



NEWS RELEASE

Policymakers must consider automatic policy responses to recessions—EI benefits increased by nearly \$5 billion in 2009

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VANCOUVER—Regular employment insurance benefits (excluding special benefits such as maternity benefits) automatically increased by nearly \$5 billion in 2009 during the last recession in response to increasing unemployment, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“When unemployment increases, as it does during recessions, employment insurance benefits increase automatically, without policymakers in Ottawa crafting a new policy in response to the economic downturn,” said Jake Fuss, Fraser Institute economist and co-author of *Fiscal Policy and Recessions: A Primer on Automatic Stabilizers*.

Today, there are increasing signs of economic weakness in Canada. When recessions hit, governments face intense political pressure to act. But policymakers must understand there are several existing policies that respond automatically to recessions.

For instance, in 2009, spending on unemployment benefits by the federal employment insurance (EI) program increased automatically by nearly \$5 billion—or 43.4 per cent—as unemployment increased. This increase in spending helped smooth out fluctuations in household income and wages due to the recession, and partially mitigated the negative economic effects.

“During a recession, policymakers in Ottawa and elsewhere should consider the effects of these automatic policy responses before considering more proactive policies, which involve more spending and much larger deficits,” Fuss said.

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