



# NEWS RELEASE

## COVID-19 recession exacerbates need to reform Employment Insurance in Canada

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For immediate release

**CALGARY**—The COVID-19 economic shutdowns and recession have caused unemployment to rise, placing financial pressure on the Employment Insurance program and amplifying the need to substantially reform Canada’s EI system, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

“The federal government has acknowledged that the COVID-19 pandemic has shown the need for a ‘21st century’ employment insurance system, but tweaks to the status quo likely won’t be sufficient to address the underlying problems of Canada’s inefficient system,” said Jake Fuss, a senior economist at the Fraser Institute and co-author of *Reforming Employment Insurance for the 21st Century*.

The study highlights problems with Canada’s current EI system, which provides unequal benefits depending on where a worker lives, and doesn’t cover the self-employed or those who work in the growing ‘gig’ economy.

And previous research has shown that overly generous employment insurance benefits actually incentivize people to stay unemployed for extended periods of time, and that Canada’s current EI system encourages seasonal unemployment and repeated episodes of unemployment, particularly in Atlantic Canada.

The study also notes that with Canada’s unemployment rates expected to remain high as a result of COVID, the financial strain of paying for Canada’s EI system will increase.

One possible and substantial reform to Canada’s EI program would be to replace it with Unemployment Insurance Savings Accounts.

These are mandatory personal savings account into which employers and employees make payroll tax contributions. The individual savings accounts are the property of the contributor, and workers can withdraw funds from it during periods of unemployment. Furthermore, if workers are left with a positive balance in their account when they retire, the money is theirs to be added to retirement income.

“There are many potential implementation issues associated with moving Canada to an Unemployment Insurance Savings Account model that would need to be considered, but this reform is indicative of the kind of bold changes policymakers will need to consider in the years ahead,” said Steven Globerman, resident scholar at the Fraser Institute and co-author of the study.

“The weaknesses of Canada’s current Employment Insurance system have been exacerbated by the COVID recession, and making the system work for employees, employers and the economy as a whole will not be an easy fix.”

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