support refunding EI over-contributions for employers (see Figure 12a). Currently employers are not refunded any of their EI over-contributions. While employees are refunded their over contributions as part of their annual income tax return, the employer portion remains in the EI account. At the very least, these funds should be reallocated to a training or job credit for employers. This issue is one of fairness and should be addressed as soon as possible.

“I think making the premiums paid by employee and employer equal would be a good start. I really have never understood the rationale behind why the employer pays 1.4 times the employees’ amount.”

- Retail business owner, British Columbia

An overwhelming majority of small business owners (87 per cent) strongly or somewhat support setting equal EI premium rates for employers and employees (see Figure 12a). CFIB has been advocating for the equal split in EI premiums for a number of years, and these recent survey results only further support this long-standing CFIB recommendation. Having employees and employers equally contribute to the EI system would help reduce the tax burden on small business owners and allow them to hire more staff, improve wages and continue to grow their business.

“I would prefer a 50/50 split on the premiums. This would enable the purchase of more tooling and equipment, and if more work, also enable the hiring of new personnel.”

- Manufacturing business owner, Quebec.

In terms of extending the Small Business Job Credit (SBJC) beyond 2016, 78 per cent strongly or somewhat support this idea (see Figure 12a). However, the SBJC was not renewed in the last federal budget and as a result of the elimination of this job credit, small business owners are facing a slight increase in EI premiums in 2017. This compounded with the fact that SMEs are more labour intensive and feel the impacts of payroll tax increases more significantly than larger businesses means that 2017 is shaping to be a more difficult year than expected for Canadian entrepreneurs. CFIB strongly recommends that the federal government renew the credit for 2017 and the following years or put in place a similar credit for hiring and/or employee training. This will make it easier to hire new workers or invest in additional training to help entrepreneurs grow their businesses.¹⁷

¹⁷ CFIB, 2015 Federal budget and elections survey, 2015.

The Small Business Job Credit

The Small Business Job Credit is a two-year measure that helps small businesses by lowering their Employment Insurance (EI) premiums from the legislated rate in 2015 and 2016. The credit offers a 15 per cent net reduction in Employment Insurance (EI) premiums paid by small businesses, thus effectively lowering the employer portion of the EI contributions for 2015 and 2016.

With the effective end of the SBJC in 2017, small businesses previously benefiting from the SBJC will see an increase in their EI rates from \$2.24 to \$2.25. This coupled with other factors such as economic insecurity and potential tax increases in other areas (i.e. Canada Pension Plan) has the potential to result in a heavier strain of the system and its main investors, Canadian workers and small business owners.

In terms of introducing a single national EI eligibility requirement (i.e. number of worked hours required for eligibility) for all workers across Canada, 76 per cent of SMEs strongly or somewhat support this idea (see Figure 12a). With three quarters of SMEs who support the proposal, it is another area policy makers should explore further as it would help encourage Canadians to move to regions of the country where work is more readily available without fear of having more limited access to EI once they have relocated.

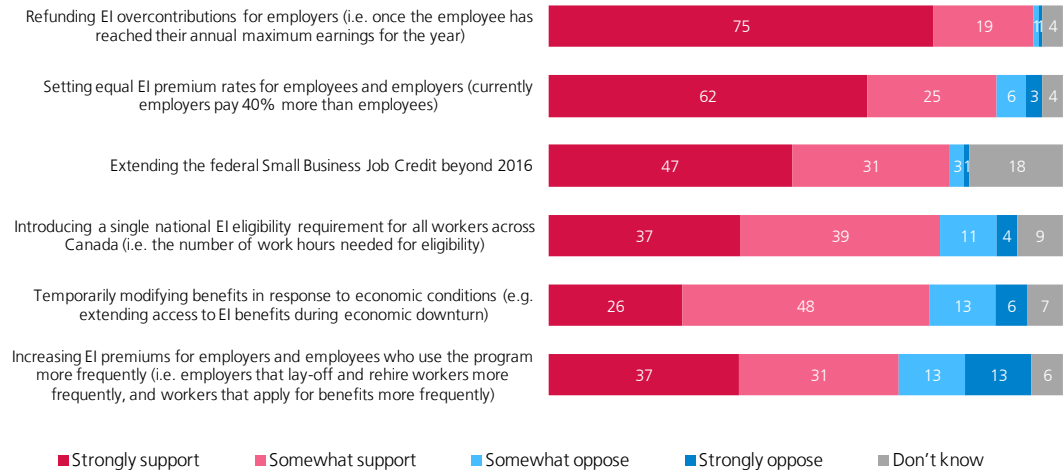
While the effects of the economic downturn have been felt across the country, some natural resource producing provinces (e.g., Alberta and Newfoundland & Labrador) have experienced more challenging times. One idea to provide relief during this period would be to temporarily modify benefits in response to economic conditions (e.g. extending access to EI funds during difficult economic times). Seventy-four per cent of business owners strongly or somewhat support this idea which has already been implemented by the federal government in those hard-hit regions of the country.

Lastly, when it comes to increasing EI premiums for employers and employees who use the program more frequently, 68 per cent of small business owners strongly or somewhat support the idea (see Figure 12a). This idea would require employers and employees who use the program more often than others (e.g. seasonal workers) to contribute higher premiums than others to reflect their relative use of the program. With regards to business seasonality, 75 per cent of non-seasonal businesses support this measure, compared to 57 per cent of seasonal business (see Figure 12b). CFIB recommends the federal government consider this proposal as a way to bring fairness for those who very rarely or never use the EI program, but are left paying the same level of premiums as more frequent users.

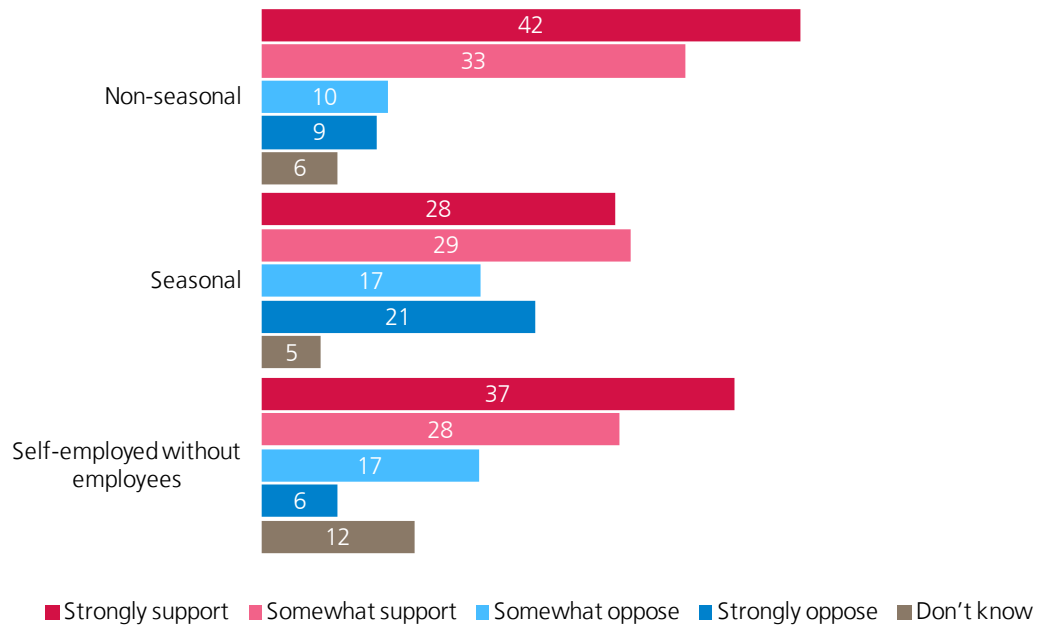
Figure 12

To what extent do you support or oppose each of the following potential initiatives or ideas to modify the EI system? (% of response)

a. Aggregate



b. Increasing EI premiums for employers and employees who use the program more frequently (% of response), By business seasonality



Conclusions and Recommendations

The results show that while small business owners are supportive of the overall core functions and role of EI, there are ways in which it can be improved to better serve employers and employees and bring some much needed fairness to the system. Below is a list of recommendations to be carefully considered by policy makers prior to the implementation of any modification to the EI system:

Implement small business friendly measures

- ▶ **Recommendations on previous aspects of EI:**
 - **CFIB recommends that the federal government consider maintaining or reinstating a number of aspects from 2012 that received strong support from small business owners.** Specifically, these include:
 - Pushing more jobs to EI claimants by better using information from employers about open positions; and
 - Encouraging EI claimants to look for work every day.
- ▶ **Recommendations on upcoming changes to EI:**
 - Reconsider **the proposal to extend the length of parental leave from 12 to 18 months** as it will cause hardship for business owners that experience a long term absence of an employee.
 - **Maintain the “910-hour” minimum eligibility to receive regular EI benefits.**
 - **Introduce the EI rebate for youth hiring:** Small business owners play a key role in both training and employing Canadian youth. Therefore we are disappointed to see the government retract its promise to implement a 12-month break on employer premiums for all those who hire employees between the ages of 18 and 24. **CFIB recommends that the EI rebate for youth hiring be introduced, that it be easy to access and require minimal amount of red tape from small employers.** Ideally, it should work in a similar way as the SBJC and previous EI credits that have CRA automatically providing the credit at the end of the year based on the tax filings already being provided by the business owner.
- ▶ **Recommendations on alternative approaches to EI:**
 - **Renew the Small Business Job Credit** (or a variation of the credit) beyond 2016. As more labour intensive employers compared to their larger counterparts, the SBJC has been an essential resource for small business owners, providing support to help expand and invest in their business, and their employees. Small business owners were disappointed that the SBJC was not renewed in the last federal budget, but are hopeful that it or a similar type of credit will be reinstated again in some form starting in 2017.
 - Alternatively, the government should **consider implementing a permanent, lower EI rate for small businesses.** A permanent reduction

in the proportion of EI that small firms pay could be delivered through a tax credit or a proportionately lower rate (e.g. 1.2 times instead of 1.4 times higher). Renewing the SBJC or implementing a new tax credit for 2017 would allow the government to properly investigate this option and evaluate how well it addresses the needs of small businesses.

- **We would also encourage the government to consider implementing a 50/50 split in EI premiums so that both employers and employees contribute equally.** Moving to a 50/50 split at the same time that the EI rate is expected to drop would mitigate the impact on employees as they would not likely experience any significant increase in their EI rates.
- **Implement a system to allow business owners to claim employer over-contributions.** Alternately, this could be addressed by using employer over-contributions to fund other initiatives of benefit to employers, such as small business job or training credits or other programs that have demonstrated, through proper metrics, that they are effective in getting people back to work.
- **Consider introducing a single national EI eligibility requirement** (i.e. number of worked hours required for eligibility) for all workers across Canada.
- **Consider the proposal to increase EI premiums for employers and employees who use the program more frequently.**

Improve EI training programs and initiatives

- ▶ **Better align and increase awareness of EI training programs and initiatives with small business needs:** there should be an increased effort to ensure that existing EI training programs and initiatives meet the needs of small business employers. In addition to increasing awareness of these programs and initiatives, the federal government must ensure they remain easy to access with a limited amount of associated red tape. CFIB has made a number of recommendations on how improvements can be made to training programs, including:
 - Government training investments must recognize the realities of running a small business;
 - Ensure government training investments match the skills training employers need, and;
 - Recognize informal training to better support the training efforts of small- and medium-sized businesses.

Improve customer service

- ▶ **Improve customer service provided by Service Canada staff** and ensure call agents are properly trained so they are able to respond to employees and employers in a timely and accurate manner. Canadians depend on the information provided to them through Service Canada to make important decisions regarding their EI benefits, and so it is very important to receive the correct information. Below are further details of how this can be achieved:

- **Implement a call back service:** Implement a call back service through Service Canada where employers and employees can be added to a queue and receive a call back from an agent in a timely manner. Many private organizations provide this service that allows callers to get back to their busy schedules without too much interruption to their work day.
- **Allow for email communications:** Employers and employees should be able to communicate with Service Canada staff by email. Inquiries must be responded to within a timely manner (e.g. 10 business days) and information provided must be in plain language. The Canada Revenue Agency implemented this feature through the “My Business Account” portal, and it has proven to be quite successful among users. Service Canada should also honour this information should it later be found to be incorrect.
- **Require call-centre agents to provide an identification number:** CRA has also implemented this feature. By providing callers with an agent identification number, Service Canada reassures employers and employees that they are more accountable for the information they provide and is a way for business owners to identify where they got government information.
- **All written and verbal communications provided to employers should be provided in plain language.** This includes information provided by call centre agents as well as all written materials (e.g. announcements, web notices, letters, etc). CFIB can provide useful feedback to ensure communications are provided in a manner that will be easily understood by small business owners.
- ▶ **Reduce the administrative requirements and compliance burden associated with EI.**
 - For example, change administration requirements so that employers can use current payroll data to eliminate the administratively burdensome process of manipulating weekly EI data.
 - Consider eliminating ROEs that provide no extra benefit.

EI fund management

- ▶ **All EI money should ultimately return to EI contributors.** The EI account posted a surplus for the first time in many years in 2015, it is important to ensure that going forward any money collected from EI premiums remains in EI programming and is used to reduce EI rates.
- ▶ **We strongly encourage the government to remain committed to the planned seven year break-even rate policy going forward as it will bring stability to SMEs when planning their hiring, ensure that employers and employees are not paying inflated premiums, and would help avoid any unnecessary accumulation of EI revenue in the account.**

The EI system should be focused on ensuring that Canadians are able to get back to work as quickly as possible, not act as a deterrent for employment. Decision

makers should be aware that every dollar that comes out of a business for payroll taxes like EI adds a direct cost to employment and growth, which in turn can hurt job creation. As the federal government prepares to spend \$92 million dollars on reviewing EI, we hope that the recommendations outlined in this brief will help bring more fairness and transparency to the system, benefiting small business owners and Canadian workers.

Appendix

Results of CFIB Employment Insurance Survey¹⁸

Table A1

Does the number of employees in your business vary from season to season?, by province (% response)

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL	Can.
Yes	33	33	34	36	33	42	42	38	45	50	36
No	63	63	62	63	62	55	54	57	49	50	61
Not applicable, I do not have any employees	4	3	4	1	5	3	4	4	5	1	4

Table A2

In the past year, has your business laid-off or terminated any employees?, by province (% response)

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL	Can.
Yes	43	55	35	39	38	43	36	39	35	48	42
No	57	45	65	61	62	57	64	61	65	52	58

Please indicate your level of awareness and support for the following EI training services or programs

Table A3

Apprenticeship Tax Credit, by industry (%response)

	Agriculture	Natural Resources	Construction	Manufacturing	Wholesale	Retail	Transportation
Aware and support	25	37	51	36	26	24	29
Aware and do not support	14	16	12	16	17	14	14
Unaware	61	48	37	47	57	62	57

Table A3 - continued

	Arts, Recreation & Information	Finance, Insurance, Real Estate & Leasing	Professional Services	Enterprises & Admin. Mgmt.	Social Services	Hospitality	Personal, Misc. Services
Aware and support	23	29	37	23	20	23	50
Aware and do not support	16	11	15	14	10	14	9
Unaware	61	60	48	62	70	63	40

¹⁸ Figures may not add up to 100% due to rounding

Employment Insurance Survey

As is our usual practice, your individual responses will be strictly confidential (only aggregate results will be released).

To ensure that our scanner accurately records your answers, please mark clearly within the appropriate boxes.

1. Does the number of employees in your business vary from season to season? (Select one answer only)

- Yes
- No
- Not applicable, I do not have any employees

2. On average, how many people work in your business? Please include the owner(s) and all full-time and part-time employees. (Enter approximate number)

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3. In the past year, has your business laid-off or terminated any employees? Please exclude lay-offs or terminations due to the seasonal nature of your business. (Select one answer only)

- Yes
- No

4. In the past year, have you had any family members working in your business? (Select one answer only)

- Yes
- No

5. Are you aware that under certain conditions Employment Insurance (EI) premiums do not have to be paid for family members? (Select one answer only)

- Yes, I am aware and I "have" taken steps to get an EI refund
- Yes, I am aware but "have not" taken steps to get an EI refund
- No, I am not aware

6. During the past year, did your business have any difficulty hiring people because you suspect they would rather collect EI benefits? (Select one answer only)

- Yes
- No
- Don't know
- Not applicable, have not attempted to hire during the past year

7. During the past year, have any employees asked you to lay them off so that they can collect EI benefits? (Select one answer only)

- Yes
- No
- Don't know

8. Please indicate your level of awareness and support for the following EI training services or programs. (Select one for each line)

	Aware and support	Aware and do not support	Unaware
Canada Job Grant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Canada Job Bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Apprenticeship tax credits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Work-Sharing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Small Business Job Credit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. How would you rate the following aspects of the EI system? (Select one for each line)

	Very Good	Good	Poor	Very Poor	Don't know/Not applicable
Level of premiums (employer and employee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Level of regular employment insurance benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Level of special benefits (e.g. parental leave)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of employee training programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. Currently, the federal government uses the EI fund to finance not only regular EI benefits, but also other types of special EI benefits (e.g. maternity/paternity benefits, sickness benefits, compassionate care benefits, employee training). Which of the following special benefits should be financed through the EI fund? (Select as many as apply)

- Maternity/paternity benefits
- Sickness benefits
- Compassionate care benefits
- Benefits for parents of critically ill children
- Employee training
- None of the above
- Don't know

11. The federal government has proposed a series of reforms to the EI system. Please indicate to what extent you support or oppose the following proposed changes to EI. (Select one for each line)

	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose	Don't know
Extending length of EI parental leave from 12 to 18 months (e.g. weekly benefit payment would be reduced and paid over an extended period)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investing an additional \$500 million in employee training paid for through existing EI premiums	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improving the flexibility and accessibility of compassionate care benefits (e.g. more inclusive eligibility requirements, allowing for benefits to be taken in blocks of time over 26 weeks)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reducing wait period for regular EI benefits from 2 weeks to 1 week	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introducing an EI rebate for employers hiring youths (i.e. ages 18 to 24)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Eliminating the "910-hour" minimum eligibility to receive regular EI benefits (only applies to first job or those re-entering the workforce after an absence of two years)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. The federal government has promised to undo a number of recent changes to the EI program. To what extent do you support or oppose the following aspects of EI? (Select one for each line)

	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose	Don't know
Pushing more jobs to EI claimants by better using information from employers about open positions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging EI claimants to travel farther (up to one hour) to accept employment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging EI claimants to accept jobs paying 10% to 30% less than their last position	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging EI claimants to look for employment every day	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging EI claimants to accept any hours of employment (e.g. part-time)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging employers to hire local people rather than hiring temporary foreign workers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Please describe how the EI rules introduced in 2012 have helped or hurt your business?

14. To what extent do you support or oppose each of the following potential initiatives or ideas to modify the EI system? (Select one for each line)

	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose	Don't know
Extending the federal Small Business Job Credit beyond 2016	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Setting equal EI premium rates for employees and employers (currently employers pay 40% more than employees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Refunding EI overcontributions for employers (i.e. once the employee has reached their annual maximum earnings for the year)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Temporarily modifying benefits in response to economic conditions (e.g. extending access to EI benefits during economic downturn)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introducing a single national EI eligibility requirement for all workers across Canada (i.e. the number of work hours needed for eligibility)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increasing EI premiums for employers and employees who use the program more frequently (i.e. employers that lay-off and rehire workers more frequently, and workers that apply for benefits more frequently)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. How do you rate Service Canada (customer service for the EI program) on the following related to EI? (Select one for each line)

	Very Good	Good	Poor	Very Poor	Don't know/not applicable
Amount of paperwork	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Readability, simplicity of information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Promptness of responses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Treatment by staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge of staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. What would your business do with savings from a lower EI premium rate for employers? (Select as many apply)

- Increase investments in my business (e.g. equipment)
- Hire new employees
- Increase employee compensation (salary and benefits)
- Increase staff hours
- Invest in additional employee training
- Pay down debt
- Convert tax savings into profit
- Increase charitable donations
- Lower prices
- Other (Please specify) _____
- _____
- Don't know

17. How would you improve the EI system to benefit your business and/or your employees?

General comments: