Employment Insurance Measures
A Must for Fiscal Stimulus

Angella MacEwen January 26, 2016

Low oil prices have taken their toll on an already weak Canadian economy, where household debt levels are at record highs and business investment continues to lag. The Bank of Canada held off on a further rate cut this week, opting instead to wait and see the size and structure of fiscal stimulus in the upcoming federal budget.

This decision comes as economists are split between the need for "shovel-ready" infrastructure spending and longer-term investments. Alongside this debate are calls for stimulus targeted to oil-producing provinces, especially Alberta. That debate misses the fact that the most shovel-ready and targeted fiscal stimulus is employment insurance. Meaningful infrastructure spending can take months or years to get off the ground, but unemployed workers get (and spend) EI benefits within weeks. Money flows directly to hard-hit communities exactly when they need it.

This is why the optimal policy mix for our current economic situation includes temporary EI measures and faster implementation of some EI election promises. The temporary measures will act as stimulus, and the implementation of the election promises will make sure that access to benefits is fairer for unemployed workers.

When the recession hit in late 2008, Ottawa enacted temporary measures to stabilize the economy and help households make ends meet. The most important of these was adding an extra five weeks to EI benefits. When the economy is bad, it takes workers longer than usual to find new jobs. This would be especially true when one sector or region is at the centre of most job losses, which we have now with Alberta and the energy industry. Another five weeks of benefits recognizes this reality and gives workers the time they need to find a good job.

Increasing access to benefits will make the stimulus more effective and equitable. The Liberals' EI election promises aren't scheduled to take effect until January, 2017, but some would be straightforward to implement now.

The first is the promise to eliminate the eligibility requirement of 910 hours of insured employment for new entrants and re-entrants to the labour market. If the federal government eliminated the higher requirement for this group immediately, it would make access to EI fairer, especially for young workers and new Canadians.

Second, unemployed workers are facing significant delays in getting benefits approved, receiving decisions on appeals, or in even having their questions answered. Cuts to front-line services over the past few years have been devastating to the EI program. More staff needs to be hired to make sure that benefits flow without delay.

It would also be quick to scrap the 2012 changes to EI, such as reversing the three tiers of workers, returning to the previous definition of suitable employment and restoring the "best 14 weeks" pilot programs that created a single national standard for determining benefit levels.

Finally, existing skills-training programs are important to help workers transition to new employment. Another Liberal election promise was an increase of $200-million to fund provincial literacy and essential-skills training aimed at those who don't qualify for EI. While it's not part of EI, it would be help where it's needed most.

Why has so much of the focus been on physical infrastructure? Maybe it's because the federal government has promised a sizable investment in infrastructure over the next few years for projects such as affordable housing, public transit and municipal water-system upgrades. All of these investments are necessary, and will contribute to economic growth and Canadians' well-being. But they won't give the economy the boost it needs now. Employment insurance can help fill that gap – that's what it's there to do.

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Source:
http://www.broadbentinstitute.ca/employment_insurance_fiscal_stimulus